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*Urbanization, Slums Growth and Challenge of*

*Low Income Habitat:*

*ISSUES and possible ANSWERS*

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# Presentation includes

- Urbanization, Slums and Housing Challenges
- Housing challenges in Asia
- Urbanization and growth of slums
- Biggest Slums around the globe
- Affordability and Housing Market Segmentation
- Urban Housing Shortage and Urban Planning
- Energy Poverty and IFC lighting Global Program
- Low-Income Housing (LIH), Issues and Answers (Supply Side)
- Low-Income Housing (LIH) Issues and Answers (Demand Side)
- Conclusion
- A short Video on Urban Congestion: Railway Track-side Market



# Urbanization Explosion around the Globe

- World population is expected to cross 10 billion by 2050
- By 2030, nearly 60% of the world's population will be urban, and nearly 1/2 will comprise of urban poor living in poor habitat and in slums
- Urban growth rates are highest in the developing world, absorbing an average of 5 million new urban residents/month
  - Responsible for 95% of world's urban population growth
- Factors contributing to urban migration are: greater economic growth, rising income levels, employment opportunities, immigrant workers, occupational shift from agriculture to manufacturing and services, changing attitudes towards consumption and life style, changing family culture and shrinking household size



# GLOBAL Urbanization Explosion Cont'd

- Almost half of the World lives on less than \$ 2.50 a day, and one of four people around the globe are below \$ 10 a day.
- Worldwide, some 830 million people live in urban slums, and by 2020 it is estimated that the world slum population will cross 1 bn (one out of seven people on the globe)
- Every second person on the globe lives in urban areas. Expected to reach more than three out of four (70%) by 2050
- Slum dwellers grew from 777mn to 830mn during 2000-2010, may be much more
- Positive factor: 227 million moved out of slums; doubling MDG goals
- World needs 4,000 houses an hour to keep up with demand (UN-Habitat)

## **Challenge of this population and urbanization explosion:**

- The percentage of people without access to decent, stable housing is rising.
- Adequate housing is vital to the health of the world's economies, communities and populations. If we are to succeed in our fight against poverty, we must support the expansion of housing both as policy as well as practice for Socio-Economic Empowerment..



# Unplanned Urbanization leads to Slums

## *Urbanization:*

- World Urbanization in 2010 - 51%, and by 2030 - 61%
- Cities in developing countries are expected to absorb 95 per cent of urban population growth in the next two decades, increasing the slum population by nearly 500 million between now and 2020.

## *Slums:*

- One billion plus people live in slums. That's one out of seven of us. Unless urgent action is 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 around the world occur in the informal economy (Case of Dharavi, the Mumbai Slum)



# Housing Challenges : Asia-Pacific Region

- Region represents more than 1/4<sup>th</sup> of Worlds Population and 1/2 of the poor on the planet
- Asia-Pacific, including China, represents 1/2 of the Worlds Population
- Region is still among the lowest in terms of Mortgage Finance
  - Average Mortgage Debt to GDP Ratio is 3.3
- Region is faced with massive housing shortage
  - India alone faces an urban housing shortage of 18 mn, down from 27 million in 1990s.
- Nearly entire urban shortage is in low-income category
- Persons per room density:
  - India/Pakistan            3.5
  - EU                            1.1
  - USA                          0.5



# Asian Snapshot

- **Asia-Pacific represents:**
  - 1/4<sup>th</sup> of the world's population, and including China nearly half of the world population
  - Nearly 1/2 of the World's Poor
- **Awareness:** Housing has become a popular political slogan.
  - “Housing for all”;
  - “Slum Free Cities”
  - “Maang Raha hai har Insaan-Roti, Kapra, aur Makan” (Every human demands food, clothing and shelter); etc.
- **Delivery:** In few countries it is SOME, but in most there is NONE
- Each country in the region has its own geo-socio- economic parameters, while all face a common issue of “shelterless poor”

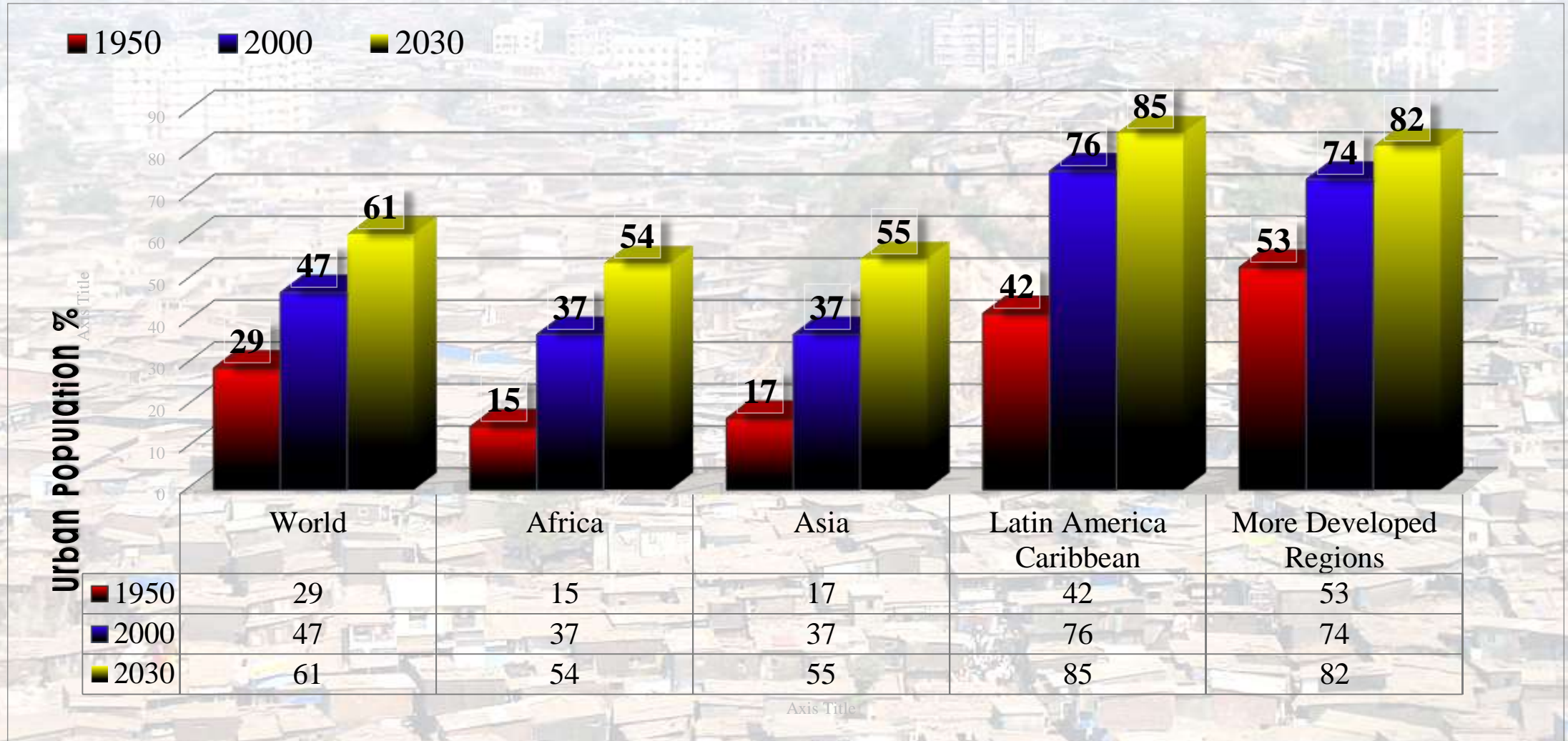


# Urbanization, Urban Housing Shortage and Growth of Slums

- Increased urbanization, population growth, depletion of stock
- Changing size of persons per household (a cultural phenomenon)
- Cities growing in circles around inner circles, rather than developing new cities and satellite towns
- Low-Income Segment prefers to live close to the place of work
- Failure in redefining city limits with progressive Master Plans ( urban/rural rezoning)
- Land prices force poor into suburbs/illegal habitat having no civic amenities, transport, utilities, while Slums in inner circles of cities provide all these amenities- leading to slums growth.
- Failure or absence of an integrated housing and urban development function.



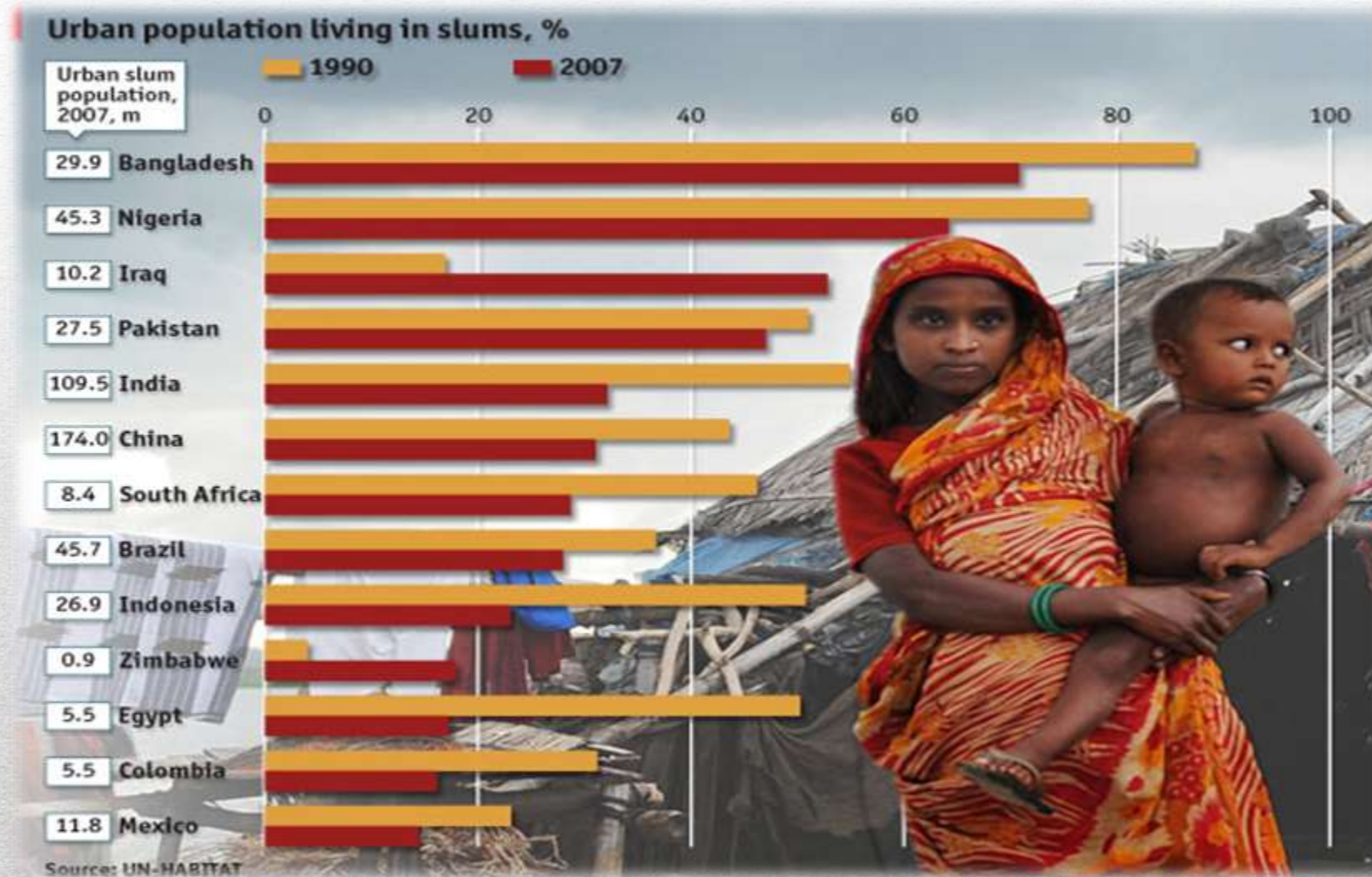
# Trends in Urbanization by Region, 2003



Source: United Nation World Urbanization Prospects



# Urbanization and Slums



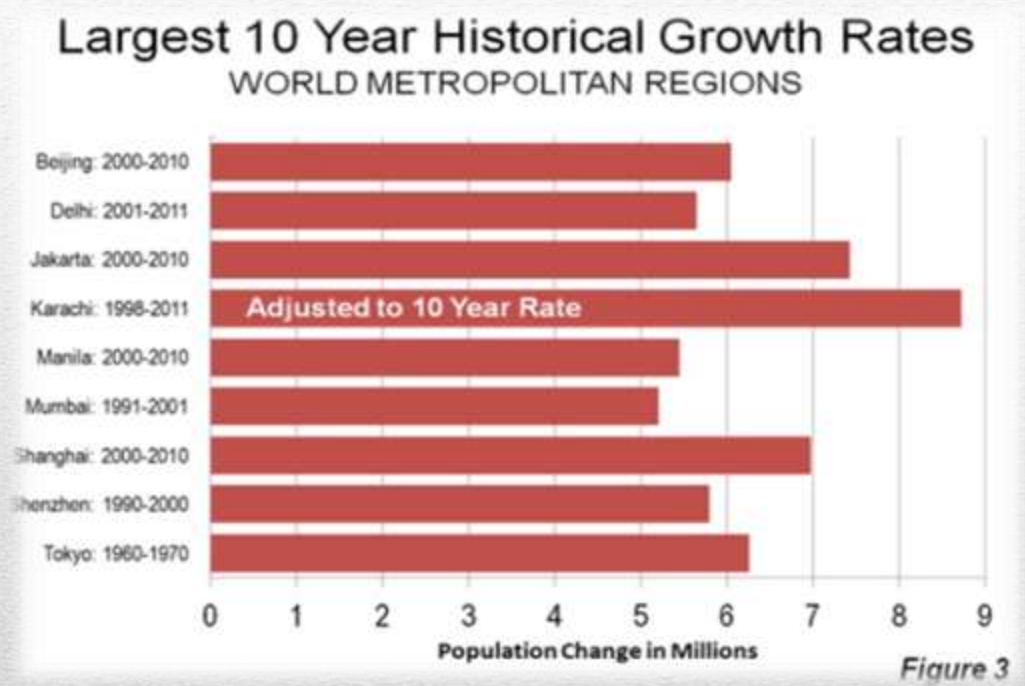
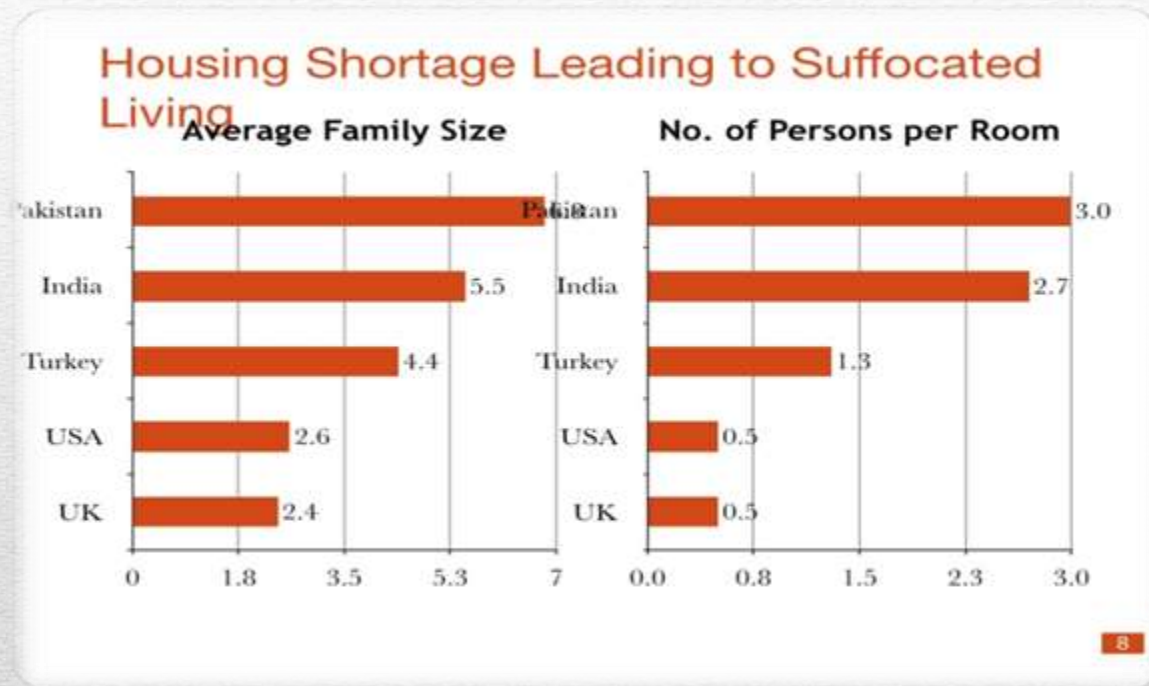


# Slums Prevalence in Asia

- **Afghanistan:** 80% of Kabul's population (2.44 mn) lives in slums and/or in damaged/destroyed houses
- **Bangladesh:** 2,100 slums. In Dhaka only, 2 mn people live either in slums or are without any proper shelter
- **India:** 52,000 slums provide housing to 8 mn people (about 14% of the total urban population)
- **Pakistan:** Karachi alone has between 600-800 slums sheltering 7.6 mn people (1 million plus households) out of the total city's population of 18 mn
- **Sri Lanka:** A considerable share of the population of Sri Lanka lives in plantations, slums or shanties
- **Mongolia:** 51% of the population residing in temporary 'ger' dwellings
- **Indonesia:** 17.2 mn families live in approximately 10,000 slum areas



# Asia: facing an abnormal urbanization and housing challenge





# Urban Congestion – A glimpse into reality





# Biggest slums around the world

- DHARAVI SLUM IN MUMBAI, INDIA
- ORANGI TOWN, KARACHI, PAKISTAN
- KIBERA SLUM, NAIROBI, AFRICA
- Favela (Slums) of RIO DE JANEIRO, BRAZIL
- KABUL, AFGHANISTAN
- DZERZHINSK, RUSSIA



# Dharavi - Mumbai



Photograph by Jonas Benliouan

**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 work is dirty and punishing.



Photograph by Jonas Benliouan

**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.



Photograph by Jonas Benliouan

**A neighborhood walk :** A young girl strolls along a leaky water pipe through Dharavi's industrial district



Photograph by Jonas Benliouan

**Dirty Laundry:** At a laundry pool grimy with sewer runoff, laborers from the state of Andhra Pradesh make ten cents per piece of clothing



# Kibera Slum, Nairobi, Africa





# Afghanistan: Slums of Kabul





# Urban Housing Shortage and Urban Planning

## Urban Planners need to develop:

- 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.



# Affordability: as per market practice

(Based on general definition used in the region)

## *Income Affordability :*

- When 35-40% of the disposable income match the equated mortgage installments (EMIs)
- Loan to value (LTV) Ratios are typically 70:30 or 80:20
- Loan Tenors are long...20-30 years

## *Cost Affordability:*

- The cost of a housing unit is equal to 50-70 times (4-6 years) of monthly income and EMI is determined for long term loans

The above market norms are used for low and lower-middle income segments of population (LIH) and do not apply in case of housing microfinance (the Bottom of the Pyramid –BoP or EWS), where an entirely different business model would be used



## Affordability Defined . . . have-nots



House built of used Mineral Water Bottles



Slippers made of used Mineral Water Bottles

Affordability is what you essentially need and would like to have.

Then poor are obliged to find their own ways in housing ....

You do not give them rights, they snatch.

Right for a shelter.....they develop slums



# Affordability Defined . . . haves



ANTILIA  
Mukesh Ambani House  
Mumbai-India  
One Billion Dollar

- ❖ 27 Story,
- ❖ 400,000 Area,
- ❖ 600 Staff to maintain.

**And Mr. Ambani  
does not live in it**

**Affordability is not what you have**



# Objectives of Sustainable Housing Solutions

## **Self-sustained Communities are equipped with:**

- Social:  
Health, Education, Community participation
- Physical:
  - Internal: Roads, Electricity, Sewerage, Water, Playground
  - External: Roads, Communication, Transport
- Economic Infrastructure: Commercial opportunities.
- Location.....maximum one hour commuting time to job
- Energy efficient and 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.**



# Energy ( Electricity) Poverty around Globe and in Asia

- Nearly 1.3 billion people worldwide live without any access to electricity (being Off-Grid).
- Asia with 55 % has the largest off-grid population in the world.
- Nearly 800 million people in Asia live in a state of near darkness, coping with no or limited access to electricity. 700 million or 90% are located in rural Asia.
- India alone has 400 million, 35% of India's total population is off-grid.
- Pakistan has 60 million, 30% of Pakistan's total population is off-grid.
- Kerosene lamps, used as source of lighting, are potential threat of fire and cause of environmental pollution in small rooms, which are mostly without ventilation.
- In India alone expenditure on Kerosene Lamps is estimated at \$ 2.2 billion/year.
- In Bangladesh 17 million households out of total 29 million are off-grid.
- In Indonesia 20 million households out of total 57 million are off-grid.
- Extending grid-electricity to these household is a remote possibility in the foreseeable future due to economic constraints and under-electrified grids.

**Alternate and renewable energy resources, and mainly Solar is the doable and affordable option**

Source: IFC Report on Lighting, Lighting Asia



# Global Lighting Program of IFC

- International Finance Corporation (IFC) has launched a Global Lighting Program.
- Lighting Asia is the Asian component of this program.
- IFC has assessed some solar lights manufactures for “quality certification”.
- In each country IFC has partner organizations, which include companies engaged in solar business, NGOs and Microfinance Institutions.
- IFC promotes this program through consumer awareness and policy advocacy.
- In Asia, IFC has conducted a few exhaustive studies on penetration and impact of this program in seven countries of Asia.
- The reports concludes that program had positively impacted life of this electricity-poor population in terms of education, income generating activities, health and improved environment.



## 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.



## Challenges of LIH: Supply Side- Cont'd

- **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.



## Challenges of LIH: Supply Side- Cont'd

- **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 Govt. 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.



# Challenges of LIH: Demand Side

- Mismatch of Monthly Mortgage vs Income Affordability. At lower income levels, propensity to save is low and fragile
- Income assessment issues, informal income, issue of family vs 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.



## Challenges of LIH: Demand Side- Cont'd

- 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.
- To develop new affordable and self-contained communities, Ironically such land is either in un-electrified or under-electrified areas/locations.
- Alternate energy sources like solar, wind, biomass etc. offer the most viable and sustainable option.
- 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.
- IFC has launched a Lighting Global Program, which has its regional components like Lighting Asia, Lighting Africa and its sub-segments at country level like Lighting India, Lighting Pakistan etc.
- Lighting Global Program is seen to be having a visible impact in empowering communities.
- Urban Planners, Developers, Governmental Agencies and NOGs need to partner with Lighting Global initiative.
- Low-Income Housing has issues on supply and demand side. There are workable answers as well.
- Need for wisdom and experience sharing at regional and global level



## Speaker / presenter



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*The information has been compiled by Mr. Zaigham M. Rizvi from self study and from different sources.  
He is grateful to all those serving this noble cause in some form or the other.*



# Urban congestion and courage of Urban's

View this:

Railway Track-side Market

<http://www.youtube.com/watch?v=MENjFkEAj9g>