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9. ABSTRACT <p>This paper updates the 1974 document "Preparing a National Housing Policy". While keeping to the fundamental principle that the preparation of a national housing policy must be the responsibility of an LDC itself, this paper attempts to develop more specific guidelines and suggested objectives based on current world experience. AID views its role in housing policy formulation as stimulating the developing country to recognize the importance of a national housing policy; providing limited technical assistance in determining how to prepare a national housing policy; and providing access to worldwide experience in order to assist the country in understanding the range of options and solutions which other countries have adopted. The recognized deficits in housing stock are the result of a mix of factors affecting the quality of life in LDCs. Some of the factors are: (1) the urban population in developing countries is over 544 million, (2) additional capital investment of almost one trillion dollars would be required to provide minimal housing, infrastructure, facilities, and jobs for this population; (3) for most urban centers buildable land is subject to speculation which causes land value to increase from 10 to 25% annually; and (4) the public sector in most LDCs is ill equipped to respond to these enormous urban challenges. Cities such as Karachi, Pakistan and Calcutta, India are faced with providing between 40,000 and 60,000 dwelling units a year for the next 30 years if they are to keep up with the population growth. This means tripling and quadrupling housing construction rates. This must be accomplished in the face of material shortages, skilled labor shortages, capital shortages, and the inability of the majority of people to pay economic rates for minimum shelter. This paper's premise is that the starting point for rational decision making in housing is</p>			
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PREPARING A NATIONAL HOUSING POLICY

**AGENCY
FOR
INTERNATIONAL
DEVELOPMENT**



**OFFICE OF HOUSING
HOUSING GUARANTY PROGRAM**

REVISED 1977

PREPARING A NATIONAL HOUSING POLICY

The Office of Housing
Agency for International Development
Washington, D.C.

FOREWARD

The accompanying paper represents an updating of the 1974 document "Preparing A National Housing Policy." The original paper was concerned primarily with presenting the reasons why a country should formulate a national housing policy as well as with indicating some of the guidelines which need to be considered in doing so. Since then AID has discussed the formulation of national housing policies with several countries and has sponsored regional conferences on the subject in Latin America, Africa, and Asia. Based on the experience of the last three years, it is appropriate to update the original paper in order to share this experience and to further develop the central issues which are of concern to all countries.

This revised paper, while keeping to the fundamental principle that preparation of a national housing policy must be the responsibility of the developing country itself, attempts to develop more specific guidelines and suggested objectives based on current world experience.

AID feels that it is particularly appropriate at this time to update this paper on "Preparing A National Housing Policy" given the emphasis placed on preparing national settlement and housing policies at the United Nations Conference on Human Settlements in Vancouver in June 1976. This conference unanimously approved a bold and innovative statement of "Recommendations for National Action" which clearly underscored the new directions for housing policy. The framework for preparing a national housing policy developed in this paper is responsive to the recommendations of the Habitat Conference and should be helpful in guiding nations in developing these principles into an operational format as described in Chapters II and III. AID's own recommended objectives as described in Chapter IV are directly parallel to the main recommendations for national action.

AID views its role in housing policy formulation as stimulating the developing country to recognize the importance of a national housing policy; providing limited technical assistance in determining how to prepare a national housing policy; and providing access to worldwide experience in order to assist the country in understanding the range of options and solutions which other countries have adopted. AID does not, and should not, attempt to provide foreign advisors for the purpose of

actually drafting the housing policy itself. Only when the developing country's own housing institutions and appropriate ministries are participants in housing policy formulation is there any hope that the resulting document can actually be utilized to guide implementation.

AID commissioned Mr. Alfred P. Van Huyck, President of PADCO, Inc. and principal author of the original paper, to prepare this revised edition based on AID and world experience since 1974.

It is hoped that this publication will prove of continuing value to countries contemplating or initiating preparation of a national housing policy.

Peter Kimm
Director
Office of Housing

July 1977

PREFACE

The world has been confronted with a recognizable housing crisis for the last 30 years. In spite of serious efforts by many developing countries to cope with the growing need for housing, most observers agree that the situation is worse today than ever before, and the projections for the future are even more alarming.*

The recognized deficits in housing stock are the result of the complicated mix of factors affecting the quality of life in the developing countries. Among the factors of concern are:

1. In 1974 the approximate urban population (in centers of over 20,000 persons) in the developing countries was 544 million. By the year 2000, over one billion additional persons will reside in cities due to growth by migration and natural increase.** Most of the new residents will be poor.

2. Additional capital investment of almost one trillion dollars will be required to provide minimal housing, infrastructure, facilities, and jobs for this population. This statistic is of concern from the perspective that urban development is only one priority among many (such as agriculture, rural development, and defense) and because overall capital investment is usually much less than the operating expenses of most national budgets.

*Figures for the period 1965 to 1972 show that yearly rates of dwelling construction vary from about two to five dwellings per 1,000 inhabitants in developing areas to about eight dwellings per 1,000 inhabitants in European countries. To meet housing needs, it was estimated that from eight to 10 dwellings per 1,000 inhabitants a year should have been constructed in developing countries. Between 1960 and 1975 only three developing countries - Kuwait, Mongolia, and Singapore - were able to achieve that rate. In global terms this means that in urban areas alone the deficit is increasing from four to five million units per year. The problem has become increasingly acute in cities of the developing world, particularly capital cities, as slums and squatter settlements account for one-third to one-half of the population. World Housing Survey 1974 (New York: The United Nations, 1975), p. 44.

**Growth of the World's Urban and Rural Population, 1920-2000 (New York: The United Nations, 1969).

3. These massive new urban populations will be the outgrowth of cities already in desperate physical, economic, and social condition. Often 50 percent of all urban households may have monthly incomes of \$50 or less. Unemployment ranges from 15 to 20 percent or more of the labor force. Almost half of all urban households have no water service from a piped system. Illiteracy in absolute numbers may even be increasing.

4. For most urban centers buildable land is subject to speculation, causing land value increases ranging from 10 to 25 percent annually. Land speculation causes aberrations throughout the urban development process. It causes uncontrolled spread of the urban area and raises the costs of public services. Most damaging of all it shuts out the low-income family from land ownership, thereby giving rise to squatting.

5. The public sector in most developing countries is ill equipped to respond to these enormous urban challenges -- challenges without precedent in the history of the developed world. There is a fundamental lack not only of trained technical and administrative capacity but also of financial capacity.

This in turn perpetuates cumbersome, counterproductive administrative and management practices, while at the same time rapid multiplication of ministries and agencies at the national, provincial, and local levels of government has led to fragmentation of effort.

6. There is little likelihood that urban economies of the developing countries will be able to grow at a rate sufficient to absorb the massive new labor force into high-wage employment in the formal sector. This is expected because of reliance on imported and frequently capital intensive technology, limited capital resources, limited markets for finished goods, and constraints in international trade.

It is within this broad and complex problem framework that specific housing solutions are required. There will be no quick or easy response to problems of this magnitude. The need is for sustained effort.

Housing is a central issue in this crisis. Statistics on the dwelling units required to accommodate new growth and overcome existing deficits defy comprehension. Cities such as Karachi, Pakistan and Calcutta, India are faced with providing between 40,000 and 60,000 dwelling units a year for the next 30 years, if they are to keep up with population growth and provide housing for those presently inadequately housed. This means tripling and quadrupling housing construction rates. All of this needs to be accomplished in the face

of material shortages, skilled labor shortages, capital shortages, and the inability of the vast majority of people to pay economic rates for minimum shelter which meets traditional concepts of safe, decent, and sanitary housing.

Nations are forced to make hard decisions on how they will respond to this housing crisis and how they will manipulate their scarce resources in order to best satisfy the basic human need for shelter. Experience to date has shown that this is not a simple or clear decision to make. The issues are complex and the political, social, and economic consequences of any action or lack of action are immense.

It is the premise of this paper that the starting point for rational decision making in housing is the formulation of a national housing policy.

The purpose of this paper is to present the overall framework which, when developed, would constitute a full national housing policy statement. This paper tries to avoid making policy judgments about specific housing policy content because each nation must develop a policy which responds to its own needs and aspirations.

TABLE OF CONTENTS

Page

FORWARD

PREFACE

INTRODUCTION

A Definition of Housing.	1
The Importance of Investment in Housing.	2
The Importance of Housing for Low-Income Groups.	4
Conclusions.	5

CHAPTER I:

THE VALUE OF A NATIONAL HOUSING
POLICY AND OBSERVED DEFICIENCIES

Establishing Objectives.	7
Understanding Dimensions and Implications of the Housing Sector Problem.	7
Establishing a Unity of Purpose and a Basis for Decision Making.	8
Establishing the Place of Housing in National Development Priorities	8
Defining the Respective Roles of the Public and Private Sectors in Housing	9
Relating Public and Private Sector Housing Programs to the Real Need of All Groups.	10
Identifying and Eliminating Bottlenecks.	10
Existing National Housing Policies	11
Lack of Implementation Strategy.	16
Lack of Political Support.	16
The Basic Complexity of Implementation	17
The Distinction Between National Housing Policies and Plans	18
An Example of "Real Policy".	20
The Conflict Between Individual Household and National Housing Objectives.	21
Summary.	21

CHAPTER II:
ORGANIZING TO PREPARE A
NATIONAL HOUSING POLICY

The Policy Decision Group	23
The Policy Formulation Group	24
The Housing Policy Task Force	25
The Policy Advisory Groups	26

CHAPTER III:
THE CONTENT OF A
NATIONAL HOUSING POLICY

The Basic Criteria	27
I. The Background Situation	28
A. Housing Within Economic Development	28
B. Housing Problem	28
C. Public and Private Sector Roles	29
D. Delivery System	29
II. The Central Issues to be Addressed	30
III. Housing Policy Objectives	30
A. Housing in Development Strategy	30
B. Urban and Rural Priorities	31
C. Target Groups for Housing Resources	31
D. Mobilizing Housing Finance	32
E. Use of Housing Finance Resources	33
F. Public Sector Role	33
IV. Definition of the Housing Delivery System	36
A. Legislative Base	36
B. Administrative Framework	36
C. Role of Government	39
D. Government and the Popular Sector	40
V. Description of the Basic Housing Programs	41
A. Complete Housing Units	42
B. Sites and Services or Core Houses	42
C. Settlement Upgrading	43
D. Rural Housing	43
VI. Additional Provisions	43
A. Economic Impact	44
B. Evaluation of Housing Policy	46
C. Preparing a National Housing Plan	47

CHAPTER IV:
PREPARING THE HOUSING PLAN

Establishing Construction Targets	49
Allocating the Financial Resources	50
Analysis of the Capital Investment Program	53
Additional Housing Plan Actions	54

CHAPTER V:
AID NATIONAL HOUSING
POLICY EXPERIENCE

The Korean Experience.	55
The Honduras Experience.	56
The Ivory Coast Experience	58
AID's View of the Appropriate Housing Objectives .	59

APPENDIX
DATA NEEDED TO DEVELOP A
NATIONAL HOUSING POLICY

National Economics Statistics.	65
Population and Employment.	66
Household Income and Expenditures.	67
Housing and Housing Use Conditions	68
Materials, Construction Costs, and Economic Linkages.	71
Construction Industry and Public Housing Programs	72
Housing Finance.	73
Public Fiscal Structure.	74
Housing and Land Development Regulations and Legislation.	74

BIBLIOGRAPHY	75
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INTRODUCTION

Shelter is one of the basic necessities of man, along with food and clothing. Yet many governments have failed to recognize its importance in national development.

A Definition of Housing

Shelter is a diversified sector which provides many different types of services. "Shelter services" relate to much more than housing characteristics such as floor space, density, building materials, and design. "Housing" is included within the broader concept of shelter. It implies a fixed location and, as such, it provides access to employment, educational opportunities, health facilities, security, neighborhood amenities, public facilities, and markets. Housing provides an important base from which immigrant families can gradually extend their involvement into urban affairs. A complete definition of housing also includes basic services such as water, sanitation, and electricity. An effective housing policy is concerned with maximizing the consumption of these shelter services for the appropriate target groups.

Payment for housing services often requires substantial percentages of total household expenditures. The lowest-income families frequently have to pay higher percentages of income to obtain shelter. As a consumption item, housing competes with other consumption needs for the family budget. Families may consider such items as food, education, health care, and the development of small business opportunities to be higher priorities than "housing." Housing policies with large subsidy elements thus run the risk of prescribing higher levels of housing consumption than individuals would make if they chose freely themselves.

In addition to being a many-faceted consumption good, housing is also an important investment item. To most individuals, housing represents the largest single investment of a lifetime. This investment property is especially important as household incomes increase and housing is viewed less as a basic consumption item and more as a key to a secure future. Housing can also become an important income-yielding asset.

The Importance of Investment in Housing

For years economists and social planners have been in disagreement about the importance of investment in housing as opposed to investment in other sectors such as manufacturing and transportation. Some economists have argued that housing, with a high capital/output ratio estimated at 7.1 for the United States, cannot compete with other sectors which yield quicker, more readily measureable payoffs. Alternative ratios as low as 3.2 for railroad transportation and 1.6 for iron mining indicate that these sectors should receive a higher priority for scarce investment resources. 1/

To counter this argument, housing advocates have argued that improved shelter and better neighborhoods are worthy priorities for their own sake. It has been argued that better shelter can contribute to social and political stability and reduce the incidence of disease and deviant behavior. These factors may be especially important in the developing countries where the prospect of explosive and catastrophic social and political breakdowns might be faced if the problems of the urban poor are neglected. Housing programs offer an opportunity for direct allocation of government services to the poor and, in some cases, for limited income redistribution through housing subsidies.

In more recent years some economists have argued that the high capital/output ratio (low productivity) of housing investment relative to other sectors may be overstated. The benefits of housing investments have traditionally been measured by the increased rents they produce. It has been argued that additional benefits should also be considered, such as the increased work productivity of rehoused workers, improved health and lower health care costs of residents, increased motivation and effectiveness in education of rehoused children, reductions in crime and juvenile delinquency, and, especially in the case of slum improvement, reduction in the number of fires.

1/ Leland S. Burns, "Economic Analysis of Housing Programs for Developing Countries," Housing and Development: Two Excerpts, International Housing Productivity Study, 1966, University of California, Los Angeles.

Many of these hypothesized additional benefits have been the subject of empirical research. ^{2/} Results are largely inconclusive, but test cases have indicated a positive correlation between improved housing and most of these factors. The clearest correlation is between improved water supplies and sanitation to improved health. This shows the potential economic importance of upgrading schemes and housing programs which concentrate on the provision of basic services rather than completed structures.

Additional benefits from housing investments should also be considered. The incentive of home ownership can attract otherwise unavailable private savings into specialized financial institutions. The resulting institutionalized liquidity can facilitate the provision of short- and long-term credit for home construction and purchase, with important implications for future as well as present growth.

Housing programs provide an excellent opportunity for increasing the efficiency of urban land use. Housing can be planned near employment opportunities and commercial centers to reduce loss of energy and time. Well planned housing can use urban infrastructure more efficiently. Improved housing can also increase the tax base of city governments.

The housing construction process itself can have a positive impact on many other sectors of the economy. A dynamic construction industry is the *sine qua non* for successful development. Housing programs can provide a major stimulus to the development of the skills, entrepreneurship, and capital investment necessary to make the construction industry a major contributor to economic progress.

Housing construction provides a point of entry to the job market for many unemployed and unskilled urban migrants. In Kenya it is estimated that housing construction currently supplies 12,000 man-years of employment and that 2,000 man-years of work are generated for each \$2.8 million of investment in housing. In Pakistan it has been estimated by the House Building Finance Corporation that for each 10,000 standard houses built in Karachi, there will be 32,500 man-years of work generated. These figures do not include the multiplier effect of housing construction on employment in sub-sectors such as building materials, furniture making, transport services and infrastructure construction.

^{2/} Leland S. Burns and Leo Grebler, "Resource Allocation to Housing Investment: A Comparative International Study" Economic Development and Cultural Change. The University of Chicago Press, Vol. 25, No. 1, July 1976, pp.95-121.

The demand for building materials created by housing construction may enable materials industries to meet the necessary economies of scale for sustained production. Housing construction generally uses a higher percentage of locally produced materials than other types of investment. In Mexico and Korea only 6.0 and 10.0 percent, respectively, of total housing investment is used for imports.

The Importance of Housing for Low-Income Groups

Conventional home building and financing techniques have enabled large numbers of middle-income families, particularly in Latin America, to finance their own housing without making large demands on scarce government resources. The success of middle-income housing programs can help prevent the "raiding" of lower-income developments. Conventional housing projects can also be extremely important generators of employment. Nevertheless, it is now widely understood that conventional techniques are not sufficient to meet the overwhelming shelter needs of the urban poor.

Most of the expansion of urban populations in the developing countries is among the low-income groups, and large amounts of private resources are already being invested in unplanned settlements to house these people. A relatively small effort in economic terms is required to redirect this spontaneous effort into better planned communities with higher levels of urban services and community facilities.

Minimum shelter in suitable locations near employment can greatly improve the productivity of low-income households. Likewise, more secure tenure and improved basic services, either in new shelter projects or in neighborhood improvement programs, can have a significant impact on living conditions with a minimum investment.

Low-income housing programs also have beneficial implications for other sectors. Housing construction using self-help technology and indigenous materials will have a minimum negative impact on the balance of trade, whereas more expensive technologies can require large levels of imports, often 30 to 40 percent of total construction costs. Housing construction can be inflationary if it uses skilled labor and materials which are in short supply and are demanded by other sectors. However, if simple techniques are used which employ a maximum of unskilled, underemployed labor and more abundant local building materials with relatively elastic supply, inflationary pressures can be avoided.

Minimum standard housing directed toward lower-income families will tend to employ more workers per dollar invested in housing. For low-income families, five man-years of employment would be produced. If the same amount were invested in higher income housing, only two man-years of employment would be produced. 3/

Conclusions

Aside from optimality criteria, it appears that the ratio of housing investment to total output varies with the level of overall development in each country. Recent evidence shows that the percentage of gross national product in residential construction rises from 2.75 percent in the least developed countries to 6.48 percent in the developed countries. 4/ Empirical findings suggest that the share of housing in total output is low at early stages of development but that it rises as development proceeds. Housing becomes more productive relative to other investments. At the later stages of development, the share of housing in total output appears to fall. It is in the mid-range, rapidly developing countries with high rates of population growth and migration that housing appears to be most important relative to other investments.

A housing policy will help to determine how much will be investment in housing, but this may partly be established *a priori* by a country's level of development or by larger macro economic planning considerations. It is equally as important, however, to establish what type of housing will be made available for whom. This will require a close coordination between housing policy planning and national economic planning so that all the intricate social and economic implications of housing policy can be fully weighed.

3/ W. Paul Strassman, "Measuring Employment Effects of Housing Policies in Developing Countries," Economic Development and Cultural Change. The University of Chicago Press, Volume 24, Number 3, April 1976, pp. 623-632.

4/ Burns and Grebler, op.cit.

Chapter I

THE VALUE OF A NATIONAL HOUSING POLICY AND OBSERVED DEFICIENCIES

Es+ablishing Objectives

The need for a national housing policy is just now being recognized as an urgent issue among countries throughout the world.* A national housing policy is essential to the achievement of the following objectives:

Understanding Dimensions and Implications of the Housing Sector Problem

All of the many groups involved in various aspects of housing should understand the basic issues involved, the linkages between housing and national economic development and between housing and urban development.

There should be a common set of data, projections, and estimates which all parties involved should be using as background for their individual work. The formulation of a national housing policy brings together all relevant material, data, and projections that are required for many parts of the government and private sector.

*For example, note the emphasis given to housing and settlement policy issues in Report of Habitat: United Nations Conference on Human Settlements, (New York: The United Nations, A/Conf. 70/15, 1976) where all participating nations voted unanimously in favor of recommendations for national action.

Establishing a Unity of Purpose and a Basis for Decision Making

The housing policy should develop a unity of purpose among all groups involved in housing or affected by it. It should ensure that the interests of all groups, including low-income groups, are reflected in the actions proposed. It should establish a basis for decision making for the public and private groups responsible for various aspects of housing development. In this sense the national housing policy acts as catalyst for achieving better coordination among many groups.

There are a great many actors involved in the housing delivery system, including users of housing, land developers, housing agencies, housing finance agencies, land development agencies, land use control and planning agencies, and local government and private financing groups. The housing policy should establish a unity of purpose among the various actors. The housing policy should be goal-oriented: it should not only respond to current problems but also set goals and standards for future achievement. The housing goals should provide guidelines for the future definition of target groups, space, services and construction standards, levels of investment financing, and the roles of those involved in the housing delivery system. If unity of purpose is achieved and the special interests of all involved are represented, the policy will, if it makes adequate allowances for administrative slippages and economic bottlenecks, be implemented. If there is no unity of purpose, it will not.

The housing policy should establish a basis for decision making at all levels of government and within the private sector. It is through day-to-day decision making in government and the private sector that policy is carried out. Most of this decision making has a relatively short time frame, and it is always subject to pressures of the moment and the specific situation. The housing policy is necessary to establish guidelines for day-to-day decision making to ensure that action does not degenerate into "fire fighting" and that it results in continued progress toward established goals.

Establishing the Place of Housing in National Development Priorities

Housing has tended to be considered by macroeconomists as a consumption good and low-priority investment item, and it has been relegated to a relatively low priority in national development priorities for that reason. This trend seems to be reversing as some well-known economists are beginning to think of housing as a potential leading sector of the urban economy.

A national housing policy establishes priorities for housing investment within the national development process. There are, of course, many considerations. Each country will resolve housing priority issues depending on its own situation and needs. What is important is that housing be addressed explicitly and policy decisions be made within a recognizable decision framework. All too often the housing sector has been left as an afterthought or residue item in the national economic planning process. This in turn leaves all of the many housing groups within the public and private sector without policy direction. The resulting program initiatives are ad hoc, often poorly conceived and unevenly implemented. The net result is waste of managerial skill and financial resources and a lower output of housing units than would otherwise be possible.

Defining the Respective Roles of the Public and Private Sectors in Housing

The national housing policy should define respective roles of the public and private sector in housing. The role of each sector should be related to the three basic functions: to build, to finance, and to facilitate. There is a broad range of policy options in assigning functions to build and to finance. Because there is a broad range of options, it is important that the relative roles of the two sectors be defined.

Most housing plans will specify in varying degrees of detail what the public sector expects to do in the housing field. The difference between this level of effort and the estimate of housing needs is then usually left as a single quantified figure labeled "private sector." This simplistic approach is detrimental to housing because it does not give clear guidelines to the private sector as to how it is to respond. Nor does it provide a convincing case demonstrating that the private sector can meet the targets set with the resources available.

In most situations, the private sector will play an important role, and the quality and adequacy of housing constructed will be directly related to the capability of firms in the private sector. In order for the private sector to enter the housing field, it is necessary that it have reasonable expectations of freedom of operation (with only as much regulation as necessary to protect the public interest), that it be given access to credit and to land, and that it be allowed an acceptable rate of return on capital.

Conversely, it is important that the role of the public sector be firmly established so that it is able to regulate the provision of adequate financing and to perform those functions that are not the responsibility of the private sector.

Relating Public and Private Sector Housing Programs to the Real Need of all Income Groups

The national housing policy should be designed so that it clearly responds to the real needs of all income groups. The lower-income groups of society have sometimes been left out of housing policies on the grounds that they are a part of the popular sector* and, therefore, outside the area of concern of housing policy. This fails to recognize the importance of achieving better living conditions for lower-income groups as well as the contribution they can make to national economic development.

Identifying and Eliminating Bottlenecks

Finally, housing policy should identify specific problems or bottlenecks in the housing process and make recommendations to overcome them. For instance, in some developing countries just beginning to experience large-scale urban development, virtually no key institutions and legislation may be in place.

The legislative base in many countries has a direct link back to the days of former colonial power. The laws then were designed to ensure high standards of housing for Europeans. Building codes, subdivision procedures, zoning laws, taxation laws, and laws governing landlord-tenant relationships may be constraints on the construction of new housing and the operation of the rental market. The housing policy should call for legislation to create laws suited to the needs of the developing country. These will often be quite different from laws developed during the days of colonial power.

*The term "popular sector" as used in this document refers to self-building and financing by individuals, predominantly low-income households, outside the formal channels of the public and private housing sectors.

In many countries there has been a tendency to create agencies at all levels of government in response to narrowly defined housing needs and as a method of overcoming the failure of agencies already in existence. In many there is a lack of key agencies. As a result, it is almost impossible to ensure smooth administration of housing policy. The national housing policy should recommend administrative changes necessary for better implementation of housing policy.

There may be a complete lack of housing and construction finance agencies or the programs of existing agencies may be limited to high-income groups and modern housing and not suitable for a comprehensive housing program. The housing policy must lead to the creation and smooth operation of adequate agencies for financing both housing construction and housing purchase.

There is a need in most countries for partial public land ownership and development, if not housing construction, in order to ensure that land is efficiently developed and that land is available for low-income groups in suitable locations. Land management and development agencies should be recommended as part of the housing policy if they are necessary in the specific situation of a country.*

Existing National Housing Policies

More and more countries are recognizing the need for a national housing policy. To date many of these efforts are incomplete in many aspects, but the concept is becoming well established. Among international agencies and individual experts the importance of national housing policies is clearly recognized. It is likely, therefore, that developing countries will continue to develop comprehensive national housing policies in the years ahead.

*For further discussion of land development agencies, see Guidelines for Establishing and Administering Land Development Agencies in the Development Countries, Ideas and Methods Exchange No. 69 (Washington, D. C.: Department of Housing and Urban Development, Office of International Affairs, 1973).

The United Nations has recently published World Housing Survey, 1974 which contains the first attempt to compile an overall listing of those countries which had a national housing policy in some form as of the date of the survey. This compilation is reformulated as Tables 1, 2, and 3 of this report; the countries in which the AID Housing Guaranty has had one or more projects is also shown. The degree of completeness and the practical value of the individual housing policies is not known as no evaluation of the data has been undertaken; nonetheless, certain important trends can be seen.

Out of the 128 countries listed in the tables, all but 30 have at least a partial housing policy. This means that 77 percent of the countries have some formal recognition of housing policy. Latin American and Asian countries lead with an 82 percent and an 81 percent coverage respectively, while Africa has a 63 percent coverage. It should be noted, however, that the United Nations report states that an indication of no housing policy does not necessarily mean that the country does not have one, but rather that it was not noted during the research effort. In addition, other countries may have developed policies or changed policies since the survey was taken in 1974.

In total 57 countries have urban housing policy statements, 50 have rural policies, and 21 recognize special housing groups (usually civil servants, veterans, industrial workers, etc.). Public housing for low-income groups is recognized specifically in 28 countries, while 11 countries recognize sites and services projects specifically. The latter number is probably increasing as at least 25 countries are either undertaking sites and services projects or discussing them with international agencies such as the World Bank and AID.

It can be said, therefore, that most countries have housing policies in one form or another. A review of 12 national housing policies showed that housing policies are frequently included as part of the national economic plan. The place within the economic plan varies. A number of economic development plans still place housing under "social overheads" or even "welfare expenses," with little recognition of housing as other than a program for low-income groups. However, most countries do not have a fully worked out housing policy which covers all of the various components. The most frequent deficiencies noted are discussed below.

Table 1

RESUME OF WORLD HOUSING POLICIES: ASIA

	East					Middle South					Southeast					Southwest					TOTALS																						
	Democratic People's Republic of Korea	Hong Kong	Japan	Mongolia	Republic of Korea	Taiwan	Afghanistan	Bangladesh	Bhutan	Cambodia	India	Iran	Pakistan	Nepal	Sikkim	Sri Lanka	Brunei	Burma	Democratic Republic of Viet-Nam	Indonesia		Laos	Malaysia	Philippines	Republic of South Viet-Nam	Singapore	Thailand	Bahrain	Cyprus	Democratic Yemen	Iraq	Israel	Jordan	Kuwait	Lebanon	Oman	Qatar	Saudi Arabia	Syrian Arab Republic	Trucial Oman	Turkey	United Arab Emirates	Yemen
Urban	x		x		x	x			x		x	x	x	x	x	x	x				x			x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	26	
Rural			x						x	x	x	x				x					x	x			x	x																	16
Special Groups					x					x							x		x																								6
Measures to Improve Slums & Uncontrolled Settlements	x		x		x					x	x	x							x			x	x		x	x	x																12
Public Housing for Low-Income Groups	x		x								x	x				x						x	x			x	x																15
Sites and Services										x		x										x																					3
AID Housing Guaranty Program					x	x					x														x																		5

NOTE: The table should not be considered exhaustive. The blank columns do not necessarily mean the country does not have a housing policy.

SOURCE: World Housing Survey, 1974 (New York: The United Nations), ST/ESA/30, Figure VII, pages 130-133 based on data prior to 1974, as modified by PADCO, Inc.

Table 3

RESUME OF WORLD HOUSING POLICIES: LATIN AMERICA

	South										Central America and the Caribbean														TOTAL										
	Argentina	Bolivia	Brazil	Chile	Colombia	Ecuador	Guyana	Paraguay	Peru	Uruguay	Venezuela	Barbados	Costa Rica	Cuba	Dominican Republic	El Salvador	Guatemala	Haiti	Honduras	Jamaica	Mexico	Nicaragua	Panama	Trinidad & Tobago		Antigua	Anguilla-St. Kitts-Nevis	Bahama Islands	Cayman Islands	Dominica	Grenadas	Montserrat	St. Lucia	St. Vincent	
Urban	x	x	x	x	x	x		x	x	x					x	x	x	x	x	x	x		x	x			x			x			x	20	
Rural				x	x	x	x			x			x		x	x	x		x				x	x	x		x						x	15	
Special Groups																									x	x		x	x		x	x		6	
Measures to Improve Slums & Uncontrolled Settlements			x	x	x	x		x												x					x				x	x	x	x	x	12	
Public Housing for Low-Income Groups					x											x				x	x				x				x					7	
Sites and Services				x	x																														2
AID Housing Guaranty Program	x	x		x	x	x	x	x		x		x			x	x	x		x	x	x	x	x											17	

NOTE: The table should not be considered exhaustive. The blank columns do not necessarily mean the country does not have a housing policy.

SOURCE: World Housing Survey, 1974 (New York: The United Nations), ST/ESA/30, Figure VII, pages 130-133 based on data prior to 1974, as modified by PADCO, Inc.

Lack of Implementation Strategy

Some housing policies and plans simply do not include an implementation strategy. One housing plan recognizes the majority of the population as low-income people "who are unable to pay for housing without heavy subsidies." The plan, however, calls for an increase in construction over several years from the current rate of two houses per 1,000 population per annum to 12 houses per 1,000. The increased percent of national income required for this enormous task is not stated, nor is the division between private and public sector construction targets. It remains unclear how this target is to be achieved.

The relationship between policy statements, plan targets, and budget allocations is rarely sufficiently clear to allow tracing of a particular program through the system in order to see that all elements are consistent according to priorities.

Lack of Political Support

By far the most significant reason for failure of many housing policies to have an impact is the lack of true political support. All too often housing policy is prepared at the technical level of government and not at the political level, with the result that there is no real political or legislative mandate for the policy.

If top level commitment to clearly understood objectives exists (major emphasis on self-help schemes for example), lower ranks will not radically deviate from agreed policy. When they do, remedial pressures can be readily applied. If policies are "slipped past" high level politicians, eliciting only lukewarm or neutral reactions, implementation will be difficult. Just this situation occurred in 1969 when expatriate advisers on the national plan of a developing country wrote a housing policy committing the government to the sites and services concept (the plan target was for 25,000 serviced plots in five years). Little or nothing was accomplished except for a small pilot project of a few hundred plots which languished in spite of significant international technical assistance. Then in 1972 the president made a major speech endorsing the sites and services concept. Immediately planning for the program commenced and a major program was soon initiated.

The Basic Complexity of Implementation

Even if appropriate political support exists at the right levels for objectives and targets which will actually achieve goals and purposes, enforcement may prove troublesome. Policies are enforced through a variety of more or less obvious mechanisms such as budget controls, administrative procedures, or taxation measures dealing with the various actors (public and private). Budgets affecting public sector actors may be used as an inducement, a constraint, a threat, or a punishment in different situations.

Taxation affecting private users is an especially effective tool for discouraging any activity which inhibits or delays the achievement of desired ends. Taxation of unearned increments from speculative land dealings may capture private profits for public use. Similarly, heavy taxation of unused or underutilized urban land may increase the amount of land available for immediate development. However, as a tool of enforcement for disputed or difficult policy measures affecting recalcitrant populations, it must be used with some caution. When taxation is applied to the redistribution of income, its effect may undermine investment incentives or other desirable activities.

Housing policies often attempt to set minimum and sometimes maximum standards. These standards are always extremely difficult to enforce. For instance, standards restricting consumption of scarce materials by placing a maximum size limitation on a house are little attempted and often unenforced. Minimum standards, below which housing will be termed illegal, are often attempted. When these minimum standards are set above the financial ability of low-income people to comply, they are either unenforceable or create severe hardship upon the household through government demolition or harassment. In addition, by undermining the initiative of the low-income group who cannot hope to meet the minimum standards, such practices effectively force people to live in worse conditions. This accomplishes the exact opposite of the seemingly good intention of setting a minimum standard in the first place.

The Distinction Between National Housing Policies and Plans

The relationship between housing policy and housing plans needs to be clarified and a distinction drawn between the two.

The housing policy document defines overall objectives and responsibilities of various participants in the housing delivery system, sets broad general directions for the kinds of housing to be developed, sets priorities for delivery of housing to various income groups and other special target groups, sets general financial terms and conditions, and sets the role and dimensions of possible subsidies.

A housing plan, on the other hand, implements policy and is measurable against it. It sets forth a specific program of action to achieve certain goals in terms of selected time, place, and means. It must, therefore, present quantified objectives and more detailed methodology than the policy statement and present it so that both implementation and evaluation can be traced out clearly.

This is of course much easier to say than do, but an awareness of both aspects helps the policymaker state goals and specific ways and means of achieving them in related terms and compatible quantities.

The relationships between policy, plans, and action are shown in Chart I. Policy should state objectives of the development plan; these in turn affect the targets, and therefore the budget. The development plan should establish actual expenditures and the specific actions to be taken or avoided. This is represented by a general flow from left to right on the diagram.

On the other hand, when actual actions taken or not taken are independent of the policy/plan process, they create a reverse flow from right to left which de facto results in establishing a "real policy" instead of a "stated policy."

"Real policy" is derived from the actual, operating sequence of decisions regarding how and where and by whom housing will be built and used. It includes budget decisions at various times and levels and both purposeful and unintentional or uncoordinated actions taken or not taken by the government, commercial sector, and users of housing. These levels of actual decision making overlap to varying extents and are rarely in total harmony. Budget allocations and actual expenditures are a fairly realistic indication of actual policy decisions.

The review of existing housing policies reinforces the impression that "real policy" does not necessarily correspond to "stated policy." This may be due to discrepancies between the policy statement and its interpretation into a specific plan of action or to a wide variety of political, economic, technical, or social reasons affecting the implementation of that policy.

In any case, this implementation gap has become sufficiently alarming to cause a need for serious rethinking on policy issues. Indeed, most of the frequent failings of national housing policies noted in the previous chapter are the result of inadequate coordination between policy formulation and plan implementation stages.

Policy deviations may occur at the point of their translation from statement to plan, and again as the plan approaches implementation levels through misunderstanding, miscommunication, lack of coordination, or declining levels of political conviction. Aggregate policies (collections of unrelated agency statements and plans) may never even consciously realize the existing conflicts between different sections since they contain no rational comprehensive statement of direction to be measured against. Other policies are formulated by default, frequently constituting a government's entire position regarding the popular sector's housing efforts. The resulting conflict, loss, and delay can rarely be afforded in developing economies.

An Example of "Real Policy"

The demolition of nearly 8,000 family units in a capital city during 1971 (four or five times the amount built by the city during the same period) was carried out in the face of a policy statement that "since the overall shortage is so acute, available finance will largely be used to expand the total stock of houses, rather than to clear slums ... Replacement of large areas of dilapidated urban housing ... will, for the most part, have to be postponed."

The phrase "for the most part" provided a sufficient gap for a division of the City Council's Health Department to override the spirit of a policy statement issued at the ministerial level.

The Conflict Between Individual Household And National Housing Objectives

The development process itself is both national in character and personal in its benefits and achievements. Policies designated to guide this process must recognize and deal with both levels of aspirations. Unfortunately, the housing policies of some governments, which are formulated to guide the collective expression of individual aspirations, often take forms which create serious obstacles to the majority of their people. This occurs when individual household actions come into conflict with a government's interpretation of the public interest.

Governments all too often view housing policy mainly from the point of view of national or collective aspirations. This is seen in typical goal statements related to "minimum standards of decent housing" which are to be achieved for every family. Projects directed toward this end often become matters of national prestige whether or not there exist sufficient resources to make them significant on a national scale. Individually, the less affluent are less likely to be concerned with the quality of their shelter than higher-income groups who are in a better position to both articulate and pay for what they want. Policy statements stressing the importance of achieving high minimum standards for low-income families often make their own assumptions regarding the priorities of that sector and are likely to find their position either unenforceable or counter-productive over the long run.

What is important is freedom for households to manage their own resources, however meager, in order to achieve the best possible standard of living in the long run according to their own needs and priorities.

Summary

The entire concept of preparing a national housing policy is just emerging as an important concern for governments. For instance, the United States of America has never had a truly comprehensive national housing policy, although like most other countries it has had pieces of a housing policy for years. Today there is a growing concern that this is not enough, and considerable effort is going into the study and development of a full national housing policy.

It can be concluded from this discussion of the value of a national housing policy and deficiencies in typical existing housing policies that what is being proposed is a comprehensive and detailed approach to housing policy formulation. Experience over the last few years has underscored the complexity of this task. It has become clear that a national housing policy is a continuously evolving document.

Chapter II

ORGANIZING TO PREPARE A NATIONAL HOUSING POLICY

A national housing policy should appear as a written document. In the context recommended here, it should be independent of the national housing plan, which will probably be a section of the national economic development plan of a country. This is not to say that the policy might not also appear in the economic plan, but the policy also serves an independent role.

The procedure for preparation of the national housing policy is itself a critical variable as selection of the participants will directly influence eventual policy decisions.

National housing policy prepared from a technical point of view will almost invariably call for fundamental changes in the housing delivery system. These technically desirable changes will frequently be at cross purposes with vested interests in both the public and private sector and may even be outside acceptable ranges of immediate political support. Since a national housing policy is by its very nature a political issue, it is well for housing technicians to be prepared to negotiate the document and to compromise where necessary to achieve its acceptance and implementation. As further experience is gained and opportunity occurs, the national housing policy can be strengthened through revisions and additions. It is for this reason that a national housing policy can never be thought of as complete at any given point in time.

A housing policy can be a very sophisticated technical document with an elaborate economic analysis developed from a detailed data base or it can be based largely on expert judgment from professionals concerned with housing and economic development. It is obviously better to have a substantial technical data base and analysis underpinning the housing policy, but the absence of such information should not preclude the preparation of a housing policy based on the best information available at the time. As further information is developed, the housing policy can be strengthened accordingly.

The housing policy format described in this report is based on the assumption that only basic and rudimentary data will be available. The suggested approach, therefore, requires little elaborate data collection and technical analysis and is mostly concerned with establishing a logical framework within which expert judgment can be effectively utilized to determine housing policy decisions.

It will be necessary, however, to have a defined hierarchy for technical work and decision making in order to successfully achieve a comprehensive national housing policy. This will require at least four levels of activity to be recognized on a continuing basis.

The Policy Decision Group

The political level should first determine that a comprehensive national housing policy is desired. This should be either a decision of the country's chief executive or a cabinet decision.

After a national housing policy has been drafted, it should ultimately be approved at this same level in order to insure that the document has full political support at the highest levels and that it will be used as a mandate for action.

The Policy Formulation Group

The burden for preparation of the policy should fall on an inter-ministerial task force representing such groups as the ministries of development planning, finance, housing, and town planning. The task force, in turn, should have a basis representing various participants in the housing process.

For example, Korea has taken a major step toward achieving a national housing policy through establishment of a Housing Policy Council under legislative mandate. The responsibilities of the Council as defined in the law include:

1. Preparation of basic policies for housing investment.
2. Preparation of long-term plans for housing investment.
3. Preparation of annual plans for housing investment.

4. Allocation of funds for housing among various housing agencies and institutions.

These functions are precisely those required to undertake preparation of a national housing policy as proposed in this paper.

Membership of the Korean Housing Policy Council includes the broad spectrum of agencies which need to be concerned with housing. The Council meets under the Chairmanship of the Vice-Minister for Construction. It includes senior representatives of the Korean Housing Corporation, the Korean Housing Bank, the Economic Planning Board, the Ministry of Finance, the Ministry of Home Affairs, the Ministry of Economic Affairs, and has two places reserved for representatives of the private sector.

The Housing Policy Task Force

A housing policy council of the kind established in Korea needs a full-time technical staff in order to be effective. Actual formulation of the professional staff can take a variety of forms. It would be desirable to assign specific overall responsibility for the staff to one agency. In the Korean situation the Ministry of Construction should be responsible for the technical staff. The working groups themselves, however, should utilize many different skills from other ministries, agencies, and the universities or institutes within the country as it is unlikely that one agency will have professionals in the full range of skills necessary for preparing a national housing policy. Also, a multi-agency task force approach will permit various viewpoints to be represented, which should reduce policy differences that might otherwise surface during housing policy council review.

As a minimum, the working task force should include economists, public finance specialists, sociologists, architects, urban planners, construction engineers, and lawyers.

Even after the initial heavy workload of completing the first national housing policy is complete, a small staff should be permanently engaged in monitoring progress in implementing the policy and its subsequent plans and making appropriate recommendations for change based on its evaluation. This small team should probably be located in the agency responsible for overall national economic planning.

The Policy Advisory Groups

Informal advisory panels should meet from time to time as required. The purpose of the advisory panel, which need not have official status, should be to bring additional knowledge and resources to the disposal of the task force. A wide range of housing suppliers and various user groups should be contacted and their opinions solicited.

Housing activities involve two sets of actors: suppliers (including the government or public sector; the commercial, professional, or private sector; and the popular sector); and users (of all income levels). Formal policy preparation normally takes place at government level, with occasional collaboration with one or two of the other groups. Public sector actors may represent national, regional, or local levels. While regional and local officers may make suggestions regarding appropriate policy affecting their areas, the national presence tends to dominate decision-making groups.

Private commercial interests influence policy decisions directly through participation in collaborative or advisory groups, through lobbying activities, or de facto through investment in the provision of certain types of housing components or packages. This de facto decision making can be wasteful, and may conflict with stated policies such as encouraging simpler technologies or wider participation in housing construction through self-help. Although private commercial interests may have developed useful skills and knowledge of certain housing types, their profit orientation makes them suspect, and for this reason they do not usually visibly participate in decision making.

Users themselves are only infrequently represented in policymaking in developing countries. Their role is nearly always confined to that of a passive recipient of goods or information. Occasionally efforts are made to open up channels for popular input at decision-making levels (through community forums or committees), but even these normally act in an advisory or review capacity, and carry little if any real authority.

Decisions regarding how much housing is to be built, where it is to be built, and at what price and cost to residents are all determined by producers of housing (public, private, and popular sectors). Policies regulating these decisions are determined by representatives of one or more of these producers. But the housing is intended to serve the basic needs not of producers, but of people. Interaction between these participants in the formulation of a housing policy is critical.

Chapter III

THE CONTENT OF A NATIONAL HOUSING POLICY

The content of national housing policies will be different for each country because of very wide differences in social, economic, cultural, and political factors which must be considered. Therefore, it would be of little value to attempt to discuss the specific content of a national housing policy. However, key concepts and broad areas of substance can be stressed within which specific policy should be developed.

The fundamental objective of a national housing policy should be the universality of its coverage of the housing field. A review of current housing policies indicates that rarely is the policy explicit in covering all aspects of housing. This is a major shortcoming because it gives rise to the problem between housing policy and housing plans and between "stated policy" and "real policy."

Under the distinction drawn in this paper, housing policy would provide the overall goals, program context, strategy of the housing delivery system, and procedures for evaluation. It would serve as a background for the national housing plan which details goals into specific objectives, targets, and budgets within a time horizon.

The Basic Criteria

A comprehensive housing policy should recognize three basic criteria in its formulation:

1. It should develop explicitly how all housing is to be supplied from both the public and private sectors and how the housing demand from all income groups and special groups is to be met in principle.
2. It should cover both rural housing demand and urban housing demand recognizing different housing requirements reflected by city size considerations (capital city, provincial cities, and market towns).

3. Most important, the housing policy must be internally consistent so that the relationship between individual policy objectives and specific implementation measures can be established and verified.

In meeting these criteria each country may elect to proceed differently. There is no one correct approach or precise way to formulate a national housing policy. Nonetheless, to illustrate the kinds of information which should be communicated in the housing policy the following outline is offered.

I. The Background Situation

In preparing a national housing policy and subsequently national housing plans, a major effort should be made to gather background information on the housing sector and to establish an adequate data base. This need not be done all at once, and indeed it is best for housing data collection to be the continuing function of an appropriate agency. The kind of information which should be collected is listed in Appendix I. This information is needed in order to establish the universe of problems and issues to which the housing policy should be addressed. This data need only be summarized in the housing policy document itself in order to provide a frame of reference by which to understand the policy recommendations which follow. Among the specific items of information which might be included in the housing policy are the following:

A. Housing Within Economic Development

The historic relationship between the housing sector and the overall national economic development effort can be expressed by such indicators as the proportion of residential investment to overall capital formation and the percentage of the gross national product represented by housing. (A crude rule of thumb suggests that if housing is less than four percent of GNP, housing has a low priority in comparison to other sectors; over four percent indicates a higher priority.)

B. Housing Problem

Information on the dimensions of the current housing problem and projections of the future housing requirements should

recognize both rural and urban housing and cover the demographic factors related to housing: employment and household income distribution, household expenditure patterns, and typical levels of household income allocated to housing. It should include an analysis of the existing housing stock and estimate current and projected demands (by location and income group). It should include an analysis of urban land demands and related problems as well as an analysis of construction costs and building materials problems and related issues.

C. Public and Private
Sector Roles

An historical review of public and private sector responses to the housing issues using quantified data in numbers of units constructed and capital invested should be presented. This information should establish the scale of the response to housing needs to date as well as the likely trends under existing policies in the future. The analysis should establish the adequacy of this level of response given dimensions of the problem identified in Item B above.

D. Delivery System

The current housing delivery system should be described for the public, private, and popular sectors along the following lines.

1. The public sector delivery system should identify existing organizations responsible for house building and give the nature of their programs, the scale of their operations, and the types of housing being constructed. It should identify housing finance organizations by organization, the types of housing financed, the terms and conditions of loans, and an identification of the subsidy elements.

2. The private sector delivery system should identify house building activities and capacity of the private contractors, the private sector sources of housing finance and the terms and conditions of loans, and the capacity and content of the materials industry.

3. The popular sector delivery system should be described, including a quantified analysis of the number and distribution of individual self-built dwelling units, the methods of construction and finance being utilized, and a discussion of the quality and characteristics of the dwelling units being built.

II. The Central Issues To Be Addressed

The second section of the national housing policy should be an identification and description of the central issues to which the housing policy should be addressed. The determination of what the central issues are should come from an analysis of the background situation. The central issues will, of course, vary in nature and severity from country to country, but very likely will have certain similarities. For example, there will likely be a recognition that the housing deficit is growing larger each year, that the public sector can meet only a small percentage of total housing needs, that the private sector is mainly building high standard housing, that there are inadequate supplies of urban land at acceptable prices, that there is too high a rate of uncontrolled building in the popular sector, and overall there are inadequate sources of housing finance.

The housing policy and housing plan should identify ways whereby the problems considered to be central issues can be eliminated or, more likely, substantially reduced.

III. Housing Policy Objectives

The objectives of the housing policy are perhaps the most important part of the document. The objectives statement will become the criteria whereby specific actions or lack of actions can be evaluated within the housing plan and during implementation. In the housing policy document the objectives statement should be specific as to direction and implications, but need not be quantified. Quantification should occur while preparing the housing plan. Each country must determine its objectives for its own situation. Specific objectives should be developed in at least the following general areas.

A. Housing in Development Strategy

The importance of housing within the overall national development strategy at a particular point in time will vary within a country's overall development situation. Many countries, like Korea and Indonesia, deliberately set their development priorities on industry and agricultural development for many years and consciously accepted a lower priority for housing development. Only a few countries (such as Singapore) have consistently given housing a very high priority in development strategies. Often housing is given uneven support in national development allocations: some years a significant priority

and others a low priority. An uneven, or uncertain, priority for housing is the most difficult strategy for housing planners to cope with and can lead to difficulties throughout the housing industry.

B. Urban and Rural Priorities

The relative priority in allocating housing resources between urban areas (by city size) and rural areas is usually a complex political choice. Invariably the most obvious and pressing housing problems are in urban areas (usually the large urban areas), yet most national development strategies focus on rural development and the development of provincial cities (growth pole concepts). Experience has shown that rural housing generally makes little sense as a public sector activity because rural people have sufficient skills and technology to build traditional houses out of local materials at the least overall cost. Funds for rural development, therefore, can usually be spent more effectively on other needs than housing. Nonetheless, many developing countries have extensive rural housing program components in their national development plans.

Housing in provincial cities is particularly important if it is integrated into an overall national strategy for stimulating decentralized development. Housing in the large urban centers, where the problems are most acute, is also important. Sometimes housing policies reflect a negative argument that if housing is provided in large cities, it will stimulate further migration (which is usually thought to be undesirable). This position is to be avoided since studies have shown that housing conditions have little influence on migration patterns in contrast to employment opportunities.

C. Target Groups for Housing Resources

The relative priority for housing resources by source (public sector, private sector, and popular sector) should be related to target groups within the population. The population to be provided housing should be divided into target groups that reflect income groups of the general public and special groups. Income groups should be related to specific levels of income instead of simply identified as "middle income," "low income," etc. This is necessary in order to clarify whether or not a specific housing program is actually achieving its objectives. In addition, the appropriate source

of housing supply should be identified as the public sector, private sector, or popular sector (noting that in most cases a combination of these will play a role).

The use of these terms sometimes creates false impressions for housing policy planners. For instance, there is frequently the impression that the public sector covers mainly middle- and low-income housing while the private sector builds for upper-income people and the popular sector consists of self-built shanties for people who have no or very low incomes. In fact, only in unusual cases (such as in Singapore and Hong Kong) does the public sector build sufficient houses to provide accommodation for any income group. All too frequently, most public sector housing ends up in the hands of upper-middle and upper-income people. Conversely, the private sector can and will build freely for the low-income group if profits can be obtained. Nairobi, Kenya, offers a good example. Over a 12-month period in 1970-1971 some 25 limited liability companies built five times as many houses in Nairobi as the public sector for low-income people and rented them at rates below the local authority. This private, high risk (because it operated without planning permission) enterprise catered to a large population that would otherwise have been housed as squatters. On the other hand, surveys in Pakistan, Kenya, and elsewhere have shown a great range of income groups participating in the popular sector simply because they prefer to minimize their housing expenditure and utilize their disposable income in other ways. For instance, a survey of squatter areas in Kenya showed that 45 percent of heads of households held employment with an average income over the minimum wage.

In this paper the terms public, private, and popular sectors refer to suppliers of housing while users of housing are indicated by the terms lowest, low, middle, and upper-income groups.

In addition to target groups by income classification, most countries designate special target groups for whom housing programs are developed, for example, civil servants, military officers, veterans, industrial workers, and refugees may have special priorities for housing resources. These groups if they are to have special programs should be recognized in the objectives statement.

D. Mobilizing Housing Finance

A series of objectives on mobilizing housing finance should be identified. The source of finance from public

sector revenues, the mobilization of private savings for housing, and the allocation of funds from private sector financial sources need to be identified in the objectives statement with an indication of the priority to be assigned to each source.

E. Use of Housing
Finance Resources

Objectives covering the use of housing finance resources should be identified, particularly with regard to the role of subsidies in public sector housing.

Will homeowners be required to pay for all costs related to housing production? What types of subsidies, if any, will be made available for what target groups? Different types of subsidies (direct capital subsidies, interest subsidies, land provision, rental subsidies, etc.) have different aspects which should be considered for specific situations. However, all of them place a burden of some sort on limited government resources. Few developing countries possess the requisite subsidy resources to alone make a significant impact on housing problems.

F. Public Sector Role

There should also be a set of objectives outlining the public sector rôle in the housing delivery system. Government has several role options: (1) to build: construction of completed housing (shelter, utilities and services); (2) to finance: provision of lines of credit for construction and purchase financing by private/popular sectors; and/or (3) to facilitate: incentives for regulation of and construction by private/popular sectors which finance their own housing.

Of these roles, the first (building) generally requires the greatest investment and produces the fewest completed houses since government is playing all roles -- general contractor, manager, initiator, architect and planner, financier, and overall facilitator. In addition, this type of project often generates a non-involved user who may become a further burden, increasing the risk of decapitalizing government programs.

The second role option (financing) eliminates the management, initiator, and general contractor roles and mobilizes scarce resources from public and private sources to produce a larger number of houses, but usually at fairly high standards.

Some schemes (such as housing loans for sites and services) do benefit lower-income groups. Successful housing finance programs can mobilize large amounts of private capital for housing investment and free scarce government resources for less direct roles.

Housing policies currently reflect government movement away from the role of builder. The trend is now toward that of financing, facilitating, and regulating individual access to sub-markets for basic home construction requirements (building materials, tools, land, construction elements, labor management, skills). Governments can, for instance, engage actively in land acquisition, urbanization, and planning in order to facilitate private and popular sector construction. Governments have also found a role in many activities related indirectly to housing production (such as information dispersal programs to housing suppliers and sponsorship of exhibitions and fairs on building methods; housing research on building technology, materials, market demand, evaluation, etc.; and related training for management, maintenance, skilled labor, self-help procedures, etc.). Such indirect activities are important and should be recognized in housing policy with specific allocation for implementation and assurance that their scale is relevant to the problems.

To the extent that a government can harness individual initiative in taking over some more direct housing delivery tasks, it will be able to serve a wider segment of the low-income population. While theoretically it might be most efficient to abandon all construction schemes and concentrate public funds on the second and third roles of financing and facilitating, this is usually unrealistic in practice.

Chart II illustrates the specific objectives discussed above. By setting specific objectives in each box of the table, an integrated and consistent approach can be established and the overall housing policy objectives can be seen in their totality. To actually utilize the chart as a working tool the individual boxes would have to be enlarged to allow for inclusion of the desired text.

All of the boxes should be filled in to clarify and underscore "no action" recommended. For example, the objective may be to preclude the use of public resources for high-income group housing. If that is the case, an entry should be made to that effect in the appropriate box.

CHART II
HOUSING POLICY OBJECTIVE TABLE
THE RELATIONSHIPS BETWEEN AREAS, SECTORS, ACTIONS AND TARGET GROUPS

AREA	SECTOR	ACTION	INCOME GROUPS					SPECIAL GROUPS		
			HIGH	UPPER MIDDLE	MIDDLE	LOW	LOWEST	CIVIL SERVANTS	VETERANS	IND WORKERS
Large Cities	Public	To Build To Finance To Facilitate								
	Private	To Build To Finance								
	Popular	To Build To Finance								
Inter-mediate Cities	Public	To Build To Finance To Facilitate								
	Private	To Build To Finance								
	Popular	To Build To Finance								
Market Towns	Public	To Build To Finance To Facilitate								
	Private	To Build To Finance								
	Popular	To Build To Finance								
Rural	Public	To Build To Finance To Facilitate								
	Private	To Build To Finance								
	Popular	To Build To Finance								

IV. Definition of the Housing Delivery System

It is, of course, necessary to establish within a country a housing delivery system which reflects the overall objectives to be achieved and provides a relevant procedure for implementation. The housing policy should seek to define the housing delivery system which is desired while leaving specific detailed recommendations for implementation to the housing plan. Among the items to be considered are the following:

A. Legislative Base

The legislative base is frequently ignored in setting housing policy; yet it frequently works counter-productively to achievement of housing objectives. The legislative base in many countries has a direct link back to the days of colonial power, when laws were designed to ensure high standards of housing for Europeans. Today, even though the entire development context has changed to serve the population of a free and independent country, many of these laws remain on the books. Building codes, subdivision procedures, and zoning laws may all be real constraints on the housing process relevant to the given level of resources. Taxation laws and laws governing the landlord-tenant relationship may inhibit development of a rental housing market.

Legislation also defines the housing finance system. Besides establishing finance institutions and defining their authority, legislation affects land tenure, mortgageability, title registration, and other legal considerations. In framing a housing policy, careful review of the legislative framework affecting housing is imperative, and decisions must be taken as to whether or not the existing legislative base is conducive to achieving housing policy goals.

B. Administrative Framework

The government's administrative framework presents some fundamental questions to be resolved between centralized or decentralized administration. Many developing countries have found over the years that a chaotic administrative situation has developed through the ever expanding number of agencies and actors involved in the housing process. There has been a tendency to create agencies at all levels of government in response to narrowly defined housing needs and as a method of overcoming the failures of agencies already in existence. As a result, it is almost impossible to ensure the smooth administration of a housing policy no matter how coherent it may be.

The coordination of housing activities often is referred to in housing policy. Policy issues regarding the degree of centralization in housing administration deal with this first aspect of coordination. The Philippine housing plan describes programming for not less than nine separate agencies but makes no reference to how they are to be coordinated. Housing-related services in some other countries are even more diversified (for example, Chile had 23 to 25 different agencies in the mid-1960s and Kenya had four ministries and another five government-related institutions). It is conceivable that (as the definition of housing becomes more environment-oriented to take in aspects of public utilities, community services and employment) this problem will become even worse. Some countries have attempted to resolve this issue with strong centralized authorities (for example, Singapore concentrates all programming under one authority and Puerto Rico simply focuses control of the various agencies on one person, the Governor).

Such policies, however, tend to conflict in practice with other purposes such as promotion of housing autonomy and individual initiative. In addition, where one authority dominates all others without any legislated leverage between ministries, real influence is subject to fluctuations of political personalities. Policies obviously cannot maintain consistency in such a setting. Centralized coordination does not necessarily result in authoritarian housing systems, but the regulations allowing sustained autonomy, if desired, must be made clear.

The broader aspect of housing coordination deals with the task of maintaining complementary roles between housing suppliers. Since it is necessary to involve all participants in the cooperative effort, the establishment of advisory committees is usually suggested, composed of both the actors themselves and others concerned with, or knowledgeable about, housing activities. It is important to recognize that administrative coordination represents a part, but not the whole, of effective housing policy.

As a general objective it appears desirable to centralize policy and program control while decentralizing operations. This problem should be addressed directly in the development of a national housing policy with the assumption that corrective action can take place through successive national housing plans. The proposed national housing policy of Pakistan makes reorganization of housing administration one of its three main goals. Since at the central level of government alone there are 12 ministries or major divisions conducting significant housing functions, it is obvious that a single housing policy will have little chance for successful implementation unless this is corrected.

Specifically, housing policy should seek to define responsibilities of the various agencies and organizations involved in housing at each level of government and to ensure that there is an agency charged with each kind of function and responsibility. For example:

1. Housing policy and planning functions might involve responsibilities at the national level for the Ministry of Housing (or Public Works), the Ministry of Economic Development, and the Ministry of Finance. The housing policy should define the responsibilities of each and how they are to interact and coordinate.

2. Housing administration and controls might involve the Ministry of Housing at the national level and various local governments. The responsibilities of each need to be identified.

3. House building capacity might be established in various government organizations, each with a different program perspective. For example, there may be house building programs in a National Housing Corporation, a Ministry of Housing, Ministry of Agriculture (rural housing), other ministries (for their own civil servants), other autonomous agencies (for their workers), and provincial and local governments. The housing policy should define the area of building responsibility of each organization, target groups for which housing is constructed, sources of finance, and the terms and conditions of cost recovery if any. The purpose of the housing policy is to reduce overlaps between agencies, avoid redundancy of programs, unify terms and conditions for cost recovery, and insure that public resources are utilized according to housing policy objectives.

4. Housing finance capacity might come from a variety of sources which should be clearly identified, and related to specific housing programs and target groups of housing users. For each of the public sector housing suppliers identified in Item 3 above, there should be a specific source of finance. The available sources of finance to be considered include:

- a. Direct government budget support through annual cash grant contributions in the form of equity capital to an institution or the direct construction or purchase of housing stock.
- b. Government loans with prescribed terms and conditions of repayment.

- c. Government guarantees for loans from the private sector or international sources.
- d. Reinvestment of cost recoveries from previously built public sector housing which has been sold, leased, or rented to households.
- e. Government encouragement of private savings.

The housing policy document need not set specific amounts of money to be obtained from each source as this is better accomplished in the housing plan. The housing policy should, however, set priorities among the various sources and indicate the general terms and conditions by which the capital will be raised and channeled into housing. It should clearly identify the institutions which will be responsible for mobilizing and administering the funds.

C. Role of Government

The role of government in facilitating the private sector housing delivery system should be described. If the private sector is to be called upon to play a significant role in housing, as is almost certainly going to be the case in most housing policies, then it is important to identify how this can be achieved. In describing the private sector role in the national housing delivery system, attention should be given to the following:

1. The capacity of the private sector should be increased to achieve the necessary levels of construction desired for appropriate target groups. Government should consider methods for providing incentives to the private sector to achieve its desired role in the housing delivery system. Incentives to be considered for inclusion in the housing policy might include, depending on individual local circumstances, various tax benefits; assistance by government in land assembly; simplified procedures for government licenses, permissions, and approvals of appropriate housing projects; training to insure an adequate supply of managers, foremen, and skilled workers; priorities for importation of essential equipment and materials not available locally; and priority allocation of building materials to ensure consistent supply at job sites. Consideration should also be given to appropriate means to encourage establishment and development of small contractors and to ensure that sufficient construction capacity is distributed throughout the country to meet overall national housing objectives.

2. The supply and quality of building materials and the development of a domestic building materials industry should be improved. The government should consider the ways in which the building materials industry can be facilitated in achieving national housing objectives. Among the methods to be considered are providing access to credit for building materials suppliers, giving priority for importation of essential equipment, encouraging standardization of housing components, maximizing the utilization of local materials, and training for managers and foremen. In addition, training for architects and engineers should be encouraged in order to achieve more efficiency in housing design and building material conservation. Special incentives might be considered if there is a need to improve the distribution of building materials throughout the nation.

3. The supply of capital to support private sector housing construction should be increased. The mobilization of capital for housing construction is essential, and the greatest potential in most countries rests in channeling private savings into housing. The government can facilitate mobilization of private savings through encouraging private housing finance mechanisms such as savings and loan associations, credit unions, cooperatives, etc. Savings mobilized for housing through such organizations are frequently captured outside existing savings institutions and therefore are a net increase in available investment capital rather than merely a redistribution of already mobilized capital. However, government (depending on the priority of housing) may wish to augment capital availability by requiring an allocation to housing investment from commercial banks or other financial institutions which presently are not making housing loans. The housing policy document should describe the forms of private financial institutions which should participate, define their responsibilities, and suggest in principle the terms and conditions of their participation in housing finance.

D. Government and the Popular Sector

The position of government toward the popular sector should also be specified in the housing policy. In most countries it will be necessary to recognize the fact that the public and private sectors will not, at least in the near term, be able to meet the full housing demands of the population. Therefore the popular sector will have a continuing and vital role to play in meeting shelter requirements of people. Measures government is prepared to take to facilitate the development of popular sector housing should be specified. This might include

procedures for securing land tenure, access to minimal credit for house construction or improvement, exemption from building codes and other regulations appropriate only to higher standard housing as well as any negative restrictions on the location or construction of such housing (if appropriate).

V. Description of the Basic Housing Programs

The housing policy document should include a general description of the housing types and kinds of projects which are to be encouraged in the public and private sectors. The description in the housing policy document should only set broad parameters for the housing programs in order to allow ample flexibility for design of individual projects.

The housing policy document should identify for each housing type to be supported in the country the following general guidelines:

1. The areas in the country where the housing type is deemed appropriate (for example, high rise apartments might be restricted to certain large cities).
2. The range of income groups and/or special target groups for whom the housing type is to be made available.
3. The minimum housing unit size for each type (for example, walk-up apartments for low-income groups might be not less than 30 square meters or some other appropriate minimum).
4. The maximum housing unit size for each type (for example, walk-up apartments might be not more than 60 square meters or some other appropriate maximum). An issue to be decided will be whether or not it is appropriate to limit luxury construction for high-income groups in order to conserve building materials and force investment into other economic activities.
5. The range of desired overall densities of residential areas for each housing type in order to achieve efficiency in the use of urban land and minimize infrastructure costs.

The housing types which should be identified would depend on local circumstances within the country in particular urban

and rural centers. In general, however, consideration should be given to the following general categories of housing types:

A. Complete Housing Units

Complete housing units are composed of the following types: high-rise apartments; walk-up apartments; row houses; duplex houses; and single family houses.

B. Sites and Services
or Core Houses

The term sites and services projects is given to a wide variety of physical solutions to settlement needs of the urban poor. The common characteristic of all sites and services projects is that a complete house unit is not provided as part of the project itself. The household must either complete a partial house or build its own house from the start.

The obvious advantage of sites and services projects is that most of the cost of the dwelling unit itself is not included in the "front end" costs of the project. Therefore, the average cost per household served is much lower than traditional public sector housing solutions for the poor. In addition, it allows a wide range of alternatives to be made available to low-income families at a price they can afford to repay without major subsidy. An additional advantage of the sites and services approach is that it allows the household to complete the house unit at its own pace, reflecting their own income capacity and particular dwelling unit requirements.

Sites and services projects successfully meet the needs of low-income people for ground level accommodation because they involve individual plots that allow for keeping animals, small vegetable gardens, ground space for small industrial activities or crafts, and use of the structure for commercial as well as residential purposes -- activities that apartment blocks generally preclude. It is even possible through good design techniques to keep the density level within sites and services projects generally comparable with low-rise apartment structures.

Sites and services projects have been tried in numerous countries and can be said to be gaining popularity. Particularly successful programs have been accomplished in Lusaka, Zambia, and San Salvador, El Salvador.

C. Settlement Upgrading

Settlement upgrading programs are designed to respond to needs of the urban poor where they currently live. The philosophy of this type of project is based on the assumption that most developing countries cannot keep up with new growth housing requirements and that it is therefore essential to conserve and improve existing housing stock, even if at a substandard condition.

This approach is justified because for the most part the quality of the physical residential environment is more important than the actual quality of the house structure itself. Therefore, substantial benefits can be gained by the urban poor if environmental improvements are made to the neighborhood (such as improved water supply, sanitation, drainage, electricity, and roads and footpaths). In addition, settlement upgrading programs usually provide some means of transferring secure land tenure to the residents.

It has been demonstrated in such programs that the residents themselves after obtaining secure land tenure and physical improvements are stimulated to improve the quality of their individual housing units as well. In some settlement upgrading programs, such as the one being supported by a Housing Guaranty loan in Seoul, Korea, a direct home improvement loan component has been added to facilitate the process.

Settlement upgrading projects are clearly one useful response to the physical improvement needs of the urban poor.

D. Rural Housing

Types of rural housing to be supported might include complete farm house units, rural settlements based on sites and services and core house concepts, and rural house improvement for existing units.

VI. Additional Provisions

The housing policy should include additional provisions regarding economic impact of the proposed housing policy, the process for evaluating the housing policy, and guidelines for preparation of a national housing plan.

A. Economic Impact

Analysis of the economic impact of the proposed housing policy should be undertaken. Housing policy should be related to other sectors of the national economy and to aggregate economic planning as a whole. Housing policy planners should, therefore, study the economic impacts of proposed housing investments so that economic planners can consider their overall complementarity with national economic planning objectives.

The role of the construction industry is often overlooked in the formulation of housing policy. For the national economy the construction sector includes all aspects of construction, including residential, and frequently the inherent conflict between residential and non-residential construction is not dealt with directly. Obviously, there are finite limits on the construction sector at any time, and therefore the distribution of resources between residential and non-residential construction can become a policy issue of major importance. All too often housing construction has been postponed because of the diversion of materials and labor to other projects of a higher priority. On the other hand, the demands of the housing sector are important for maintaining and developing skills in the construction industry. Guidelines for priorities in the construction industry should be established by housing policy.

As illustrated above, the housing sector has several important linkages with other sectors of the economy. Economists should study the input requirements of residential construction and rationalize them with other sectors of the economy.

Policy statements occasionally mention employment effects of housing on the construction industry. Decisions regarding appropriate construction technology will determine the extent to which people will share in the benefits of housing expenditures. Technological decisions will affect low-income people in two ways:

1. Maximizing the labor content (especially of the unskilled) in the production of construction materials will contribute to greater income and/or wider distribution of income. The effect it has on income will depend on whether labor is centrally employed (by government or commercial builders) or is allowed to produce required goods and services on an independent supply basis, perhaps to specified standards. The latter would appear to offer greater possibilities for a broader distribution of profit and employment.

2. Technologies employed in actual house construction will determine labor needs. Through the expansion of various self-help labor schemes, a great opportunity exists for turning the idle hours of those who are both unemployed and under-employed into a negotiable asset, since most homes built will have individual resale value. Policies in Africa and much of Asia are only beginning to recognize and tap this potential.

The significant but more subtle interaction between housing and indirect employment and income levels is for the most part ignored in plan or policy statements. The formulation of policy based on inaccurate assumptions about this relationship can seriously undermine the improvement of overall living standards.

Many forms of employment are tied to the lifestyle of unplanned settlements, including shopkeepers, vendors, bakers, water carriers, small landlords, servants, teachers, craftsmen, latrine diggers, and other casual laborers for local house construction and maintenance. Even squatter improvement policies will affect the delicate balance of this economy, and for this reason policies should be carefully thought out before being implemented.

The accessibility of lower-income families to employment offered by higher-income people, institutions, or commercial enterprises for whom they may provide goods and services must also be considered in indirect relationship to the housing policy. This represents the critical location and tenure functions of housing discussed earlier in this paper and is a major source of problems in enforcing policies which fail to take this factor into account.

Housing policies can also have important implications for a country's capital and money markets. The extent to which capital mobilization for housing is institutionalized and the system for regulating housing credit can both affect interest rates and the provision of credit for housing. Priorities for housing credit must be considered along with other priorities for monetary and credit policy.

Housing investment can affect a country's international payments and debt position. Housing investments, as mentioned above, can require significant imports of materials which must be considered with a country's other import priorities and total foreign exchange earnings. The impact of foreign borrowing used in housing investment on a country's present and future debt position should also be considered in the context of national economic planning.

B. Evaluation of Housing Policy

The housing policy should make explicit the importance and need for evaluation and feedback between the national housing policy and the national housing plan.

Effective use of housing policy depends on its relevance to ongoing housing activities and can be maintained only through constant feedback. In principle, a well formulated policy statement should require only periodic review and revision. However, in a practical context revision of existing policy where necessary is likely to be an incremental process as the nature of housing is better comprehended at administrative and political levels. Therefore, a dynamic relationship must be maintained between formulation, evaluation, and reformulation.

The biggest problem regarding evaluation is the lack of it. This has been attributed to many causes, including the time required, the interrelated nature of many policy shortcomings, lack of political will, etc. Even when evaluation efforts are undertaken, they may be asking the wrong questions regarding the effectiveness of particular instruments in achieving objectives which remain unquestioned. Inquiries into the effectiveness of strategies employed or the appropriateness of stated or implicit goals are rare. Therefore, "evaluation" does not refer to a dearth of production statistics but to the lack of organized, systematic evaluation at the level of goals and purposes.

While some plans are long on the need to determine progress and effectiveness, they are short on detail regarding how and where and by what channels this is to happen. The result is piecemeal activity, usually at target level, stopping short of any real influence on the overall approach to shelter and other needs.

Goals and purposes themselves are usually stated in non-quantifiable or incompatible terms anyway, making the assessment of progress toward them a subjective rather than objective process. Thus, evaluation, when undertaken at all, is largely limited to determining agency performance against plan targets rather than performance against policy and policy performance against shelter and other basic needs of people. Consideration must be given to all three areas if effective evaluation is to take place.

C. Preparing a National
Housing Plan

The distinction has been drawn between the national housing policy and the national housing plan. The national housing policy should make explicit this distinction and lay out guidelines for preparation and content of the national housing plan. This would include who is to prepare the plan, when it is to be prepared, what it should contain, and the time period covered. A further discussion follows in Chapter IV.

Chapter IV

PREPARING THE HOUSING PLAN

The housing policy document when complete should serve as the broad guideline for the housing plan, which should describe the implementation strategy for the housing policy and establish specific time targets for the number of units to be constructed, upgraded, or improved and the levels of investment from the public and private sector required. In addition, the housing plan should identify specific steps to be taken by government to facilitate achievement of the housing policy.

It will be best to coordinate the time period of the housing plan to the national economic development plan (usually a period of three to five years). In this way the housing plan and the national economic development plan can be directly supportive, and the housing implications of the latter can be fully considered. For example, the national economic development plan might stress decentralization of industrial development, which in turn will require housing to be available for workers in the locations selected; or the national economic development plan might give priority to retarding growth in the capital city, in which case the housing plan might give priority to upgrading existing settlements and lowering the rate of new construction to remain in coordination with national objectives.

There should also be an annual housing plan which works within the longer time frame. This permits more accurate monitoring of progress under the national economic development plan and adjustment of the annual housing plan to reflect actual needs. For example, if the proposed decentralization of industry begins to be delayed for one reason or another, it is extremely important that housing not be built before it will be required because it would only result in a waste of resources which could best be utilized elsewhere.

Establishing Construction Targets

The housing policy will have developed overall priorities and objectives for housing unit construction and will have defined construction responsibilities between the public, private, and popular sector organizations and individuals. The capital resource pool will have been identified (see

discussion of housing finance below). It remains then to establish the actual construction targets. A sample of construction targets is shown in Chart III.

The horizontal columns identify the target groups of concern as well as the sector responsible for delivery of housing (public, private, or popular in the case of low- and lowest-income groups).

The vertical column calls for the "estimate of total need" for the time period to be covered by the plan and the "estimate of total effective demand." "Need" and "effective demand" should be distributed by target group requirements. The purpose of this overview is to relate the actual program proposed to overall requirements and to see what percentage of effective demand can be met by the construction program.

The remainder of the vertical column should identify the housing types to be constructed. A hypothetical listing is shown to illustrate the housing types which are likely to be of concern. The housing plan should then distribute the actual construction targets by housing type and target group. Naturally, housing construction targets must be related to the available housing finance available, discussed below.

Allocating the Financial Resources

Construction targets can only have validity if there are clearly sufficient capital resources available to support them. Chart IV shows the pattern of distributing capital resources which will match up against the construction program presented in Chart III. The horizontal columns show the distribution scheduled by target groups broken down into public sector funds, private sector funds, and (in the case of low- and lowest-income target groups) popular sector funds. An additional column will be useful to show the average cost per unit. This can be derived by dividing the number of units (from Chart III) into the total capital investment. The average unit cost indication does not appear in Chart IV because of the lack of space.

The vertical columns in the top half of the chart show the housing types. The housing types should be the same as those identified in Chart III. The total housing investment from the public and private sectors by target group for each type of housing can then be shown.

CHART III

HOUSING PROGRAM RELATIONSHIPS BETWEEN UNIT TYPES
AND TARGET GROUPS

	Total	TARGET GROUPS																	
		General Public Income Groups											Special Target Groups						
		High		Upper Middle		Middle		Low			Lowest			Civil Service	Military	Ind. Workers			
		Units	%	Pub	Pri	Pub	Pri	Pub	Pri	Pub	Pri	Pop	Pub	Pri	Pop	Pub	Pub	Pub	Pri
Estimated Total Need																			
Estimated Total Effective Demand																			
Planned Construction Program																			
HOUSING UNIT TYPES																			
URBAN																			
A. Complete Units																			
Apartments- High Rise																			
Apartments- Walk Up																			
Row Houses																			
Duplex																			
Single																			
B. Sites & Services																			
Core House Units																			
Plots & Services																			
C. Settlement Upgrading																			
RURAL																			
A. Complete Units																			
B. Settlement & Services																			
C. Rural House Upgrading																			

Pub = Public Sector Pri = Private Sector Pop = Popular Sector

CHART IV
HOUSING CAPITAL INVESTMENT RELATIONSHIPS BETWEEN UNIT TYPES
AND TARGET GROUPS

HOUSE UNIT	Total Capital Investment	General Public Income Groups											Special Target Groups					
		High		Upper Middle		Middle		Low			Lowest			Civil Service	Mili tary	Industrial Workers		
		Pub	Pri	Pub	Pri	Pub	Pri	Pub	Pri	Pop	Pub	Pri	Pop	Total	Total	Pub	Pri	Unit Cost
PUBLIC SECTOR SOURCES OF FINANCE																		
1. EQUITY CAPITAL																		
2. PUBLIC LOANS																		
3. INTERNA- TIONAL LOANS																		
4. REINVEST- MENT OF PUBLIC HOUSING COST RECOVERY																		
5. PRIVATE SAVINGS IN PUBLIC INSTITU- TIONS																		
PRIVATE SECTOR SOURCES OF FINANCE																		
1. COMMERCIAL BANKS																		
2. INDIVIDUAL PAYMENTS																		

Pub = Public Sector

Pri = Private Sector

Pop = Popular Sector

The bottom half of the vertical column identifies the individual sources of capital related to the total investment program shown in the top half. The sources of capital are divided into public sector sources and private sector sources. Obviously, it is essential that the amounts of capital to be mobilized from the respective sources must be based on realistic estimates of availability.

The capital cost estimates should include all of the costs for the units to be provided. This would include not only construction costs, but related land and infrastructure as well.

Analysis of the Capital Investment Program

The housing plan should also identify the terms and conditions of the sale, lease, or rental of the units to be constructed, including the down payments to be obtained and the terms of all loans to be provided for each housing type. The financial implications should be analyzed over the term of the mortgage loan; in the case of rental units, the expected useful life of the unit should be analyzed.

This analysis should specifically reveal any subsidy elements included in public sector housing programs.

At the heart of any public financial policy for housing is the basic issue of subsidies. The subsidy element implied in some public housing programs in Asia may be as high as 75 to 85 percent of the total cost of units for the lowest-income groups in 1976. This rate will actually increase in the years ahead as the real income of the target group lags behind the increased cost of construction. Indonesia has a large subsidy element insofar as its formal low-cost housing program is concerned (although it is also well along with settlement upgrading and sites and services which have much reduced subsidy elements).

All too often subsidies in housing are not even known in quantified terms. Subsidy estimates frequently fail to consider land costs, trunk infrastructure and community facilities, steadily increasing estate management costs, and the important need for a reserve for uncollected payments. When these items are considered, it is possible that cash flows will be negative and that the agency will become decapitalized unless new sources of capital are tapped or government subsidies continued.

This has been the case in every country which has ever attempted heavily-subsidized housing programs. Most have failed, and the programs have died.

The reason that so many housing professionals and various international agencies which lend for housing programs are so much against subsidies is not a lack of concern for the poor but rather a recognition that in their present form most subsidies substantially damage the viability of the public housing building agency and call into question their ability to continue operations over the long run.

Additional Housing Plan Actions

The last section of the housing plan should be a listing of those actions proposed by government to facilitate housing. This set of proposed actions will be directly related to the local situation but possibly include items such as the following:

1. Actions to facilitate the building materials industry.
2. Incentives for private construction companies.
3. Proposals for any new housing institutions or major changes in existing institutions.
4. Any legislative actions proposed to facilitate housing.
5. Recommendations for appropriate building technologies.
6. Proposals for training programs related to housing institutions or programs.
7. Proposals for housing or building materials research.
8. Proposals for evaluation of housing programs.

The housing plan should develop such proposals as are appropriate in the most specific action terms possible. Each program should be specific as to the action required, the assignment of responsibility, and the objectives to be achieved.

Chapter V

AID NATIONAL HOUSING POLICY EXPERIENCE

The Office of Housing of the United States Agency for International Development has been a leading advocate of preparing national housing policies. During the last three years AID has assisted many countries in addressing their housing problems through a variety of approaches, among them assistance in preparation of national housing policies.

AID has assisted some efforts in Korea, Thailand, the Ivory Coast, Egypt, and Honduras. The Korean experience has been most developed and is reviewed below.

The Korean Experience

As part of an agreement between the Ministry of Construction and the AID Office of Housing, the Korean Government committed itself early in 1974 to formulation of a national housing policy. At that time several Korean Government entities were involved in different programs within the housing sector. It was decided to undertake a comprehensive housing policy assessment in order to rationalize various institutional activities in the housing sector and provide a background for future program development. This was among the first attempts by a developing country to thoroughly reassess its housing sector strategy.

The effort began with formation of a Housing Policy Task Force to work under the Housing Policy Committee chaired by the Minister of Construction. During subsequent months a large amount of data was collected and preliminary analysis undertaken. AID provided periodic technical assistance to the policy effort, but the Koreans undertook the major responsibilities of data collection, analysis, and policy decision.

The final housing policy document, published in May 1975, outlines the government's dual objectives of increasing the housing stock and improving housing standards. The instruments for achieving these ends are also presented: expansion of funds for housing investment; assistance to the housing industry; increase in housing site supply; and rationalization of administrative functions. The policy document also outlines a long-term housing construction plan (1972-1981).

The most important achievement of the housing policy may prove to be acceptance of the need to preserve the existing housing stock to the maximum extent possible. This is a complete reversal of previous policy in Korea. A pilot home improvement program is already being developed in Seoul to implement the new policy. Infrastructure improvements and housing repair loans will be provided to homeowners, who will be allowed to purchase publicly-owned land.

Overall, the Korean experience in housing policy formulation has made an excellent beginning to what must be an ongoing process if it is to succeed. Much work remains to be done, particularly in the areas of housing finance, rationalizing housing administration, public sector interest rates, and further design of incentives to stimulate the private sector to actively participate in achieving national housing policy objectives. AID will continue to support further development of the Korean National Housing Policy.

The Honduras Experience

AID's regional office for Central America (ROCAP) has been providing very limited technical assistance to Honduras, in preparation of its national housing policy.

Considered as a priority issue within the National Development Plan, efforts to initiate preparation of the National Housing Policy of Honduras began at the very end of 1975.

At the outset, a coordinating committee was established representative of housing experts from both the public and private housing sector, related agencies, and development entities with some assistance from AID.

A sound basis of economic, financial, institutional, and construction sector performance was assembled for the first time, while key objectives and priorities were being formulated. The housing policy focuses on:

1. Improving the performance of existing housing development institutions.
2. Gradually increasing fiscal expenditures on housing development (as the sector's impact on national economic performance becomes more clearly defined).

3. Delivering housing to the lowest-income strata of households.
4. Guaranteeing the availability of developable land.
5. Other objectives including research and experimentation in housing delivery, personnel recruitment for housing careers, etc.

Recently completed, the housing policy presents a clear picture of the imbalance which exists in the non-delivery of housing to low-income families. The point is reinforced through projections of household formation among both urban and rural low-income families. Structural and organizational problems are documented which exist in the institutional framework of housing development including economic limitations of the market place and the accompanying limitations of the financial sector to respond.

The major thrust of the recommendations centers on improving the functional relationship among existing housing institutions, both public and private. Recommendations delineate a more efficient interrelationship and coordination of functions, clearer lines of authority, and the integration of housing development with national and regional planning and program implementation.

While the tendency to advocate new "super-agency" development was avoided, innovative programs appropriate to the nation's economic climate are clearly presented, focusing on:

1. Development of a National Housing (co-ordinating) Committee to activate, supervise, and coordinate new housing development.
2. Development of a land bank program to curtail urban land speculation.
3. Initiation of a national program of sites and services with recommendations to utilize the basic concept in other (industrial) sectors of the economy.
4. Formation of a special housing fund for utilization in low-income housing development.
5. Organization of a special program to respond to housing emergencies.

The housing policy responds forcibly to major institutional flaws within the housing sector and presents comprehensive programs with defined project implementation. Clearly, an impressive organizational guide and implementation format has been prepared.

The Ivory Coast Experience

AID has participated in three Housing Guaranty loans to the Ivory Coast, the last loan being jointly undertaken with the World Bank. During this period of working with the Government of the Ivory Coast a number of housing policy changes have been taken up, although a comprehensive housing policy of the kind described in Chapter II has not yet been prepared.

The Ivory Coast, like many countries, has primarily relied on public housing construction with heavy subsidies to respond to housing needs. During the last few years the Ivory Coast has been utilizing other approaches as well as a part of its housing policy. Some of the notable changes in policy are as follows:

1. Creation of a national housing bank, and use of the bank as a central fiduciary for the housing sector to manage tax funds and off-shore loans for economic housing.
2. The start of a savings mobilization program which had about 3,000 savings accounts as of September 1976.
3. Increased availability of home financing to lower-income families has been achieved. Home Mortgages in Ivory Coast are generally limited to incomes in the top 15 percent. The first and second Housing Guaranty programs made mortgage financing available to families with lower incomes -- as low as the 40th percentile. In connection with the present program the Housing Bank and the Ivory Coast Credit Bank have agreed to work out ways of making home construction and improvement financing available to even lower-income families and to those with incomes from the informal sector.
4. Use of graduated monthly payment schedules to enable low-income beneficiaries to finance homes at levels within their current means, with monthly payments increasing in later years as incomes rise.

5. Reduction of subsidy elements through cost recovery of infrastructure for low-income housing.
6. Bidding housing projects in small lots so that Ivorian contractors can bid, thereby making it possible for them to compete with expatriate contractors; use of Ivorian consultants for design and project supervision.

In addition to the above specific innovations, AID and IBRD have collaborated with the Ivory Coast in developing new policy directions exemplified in the current programs which include slum upgrading, cross subsidy and a major sites and services effort.

AID's View of Appropriate Housing Objectives

There is still much to be done to improve national housing policies and make them truly operational guides to action. The important fact to be recognized is that a national housing policy is never static and is never completed. It must be kept under continuous review and revision to respond to the complex and multiple issues which affect the delivery of housing in any country.

AID has learned much from its involvement on the periphery of these housing policy efforts to date. It has learned that it is generally not possible to quickly introduce major changes in the public sector's role in the housing delivery system. It is desirable to establish movement by policy guidelines which will lead toward rectifying the imbalances in housing programs and achievement of gradual or incremental improvements in administration, finance, and housing development. In short, constraints must be recognized within which national housing policy must realistically be developed, and it must be understood that housing policy is a long-term evolutionary process.

The work of the Office of Housing both in assisting national housing policy formation and relating to countries which are participating in AID's Housing Guaranty Loan program has allowed AID to clarify the general kinds of objectives toward which we believe national housing policies and programs should be directed.

The central objective of housing policies and programs must be to achieve the maximum addition to the net housing stock of the nation. The fundamental emphasis must be on reducing the housing deficit and achieving levels of production which can keep up with new household formation. Given the enormous numbers of total dwelling units to be provided, each nation must concentrate its limited resources in the most efficient way. This will often require substantial revision of current policies and procedures.

In most cases achievement of this central objective will mean orientation of the public sector's role in housing to establish nationwide programs focused on meeting the needs of lowest-income people who cannot afford to participate in regular public, semi-public, and formal private sector housing programs.

There is real potential for improvement in the quality of life available to the urban poor. Already many developing countries have responded to the challenges with innovation and imagination. From recent experiences certain general criteria for programmatic response are beginning to emerge:

1. Housing programs for low-income people must be capable of massive application on a sustained basis.
2. They must have acceptable low per capita operating and capital costs, with potential for cost recovery from the urban poor.
3. They must provide substantial opportunity for self-help and participation from the urban poor themselves.
4. They must have acceptable low levels of administrative requirements.
5. They must be flexible and capable of change in response to the changing needs of the urban poor.

The current emphasis of the Office of Housing on settlement upgrading and sites and services projects meets these criteria very well and offers a logical response to the requirements of the urban poor.

A need and an opportunity also exist to reduce the average cost per unit of formal sector housing units built in the public sector in order to build more units with the same level of capital investment. This will be possible by reducing the average size of dwelling units built, lowering the infrastructure standards, improving the site planning and architectural design, and improving the building technologies used.

AID has assisted standard housing projects through the Housing Guaranty Program when it has been demonstrated that they meet the criteria of being affordable by households below the median income of the city in which they are located. AID has been pleased that its financial participation has in turn led to meaningful innovations in design and construction, which has led to significant cost reductions over previous practices.

In spite of a well organized approach to housing in both the public and private sectors, it is unlikely that most countries will be able to meet the needs of all their low-income groups. AID feels, therefore, that developing countries must recognize the potential contribution of the popular sector and encourage self-help housing. The first requirement needs to be the cessation of those actions (such as demolition of squatter settlement housing) which are inherently counter-productive to the central objective of ensuring the maximum net addition to housing stock. In addition, the popular sector should be recognized as a legitimate supplier of housing in the nation, and appropriate areas should be provided within cities for self-built houses (with or without government provided sites and services projects).

The areas in which specific housing policy objectives should be formulated are listed in Chapter II. The content of these objectives will, of course, depend on specific circumstances within a given country, but AID believes it is desirable for these objectives to have a general trend along the following lines:

1. The importance of housing in the national development strategy should be recognized clearly as being a contributing factor toward national economic development.

2. Allocating housing resource priorities should be balanced between urban and rural housing, although rural development may well be chosen over urban development in the overall allocation of total capital investment resources. This conclusion is based on the fact that housing problems are most acute in urban areas, and rural housing needs can be met more efficiently through self-help. However, since most countries have predominantly rural populations special programs in rural housing should be supported also. Among urban areas the distribution of housing resources should seek to reinforce national strategies for population distribution; however, capital cities and large urban centers should be encouraged to maintain their housing stock through upgrading programs and to allow expansion at the rate of population increase through minimum standard sites and services projects which will not in themselves invite additional migration.

3. The highest priority for allocating public housing resources must be given to the low- and lowest-income groups. AID's own financial participation in housing through the Housing Guaranty Program requires that projects serve the population below the median income in a given area. Nonetheless, AID recognizes that there may be severe housing shortages among all income groups and encourages governments to take appropriate steps to facilitate private sector response to the greatest extent possible for all of the nations' citizens so long as the cost is borne by the beneficiary. As a general rule, AID discourages programs for special target groups, particularly if the programs are to be heavily subsidized by public funds.

4. The mobilization of housing finance is the cornerstone of a meaningful long-range housing program. AID believes that it is appropriate to utilize public funds in support of housing objectives, but that only through mobilization of private savings is there hope of overcoming the basic housing problems in most developing countries. Highest priority therefore should be given to improving the private sector housing finance system.

5. AID discourages the general use of large subsidies within housing programs. In most cases the use of subsidies by governments acts to the detriment of the overall housing sector because it tends to limit the amount of housing which can be built over time by the public sector, and it drives the private sector away from meeting the needs of middle- and low-income groups because they cannot compete with the subsidized pricing policies. AID recognizes that it may not be possible for a country to terminate all subsidies abruptly, particularly in situations in which a large amount of subsidized housing has already been introduced in the market. The objective should be to phase out general subsidies over a reasonable period of time in order to establish viable, self-financing public sector housing institutions. The first step is initiating adequate cost accounting of the subsidies provided and moving away from interest rate subsidies (which require annual subsidy contributions during the life of the mortgage) toward once-only write-down subsidies. Specialized modest subsidies, which have a national purpose, might be appropriate for clearly defined situations.

6. There is a major role for the public sector in meeting overall housing needs. AID believes the priority among the three public sector roles (to build, to finance, and to facilitate) should be:

To Build

The public sector's primary responsibility is to ensure that an adequate amount of urbanized land is available for

residential development. The priority therefore should be on development of sites and services projects with core house units (for example, the Housing Guaranty projects in Tunis and Nairobi). Secondly, the existing housing stock should be conserved, and therefore settlement upgrading projects should be given major emphasis on a city wide basis. The public sector should build complete housing units only if a special objective is to be achieved (for example, to introduce the concept of apartments for middle-income groups as was done by the Korean Housing Corporation with HG loans), or if the private sector cannot be induced to take the risk or does not have the capacity.

To Finance

The public sector has a major responsibility to ensure an adequate housing finance system is working throughout the country. The government should be encouraged to provide sufficient equity and "seed capital" to assist housing finance institutions, but the ultimate burden must be on mobilizing private savings.

To Facilitate

The public sector has both the responsibility and the opportunity to make a major contribution to housing through its ability to facilitate actions by the private and popular sectors. It can do this by ensuring that there is an appropriate legislative base, an effective government housing administrative system oriented to encourage the private and popular sectors to achieve their role in the overall housing delivery system.

APPENDIX

DATA NEEDED TO DEVELOP A NATIONAL HOUSING POLICY

In order to develop a national housing policy it is desirable to have certain basic data. In the case of countries at a relatively early stage of development, these may not be available in complete, detailed, or accurate form. This does not mean that the process of policy formulation and planning has to stop until such data are developed, or that time-consuming and expensive censuses are immediately necessary. Indeed, many important initial policy decisions (such as the decision to establish housing finance institutions or to initiate a pilot project to test new housing concepts) can be made with a minimum of data, and should be made very early in the work. As time goes on, increasing information should make possible a more exact determination of existing conditions, demand and resources.

When existing conditions, future demand, and resources expected to be available are approximately known, a country can determine its goals and objectives in terms of its own relative set of values and overall development plans. In addition to the data listed below, each country possesses many other characteristics -- historical, cultural, political, psychological, social, and religious -- which affect the housing policy at least as much as the facts themselves. The values it places on different aspects of living such as education, health, food, recreation, and religious observances, as well as on housing, will influence its decisions. However, these variables, important as they are, can operate realistically only within a framework of measurable facts. Without them, it is difficult to establish a balanced outlook on the housing problem and to respond to the many competing claims for attention arising from special interest groups during the process of policy formulation.

In planning a program for data collection the distinction between urban and rural housing referred to in Chapter II, Section B should be kept in mind. Since the situation is more likely to be critical in the burgeoning urban centers than in the rural areas, the first surveys should be made there.

NATIONAL ECONOMIC STATISTICS

During the past few years many countries, even those at an early stage of development, have set up at least a rudimentary method of collecting and keeping national economic statistics, which, in spite of any deficiencies they may have, still comprise the best set of measurements of a country's resources, overall economic situation, and potential for growth -- and, therefore, of the potential resources for housing. The following are needed, both for the current time period and going back in time for 10 to 15 years or whatever period is possible:

1. The gross national product, which can be projected with various assumptions, its rate of growth in the future, and per capita GNP, which can be projected into the future in relation to assumed or projected population trends. If GNP targets or forecasts are a part of the overall economic development plan, these can be used for the housing data.

2. The amount and proportion of GNP represented by fixed capital formation, from which projections can be made on the basis of various assumptions.

3. The proportion of GNP and of fixed capital formation represented by dwelling formation, from which projections can be made of the total resources likely to be available for housing under different policies.

4. Imports, exports, the balance of foreign trade and cumulative foreign indebtedness -- to be used in determining the allowable foreign exchange component of the housing program.

5. Reserves of limestone, iron, clay, copper, other minerals; forest reserves suitable for lumber; and quantities produced of each of these -- to be used in determining likely constraints on housing construction due to materials shortages, appropriate housing technologies and foreign exchange requirements.

POPULATION AND EMPLOYMENT

With a few notable exceptions, most countries have some kind of basic population and employment data available, based on various kinds of local registration, land tenure information, head counts and censuses. The following data, obtained both for the current period and for the past, represents a useful framework and basis for projections:

1. Population, by age and sex group, preferably by administrative subdivisions of some sort.
2. The proportion of the population in the labor force, by age and sex group, and the proportion of the labor force employed in agriculture, mining, industry, construction, transportation, trade and services.
3. Household or family composition and distribution by number of persons, sex, age, and occupation or economic group.
4. Birth and death rates, age-specific if possible, and the resulting rate of natural increase of population.
5. Population classified into urban and rural; urban growth rates, if possible, both classified by size of urban area, again, if possible.*
6. Migration patterns, from rural to urban areas, among urban areas and between the country and other countries, to be used with information on urban growth rates in determining the likely location of housing activity.

HOUSEHOLD INCOME AND EXPENDITURES

Although it may be difficult to obtain, it is desirable to have information on household income and expenditure patterns. These are the basis of housing demand, which together with information on existing housing conditions, housing technologies, costs, and resources should be used to establish housing goals and objectives.

* The definition of "urban" and "rural" will vary from country to country, depending upon its unique characteristics. In Pakistan, the 1961 Census defined "urban" as "all Municipalities, civil lines, cantonments and any other area inhabited by not less than 5,000 persons and consisting of a continuous collection of houses." In Latin America a lower limit of 2,000 persons is often used.

1. Number of persons per household or family, and age, sex, and occupation of members.
2. Number of hours worked per week, wage rates and earnings of household members.
3. Total household income, and income by source, if possible.
4. Net worth of household, and equity in housing.
5. Annual or monthly household expenditures by major categories such as food, clothing, personal effects, transportation, housing utilities, household effects, services, and taxes by income group, and separately for homeowners, if possible.

This information should be given a relatively high priority. It can be obtained only with a special-purpose sample survey of households by skilled and well-trained investigators supported by competent statistical data processing staff.

6. If data on household income and expenditures are not available, information should be assembled from other sources on the typical earnings or wages of major occupational or economic groups; agricultural laborers, unskilled, semi-skilled and skilled industrial workers, small manufacturers, operators of vehicles such as autorickshaws, pedicabs, and donkey carts, service people such as small repairers, tailors shoemakers and tradesmen, construction workers, government workers, clerical workers and lower, upper and middle management. From these and information on per capita income from the national accounts it should be possible to construct a rough income distribution curve and to estimate housing expenditures.

HOUSING AND HOUSING USE CONDITIONS

The United Nations has recently published reports on the recommended content and methodology for making a housing census in 1970 and for estimating housing needs.* In many

*Principles and Recommendations for the 1970 Housing Censuses (United Nations publication, Sales No. 67.XVII.4) and Methods of Estimating Housing Needs (United Nations publication, Sales No. 67.XVII.15).

developing countries no comprehensive housing data exists. Unless fairly detailed housing censuses have recently been made, a complete picture of a country's current housing situation is not likely to be available. Yet there has to be some factual basis to build policy upon. Fortunately, modern techniques of statistical sampling have progressed to the point where, with properly structured small samples, surveys in depth can be made of the current housing situation in a country and the results processed and analyzed in a relatively short time and at relatively small expense.

Since the geographical area involved would be limited it may be possible to use older school children, teachers and members of the armed forces or other government workers to collect the data from the sample selected.

1. Construction material, separately for walls, roofs, floors and compound walls, if any. Structural type: free-standing, row, multi-level, other.
2. Size and facilities: floor space, number of habitable rooms, kitchen, washplace, toilet, and bath.
3. Utilities: water, sewerage, septic tanks, electricity, gas, telephone, solid waste disposal, either on the property or as community facilities.
4. Size of lot, percentage of ground covered by dwellings, and area of open space.
5. Age of structure: How constructed: contractor or builder, government, community or friends, or self-built.
6. Land: owned, leased, community owned, or squatter.
7. House: owned, leased, or community owned.
8. Occupancy: number of families or households; Number of occupants: age, sex, marital status, occupation, earnings and educational characteristics of household members.
9. Household income, net worth and equity in housing.
10. Monthly expenditures for housing and utilities.
11. Physical condition of dwelling.

The physical condition of the dwelling should be determined as part of the housing survey. In the developed countries, this deals with both the condition of the structure and of the facilities and utilities within it. This is necessary because most housing units are relatively large, many are in multi-story structures and they are constructed of materials with a long and uniform lifespan. In the developing areas, on the other hand, most housing units are relatively small, they are in single-story or two-story structures, and they are constructed of materials with widely varying useful lifespans. A house constructed of straw mats over a wooden frame may require rebuilding every two years. One of soil blocks or stone with a mud roof may require rebuilding every five years. And a mud house may require rebuilding after 20 years.

There is little danger from structural failure; indeed, the concept of physical deterioration means little under such conditions. On the other hand, there are very large concentrations of population in the urban centers of the developing world, where with a few exceptions utilities are very poor, and environmental conditions are severe. An attempt should, therefore, be made to assess the adequacy of water supply, sewerage and other means of disposal of sanitary wastes, drainage, and solid waste disposal facilities for each dwelling unit.

12. Construction costs (cash costs plus inputed value of labor).

13. Consumption of major utility items. Cubic feet (meters) of water consumed per month, kilowatts of electricity and cubic feet (meters) of gas.

14. Financing and current costs. Purchase price, amount of mortgage, terms of mortgage, monthly payments on mortgage, equity. Monthly rent, if rented. Monthly maintenance costs. Monthly taxes. Monthly utilities costs.

15. Cross tabulations. In order to relate existing housing conditions to the characteristics of the population it will be necessary to make cross tabulations of household income, net worth and equity in housing versus construction materials, size and facilities, utilities, size of lot, age and construction, land and home tenure, occupancy, and physical condition. Together these will provide a very good indication of current housing conditions as a basis for housing policy.

MATERIALS, CONSTRUCTION COSTS, AND ECONOMIC LINKAGES

Materials requirements and costs are necessary to relate housing goals and objectives, technologies, demand and resources.

1. Costs and Quantities of Materials for Dwelling Unit Construction. Unit costs such as those per square meter or linear meter of various construction elements of a dwelling are not needed for formulation of policy. For this purpose, there are needed average costs of typical dwelling units of various sizes and grades, including varying degrees of services, for instance the grades would specify whether there was piped water in the dwelling and whether there was a system of water-borne sewage disposal. The range of typical dwelling types must be such as to afford housing for the spectrum of consumer groups covered by the housing policy. As indicated earlier in this paper, the solution for certain very low-income groups may not be the provision of a new dwelling at all but only certain improvements in supporting services and facilities for existing dwellings. The average costs permit a global estimate of total costs of a given number of dwellings or related improvements for a specified user group. These estimates would indicate funding requirements for dwelling construction improvement. Also general estimates of average quantities of materials for each dwelling type and grade and the identification of import requirements would enable policy formulators "to try on for size" various goals before incorporating them in policy.

2. Land Costs. Raw and as supplied with different levels of roads and utilities to the site, in different kinds of urban situations -- central, peripheral, in satellite towns, and in new towns remote from currently developed areas.

3. Costs of Providing Community Facilities per 1,000 Population. Schools, hospitals, and health facilities, public transport if needed, community centers, parks and playgrounds and other public buildings and services.

4. Economic Impact: Output in other economic activities caused by one unit of expenditure for housing.

Because the demand for housing is income-elastic and it is linked to so many other sectors, housing is normally a key sector of the urban economy. Because it is relatively labor-intensive, it is also an important source of employment and income. The construction of a house requires the

manufacture of ceramics and bricks, cement, glass, metal products, and wood products. It requires transportation and other services. And these, in turn, require other inputs, which in their turn require other inputs.

One unit of expenditure for housing, therefore, generates directly and indirectly a great deal of economic activity. If an input-output model is available as part of the national economic planning apparatus, it should be used to explore the impact of the housing policy and resulting program upon the rest of the economy.

It is important that the foreign exchange component of housing be known fairly accurately: it may range from 15 to 35 percent of the cost of the structure, and affect the balance of foreign trade substantially. The housing policy should, to the greatest extent possible, minimize foreign exchange requirements. In particular, care should be taken that building standards do not increase the foreign exchange requirements unnecessarily.

CONSTRUCTION INDUSTRY AND PUBLIC HOUSING PROGRAMS

The construction industry and public housing programs are important components of the housing delivery system. In most developing countries, the construction industry is relatively under-developed and should be supported by public policy. In many countries, there are no centrally collected statistics on the industry, yet some information is needed. Useful data include:

1. Number and distribution by size (volume of construction or employees) of construction companies and entrepreneurs.
2. Number and distribution by size of construction companies and entrepreneurs engaged in dwelling construction. Number of public land development agencies, housing societies and other public agencies with housing construction and land development functions.
3. Number of persons employed. Occupations and skill levels. Wages, hours worked and earnings paid.
4. Equipment: cranes, cement mixers, transportation, earth-moving equipment.
5. Characteristics of operation: materials costs, returns to capital. Management techniques. Financing.

6. Number of architects and engineers available.
7. Acres of land urbanized and dwelling units built per year.
8. Proportion of construction capacity currently utilized.
9. Manpower training programs: training and apprenticeship programs. Carpentry, masonry, electrical, plumbing, etc.
10. Domestic production, consumption and importation of major construction material items. The potential production of construction materials is far different from the availability of reserves of the basic or raw materials referred to earlier. Effective production requires the elements of plant, manpower, and distribution systems.
11. Technical assistance and technical training programs for construction companies: selection of equipment, marketing, market analysis, procurement of materials, construction techniques, personnel management, and accounting and financial management.

HOUSING FINANCE

The existence of banks and similar institutions, their capital resources, and their ability to channel their resources into housing need to be known. The existence or lack of such institutions or of other channels for savings. Cooperatives, savings and loan associations, and credit unions obviously affect the country's ability to implement housing policy. The housing policy is normally intensively concerned with such institutions and their operation.

1. Number and size distribution of banks and other financial institutions. Organizational structure of the finance industry.
2. Volume of demand deposits and time deposits. Sources of deposits (voluntary savings, payroll deductions, government, etc.).
3. Total volume and size distribution of loans.
4. Volume and size distribution of long-term loans for housing. Terms of loans.
5. Volume and size distribution of short-term loans for housing construction. Terms of loans.

6. Public support for financial institutions: regulatory action, guidelines, loan guaranty programs, and capital provided directly for loans.

PUBLIC FISCAL STRUCTURE

Data should be available about the country's fiscal structure: what kinds of taxes it collects, from whom, how much and for what these funds are expended. The amount of public money currently going into housing investment or into supporting facilities in the form of loans or grants, the effect of the land taxation system on land prices and land speculation and the ways in which incentives are given to encourage increases in housing demand and production need to be known. These data should be collected from the agencies involved.

1. Total revenues of all levels of government -- central, provincial and local.

2. Revenues of each level of government from housing and urban property. Types of taxes: site value, rental value, property value, and other. Property assessment procedures, revenues from land development, revenues from housing related user charges.

3. Tax incentives to increase (or decrease) housing demand and construction: income tax deductions and others.

4. Expenditures for housing and land development.

HOUSING AND LAND DEVELOPMENT REGULATIONS AND LEGISLATION

1. Residential building standards, if any.

2. Occupancy codes or standards related to housing.

3. Physical planning, if any: date and coverage of plans for physical development of major urban centers.

4. Zoning regulations, building permit systems, and building inspection procedures.

5. Planning enabling legislation, if any.

6. Existing governmental structure for housing regulation, finance, and production.

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