***Urbanization, Slums Growth and Challenges of Low Income Habitat***

Zaigham Mahmood Rizvi[[1]](#endnote-1)

The world’s biggest concern is the burden of ever increasing population. With around 7.5 billion people presently on the face of the earth, the habitable land on the globe is already over populated and densified in terms of increasing Persons/Sq.KM. This burden of population, among many other things, is greatly disturbing the people’s right to live respectfully and in decent habitat. Among the basic social needs i.e., food, clothing and shelter, having shelter is one of the three most basic requirements of the people.

The basic social needs, Food, Clothing and Shelter, a primary responsibility of the state, though may not be sufficient enough for economically weaker segments of the society, yet the nature is providing food and clothing to a great extent. But there are issues in housing, and providing shelters to the people, more so for low-income segments and population at bottom-of-the-pyramid. The availability of houses is not in the hand of the nature; it is the role and responsibility of the people, the society and the state. The rate at which the world population is growing, the supply and availability of housing is not matching the pace. The increase in the housing need and the multiplication of the problems relating to housing is basically for two main reasons: firstly the increase in population in geometric multiplication, and secondly the rapid migration of great numbers of population from rural areas to urban areas for various economic objectives, the phenomenon commonly known as urbanization. Overall population growth and rapid urbanization are reasons why numbers of houses are not increasing in the same ratio as the growing need for minimal to reasonable housing.

Coming back to the issue of the population, as stated earlier, the present population of the world is estimated at 7.5 billion, which is expected to be hovering around 10 billion by 2050. Worldwide, some 830 million people live in urban slums, and by 2020 it is estimated that the world’s slum population will cross 1 billion (one out of seven people on the globe). Slum dwellers grew from 777 million to 830 million during 2000-2010. It may, however, be mentioned here that, in the wake of the efforts for realizing MDG goals, 227 million people have so far moved out of slums.

The global urbanization in 2010 was 51%, which would be 61% by 2030, which means that three out of four would be urbanite by 2050. Major metropolitans in developing countries are expected to absorb 95 per cent of urban growth in the next two decades, increasing the slum population by nearly 500 million between now and 2020.  Because of this coercive urban growth, globally more than a billion plus people would live in slums – that is, one out of seven people would be living in slums by that time. Unless urgent initiatives are taken, 1.4 billion people will live in slums by 2020. Cities account for some 70 per cent of global GDP and city slums are often economically vibrant; around 85 per cent of all new employment opportunities in the world occur in the informal economy burgeoning in slum areas (case of Dharavi, the Mumbai Slum).[[2]](#footnote-1)

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| **Dharavi slum – Mumbai, India** | |
| **Eking Out a Living:** The chance to earn a few dollars a day and save for family and future draws laborers from across India to Dharavi, whose off the books, largely unregulated industries annually churn out some 500 million dollars worth of goods. In the Kalyanwadi tanning district, workers handle dry cowhides that will end up as purses and jackets stitched with fake designer labels. Often the wor is dirty and punishing | **Bowled Over:** A potter's son surveys a yard paved with drying clay bowls, the traditional work of the kumbhar caste, who set up their communal clay pits and kilns in the 1930s. The kumbhars fear that any slum renewal will shrink their space or force them to relocate. |
| **A neighborhood walk** : A young girl strolls along a leaky water pipe through Dharavi's industrial district | **Dirty Laundry:** At a laundry pool grimy with sewer runoff, laborers from the state of Andhra Pradesh make ten cents per piece of clothing. |

Presently, in Asian countries like India and Pakistan nearly one third of the population lives in urban areas (rural/urban divide), that require much better amenities and facilities in already over-stretched infrastructure of those cities, thus depriving them from a respectable living. By 2030, this population will be 60% of total population. Half of this urban population is compelled to live in poor conditions, in indecent housing and slums. The rural areas and smaller towns in most of countries in Asia are not well equipped with social infrastructure like health and education, physical infrastructure like roads and transport, communication infrastructure and above all availability of any meaningful economic activities for economic empowerment of the habitat.

Factors contributing to urban migration are, greater economic growth, socio-economic disparity between smaller towns and metropolitans, rising income levels, employment opportunities, workers migration to urban areas for better work opportunities, occupational shift from agriculture to manufacturing and services, changing attitudes towards consumption and better life style, changing family culture and shrinking of household size etc. Fact remains that almost half of the world’s population lives on less than $2.50 a day, and four out of five people earn below $10 a day. World needs 4,000 houses an hour to keep up with incremental demand due to population growth (UN-Habitat). Whereas supply against this is very nominal due to absence or deficient rural housing policies, and this problem is adding fuel to the fire. There is no denying the fact that adequate housing is vital to the health of the world’s economies, and better community living. If we are to succeed in our fight against poverty, we must support the expansion of housing both as policy and as practice for socio-economic empowerment.

**Population and Housing Challenges: Asia-Pacific Region**

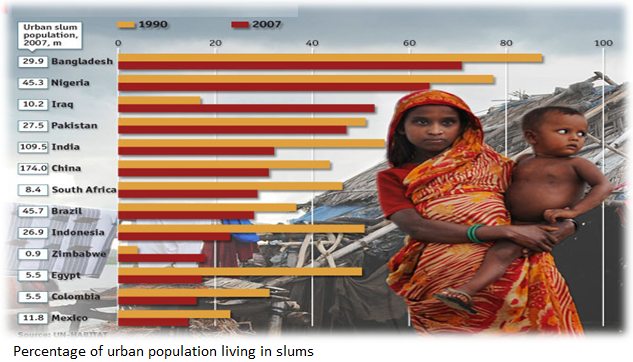
This region represents more than 1/4th of the world’s population, and ½ of the poor on the planet. Asia-Pacific, including China, represents half of the world’s total population. But this region is still among the lowest in terms of mortgage finance. Average Mortgage Debt to GDP Ratio is 3.3. The region is faced with massive housing shortage; India alone faces an urban housing shortage of 18 million, down from 27 million in early 1990s. Pakistan is stated to have overall housing backlog of 11-12 million, with urban housing backlog at 4 million. Nearly entire urban shortage is in low-income category. A glimpse of persons per room density of selected region is as follows:

* + India/Pakistan 3.5
  + EU 1.1
  + USA 0.5

In case on a national average, if there is one room for 3+ persons, then it may be 6-8 persons per room in many other localities. A deeper visit to the slums would indeed substantiate this view.

**Causes for growth of slums**

The rapid increase in urban areas and urban population coerces the lesser privileged people to arrange for unplanned habitat, as increase in planned housing does not always keep pace with the increase and influx of population in the urban areas. At the same time the existing habitable structures may also be going through depletion for various reasons, whereas most assessments of the housing backlog and incremental demand do not even count for the housing stock going out of service due to depletion over longer periods. For example in case of Pakistan, if we consider depletion of stock considering useful life of a housing unit as 100 years, the incremental demand due to depletion of the existing stock will move up by 0.2 million i.e., from 0.7 to 0.9 million units, whereas against this the overall yearly housing supply is assessed at 0.3 million only. At the same time, a cultural and demographic phenomenon might also be at work to force the household size to shrink, thus increasing the housing demand further for the same population. Household size in India is taken as 5.5, whereas in Pakistan it is considered at 6.6. In Pakistan as well, the household size is bound to go down and thus increasing the housing demand even for the same size of population. In Afghanistan, with a household size of 8 plus, and a dominant culture of extended families living under one room, the situation may be even more alarming. This may be because of enhanced affluence, increased income and improved social and cultural requirements. The culture of extended families is shirking in the region. Due to absence of urban planning, linked with housing issue and massive urbanization the cities are growing in circles around inner circles within the existing cities, rather than developing new cities and satellite towns. This result in densification, habitat congestion and increase in slums.



Land prices and higher rental rates normally attract economically weaker segments to settle in suburbs/illegal habitat which have no civic amenities, transport facilities, and utilities etc. People of low-income segment also generally prefer to live close to the place of work, which results in emergence of illegal habitat/slums. They normally prefer to move to slums in inner circles of cities, which provide all these amenities, thus leading to growth of slums in inner cities. On a larger perspective, it has also been seen that, failure of city planners and developers in redefining city limits (Zoning Limits) with progressive Master Plans (urban/rural re-zoning) is also a driving factor for emergence of slums. Deficient or absence of integrated housing and urban development function is also an important factor in slums proliferation. Urban planners need to take innovative approaches in urban planning to address issues of rapid urbanization, remove or at least minimize housing shortage backlog and address the housing cost/household income parity for improved affordability.

Urban planners and developers also need to address the issue of densification of city habitation in circular form within the center of the city or where the amenities and better commutation systems are already prevailing. The solution would lie in facilitating serviced lands availability, more efficient use of the available lands, rezoning of available land, and more importantly, developing sufficient and efficient city commutation system (Smart Habitat), so that people can easily commute between residence and work places.

For resettlement and rehabilitation of existing slum areas, planning and developments of new neighborhood/satellite towns equipped with physical, social infrastructure, transport etc. is needed to be made. For making all this possible, proper and purpose built platforms should be made available for coordination and wisdom sharing between urban planners, housing ministry, regulatory agnecies, developers and academia. The business model of public-private partnership may be most viable for self-sustainable plans and projects implementation.Indian State of Rajasthan presents 5 different PPP-Models to address the challenge of low-income affordable housing. More success stories and business models are available in countries of the region and around the globe.

Slum prevalence in different countries of Asia:

**Afghanistan**: 80% of Kabul’s population (2.44 million) lives in slums and/or in damaged/destroyed houses.

**Bangladesh**: 2,100 slums. In Dhaka only, 2 million people live either in slums or are without any proper shelter.

**India**: 52,000 slums provide housing to 8 million people (about 14% of the total urban population).

**Pakistan**: Karachi alone has about 600 to 800 slums sheltering 7.6 million people (1 million plus households) out of the total city’s population of 18 million.

**Sri Lanka**: A considerable share of the population of Sri Lanka lives in plantations, slums or shanties,

**Mongolia**: 51% of the population resides in temporary ‘ger’ dwellings.

**Indonesia**: 17.2 million families live in approximately 10,000 slum areas.

**Urban Housing Shortage and Urban Planning**

Urban planners need to address this challenge, which is growing gradually to alarming levels, in a more scientific, professional academic and comprehensive manner. Some of these considerations are:

* Innovative approaches in urban planning to address issues of rapid urbanization, housing backlog and cost/income affordability.
* Regulations on densification: Inner city expanding in circles around circles results in further densification. Issues of rezoning, development of “Serviced Land” etc.
* Alternative options to act against slums prevalence, expansion, and inefficient use of land.
* Resettlement and Rehabilitation Projects
* Plan and develop new neighborhood/satellite towns equipped with physical, social infrastructure, transport etc.
* Platform for on-going coordination and wisdom sharing between urban planners, housing ministry, developers and academia
* Business model of Public-Private Partnership for viable, self-sustainable plans and projects
* Integrate role of Academia, Research Centers etc.

**Self-sustained and sustainable housing communities**

As already stated earlier the slums can be found in almost all the developing countries, and this present big challenge for the governments and city planners. Some works are being sporadically done and some are at academic level. The paper is an effort to provide some food for thought and some way out to get the issues resolved on the ground through slums upgradation, rehabilitation and resettlement of projects/programs. Firstly there are needs to provide housing to the existing slum dwellers for some decent living, and secondly there is the need to prevent the sprouting of new occurrences. Slum dwellers are, therefore, needed to be provided with sustainable housing solutions in self-sustaining living communities, which would be equipped with the following:

* Social Infrastructure:
* Health, Education, Community participation
* Physical Infrastructure:
* Internal: Roads, Electricity, Sewerage, Water, and Playground
* External: Roads, Communication, Transport
* Economic Infrastructure: Commercial opportunities.
* Location: maximum one hour commuting time to job
* Energy efficient affordable housing
* If off-grid, then equip communities with alternate energy sources

**Affordable housing should be more than just a roof over someone’s head — it creates solutions that help residents and strengthen communities.**

**Self-sustained Communities: Developing Slums into decent habitat**

**A case of Community Organization Development Institute (CODI) of Thailand**

* CODI was established in 2000
* A public sector organization having flexibility in organizational management
* Main objective is to strengthen poor community organizations and Community Welfare
* Citywide slum upgrading ( **“**Baan Mankong**”**)
* Poverty Alleviation (Supporting communities in savings, credits, loans and community development plan, etc.)
* Assisting in setting up of Community Organization Councils throughout the country
* Promoting natural resource management, sustainable agriculture, solving land and housing disputes
* To make people, not CODI, the owners and key actors of the process,
* To coordinate with govt. agencies, NGOs and other civic groups
* To promote community-based savings and make use finance as a tool for development

Challenges of LIH: Supply Side

* + ISSUE: *Supply of serviced land* at affordable price: Availability of well-connected affordable land remains the main concern in major metropolitans/cities of Asia. Affordable land is often not well connected to transportation and other public services.

ANSWER: External Infrastructure support, in terms of physical and social infrastructure, to be a part of affordable supply of “serviced land” by the state.

* + ISSUE: *Rising Construction Costs*: According to developers across cities in India, their construction cost on yearly basis has increased by 15-20%. LIH is a ‘low-margin’ business, so not attractive, more so in case of delays.

ANSWER: Fiscal support in terms of waiver of sales tax, import duties, and other levies.

* + ISSUE: *Lengthy and Complex Approval Process*: This impacts construction timelines, project IRR, pricing. The approval fees/costs further add to the unit price.

ANSWER: Simplified approval procedures, on-line status, monitoring, waiver or discount of approval fees etc.

* + ISSUE: *Developer /Construction finance from* financial institutions and capital markets is not easily accessible due to absence of developer finance regulations in most of the countries. Developers fund the projects through short term in-house funding or through customer finance.

ANSWER: The Central Banks and Securities Commission/Boards to play a proactive role in facilitating market based supply of Long Term Funding for the developers.

* + ISSUE: Absence of or insufficient *Fiscal Support* to LIH projects.

ANSWER: Business Models of indirect Cross-Subsidies and direct Smart Subsidies to LIH/EWS projects will provide fiscal incentives to developers

* + ISSUE: Absence of or insufficient Regulatory Support to LIH/BoP Segments.

ANSWER: Regulatory incentives in terms of FARs, and wherever permissible, relaxation in Building Codes etc. without compromising on strength and quality parameters.

* + *External Infrastructure*: Government needs to ensure that *Raw Land* for LIH Projects is supported by way of external infrastructure in terms of roads, transport, communication etc., as well as provision of health and education- *From “Raw Land’ to “Serviced Land”.*
  + *Transport*: At the initial stage of LIH Project, public transport be provided.
  + Non-availability of *Low-Cost Construction Technologies*. The Developers to be facilitated and supported to import and indigenize Low-Cost Construction Technologies for manufacturing scale production.
  + *Lack of Low-Cost Construction Materials (CMIs)*: The Government to promote indigenized development and production of Low-Cost construction materials, and regulate standardization of CMIs for use in LIH Projects.
  + *Manufacturing Scale Production*: The development projects and the developers are of small size, thus denying the benefits of economies of scales, and use of proven low-cost construction technologies. Manufacturing scale provides economies of scale.
  + *Electricity Poverty in Off-Grid and Under-Served Habitat:* Use of renewable energy options, primarily Solar. Intelligent use of IFC’s Lighting Global Program using solar lights, solar fans and community based Solar Water Pumps.

Challenge of LIH: Demand Side

* Mismatch of Monthly Mortgage versus Income Affordability: At lower income levels, propensity to save is low and fragile.
* Income assessment issues, informal income, issue of family versus individual income etc.
* Income sustainability for long term remains an issue, while longer tenors are needed to make mortgages affordable.
* Poor prefer FRMs, the Lenders prefer ARMs.
* Long term liquidity/Funding challenges.
* Issues of title verification, lien registration costs/fees, lengthy and complex foreclosure process.
* Cost efficient loan delivery and servicing.
* Awareness on mortgage programs and fiscal/regulatory provisions.
* Specialized HFCs are needed to finance Low-Income Segment.
* Commercial banks (CBs) prefer middle and high income market- low-income housing finance by CBs be placed under priority lending regulations.
* Housing Microfinance Institutions for BoP/EWSs.
* Ensure outreach and financial inclusion to low-income segments, through innovative channels like Physical Branches, Virtual Branches, Service Agents, Service on Wheels etc.
* Customers’ lack of awareness on affordability, payment terms, registration & clearance of titles, and available fiscal/regulatory support.
* Delay in home delivery leads to simultaneous payment of rent and EMI.
* Provide interest rate subsidy to low-income customers.
* Waive or subsidize levies like VAT, Stamp Duty and Registration Fees for low-income customers.

**Conclusion**

* Affordable housing is a major challenge in all developing countries. Developed countries are no exception.
* Primary issue in addressing the challenge is the supply of affordable and habitable land (serviced land).
* For a decent habitat, the land is to be equipped with basic social and physical infrastructure.
* The areas/locations available for new affordable and self-contained communities, ironically, are either un-electrified or under-electrified, the solution of which only lies in provision of alternate energy sources like solar, wind, biomass etc.
* Out of these, solar is most appropriate option, since it can be provided at a very small scale like Solar Lanterns, Solar Home Solutions, Solar Water Pumps, etc.
* There is an utmost need for wisdom and experience sharing at regional and global level for prevention and eradication of slums, which is sheer difficult due to the huge volume of slums prevailing around the world. Extensive engagements of housing stakeholders with wisdom sharing platforms like International Union for Housing Finance (IUHF), African Union for Housing Finance (AUHF) and Asia-Pacific Union for Housing Finance (APUHF).

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1. The writer is the Secretary General of Asia-Pacific Union for Housing Finance-APUHF ([www.apuhf.info](http://www.apuhf.info/))

   He has served as Housing Consultant World Bank, UNHABITAT, CMHC-Canada

   He is an Ex-Advisor on Housing in Central Bank of Pakistan (SBP)

   He is Ex-Advisor of Housing at Encludes - USA (ShoreBank Int’l )

   He is GCC Advisor on Housing Policy and Finance AHI-USA

   He is Founding Chairman: Center for Affordable Settlements and Housing (CASH) [↑](#endnote-ref-1)
2. *Source: Homeless International http://www.homeless-international.org/About-Slums* [↑](#footnote-ref-1)