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Presents the proceeds of the housing conference held in Seoul in October 1975. The meetings were attended by representatives from five Asian countries, the US, and various economic and educational institutions. During the course of five working sessions and several panel discussions, a wide range of issues related to Asia's severe housing problems were addressed. In most of the presentations the speaker focuses on his own country's existing and proposed housing policies, but several presentations on general urban planning and housing finance are also included.

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CONFERENCE ON HOUSING IN ASIA

National Shelter and Urban Strategies



Agency for International Development
Host: Korea National Housing Corporation

Seoul, Korea
October 28-31, 1976



*OPENING SESSION—National Shelter and
Urban Strategies Conference*

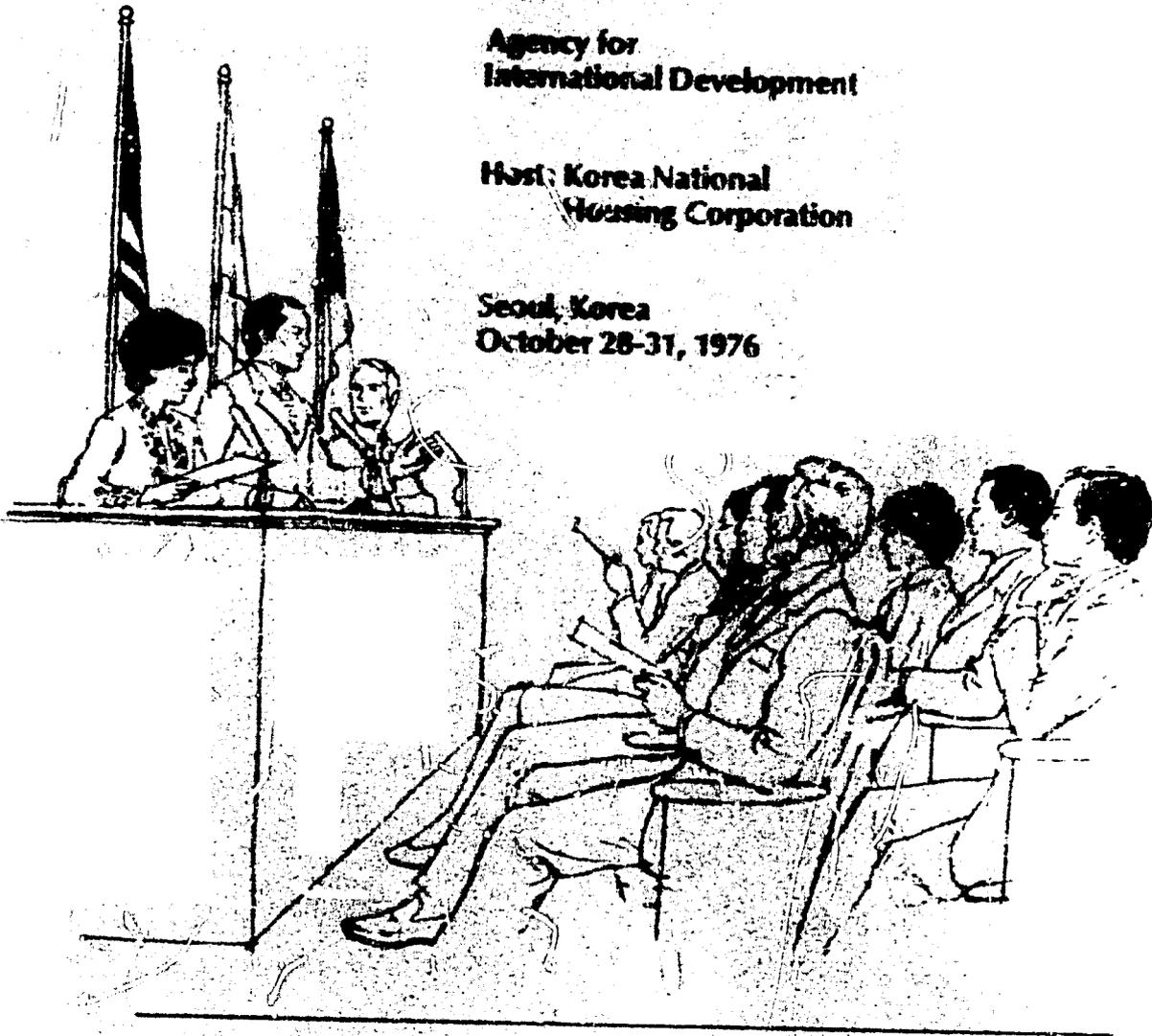


*Sponsor and Host Representatives—Peter Kimm
and Yang Taek Shik*

**Agency for
International Development**

**Host: Korea National
Housing Corporation**

**Seoul, Korea
October 28-31, 1976**



FOREWORD

The first conference on housing in Asia sponsored by the U.S. Agency for International Development (AID) was held in Seoul, Korea on October 28 to 31, 1976. The conference was hosted by the Korea National Housing Corporation with typical Korean warmth, hospitality, and efficiency.

Sixty-seven delegates representing five Asian countries and the U.S., plus representatives of the World Bank, Asian Institute of Technology, University of Hawaii, Fulbright Commission, and USAID missions in Thailand and Korea, attended the conference. The main theme of the conference was "National Shelter and Urban Strategies," with professional papers on housing policy, housing finance, and various country programs serving as the catalyst for much significant dialogue during the five working sessions of the three day conference.

The enthusiasm and level of participation in the conference clearly attested to its success and to the critical importance of the subject matter to the participants. Fully aware of the magnitude of the housing problems confronting the participating countries and sincerely hoping that the delegates profitted from the experiences shared at the conference, AID is pleased with its contribution to the success of the conference.

Peter Kimm, Director,
Office of Housing,
Agency for International
Development

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Opening Session, National Shelter and Urban Strategies Conference—Kwak Hoo Sup, Kim Ioo Nam, Richard Sneider, Yang Taek Shik, Peter Kimm, Sean Walsh

OPENING SESSION

October 29, 1976

WELCOMING SPEECH

YANG TAEK SHIK
President, Korea National
Housing Corporation

Mr. Kimm, Ambassador Sneider, and all distinguished delegates from Indonesia, Malaysia, Philippines, and Thailand; it is my great pleasure to address you at this opening session of the first National Shelter and Urban Strategies Conference in Asia.

We are here to discuss housing and we seek to learn from each other. Although there are many cultural or social differences in our countries, one common problem we all share is the enormous task of providing housing for our respective countries. There is a wide range of housing experience represented here and we all hope to gain by the individual experiences and knowledge that are assembled through a mutual exchange of ideas, programs, and policies. I think also that this conference will provide closer ties to our Asian community in providing a better understanding or in sharing a common dilemma.



*Korea National Housing Corporation President,
Yang Taek Shik*

I am particularly pleased that Seoul was chosen for the site of the Conference as it provides us with an opportunity to show you our progress in housing. We hope to impress on you our Government's efforts in this area and feel that during your brief stay, you will be able to see much of what we will be describing to you during the conference. I look forward to the sessions and feel particularly indebted to USAID for making it possible.

Finally, on behalf of my Government and the people of Korea, I want to extend our warmest welcome to all the delegates to the conference and I sincerely hope your visit to Korea will be most pleasant and successful.

Now, it is my great honor and privilege to introduce to you the U.S. Ambassador to Korea, Richard L. Sneider.



Mayor of Seoul, Koo Ja Choon, and Yang
Taek Shik



U.S. Ambassador to South Korea, Richard
Sneider



Dennis Barrett, AID Representative, Kwak Hoo
Sup, Vice Mayor, Seoul City; Kim Joo Nam,
Vice Minister of Construction, U.S. Ambassador
Richard Sneider

WELCOMING SPEECH

RICHARD L. SNEIDER

The Ambassador of the U.S.A. to
South Korea

Minister Kim, President Yang, distinguished visitors and guests—it is a pleasure for me to have this opportunity to welcome you to this first conference on housing in East Asia sponsored by the U.S. Agency for International Development.

The conference theme—National Shelter and Urban Strategies—is most appropriate this year as it follows upon the recent U.N. Habitat Conference in Vancouver, Canada, which brought the problems of shelter and the issues of urban strategies necessary to meet the growing demands of urban populations to the forefront of public consciousness and international awareness. The growth of urban population centers in both the developed and the developing world over the past decade has been unparalleled in man's history. The projected growth over the next 20 years, particularly in the developing countries of Asia, will be even greater and presents a tremendous challenge to the financial and human resources available for this task. The magnitude of the growth of urban areas demands increased attention and resources be devoted to the effort of developing appropriate responses to the future urban and shelter needs of developed and developing nations. In this regard, this conference and others like it which provide a forum for exchange of experiences between urban planners, financiers, and urban administrators in the public and private sector are extremely important if progress is to be made and common mistakes are to be avoided.

It is also appropriate that this conference should be held in Seoul, Korea, a city devastated by war 25 years ago, yet today one of the largest and most dynamic cities in the world. In this transition from a victim of war to its present stage of urbanization and status as one of the largest cities in the world, Seoul is, in many ways, an excellent case study of the forces and effects of rapid urbanization in a developing nation and of the difficulties inherent in coping with such growth. I am sure our Korean colleagues will take the opportunity of the conference to explain to you Korea's housing policies and urban strategies that have been and are continuing to be developed in response to this urban growth. It is our hope that you will leave this conference with a greater appreciation and understanding of the shelter policies and programs of Korea and of AID's programs designed to assist developing nations deal with the issues and problems of urban growth and shelter.

WELCOMING SPEECH

KIM JOO NAM

Vice Minister of Construction,
Korea

Ambassador Sneider, Mr. Kimm, President Yang, and distinguished guests and delegates. I take great pleasure in addressing you on the occasion of the opening of this National Shelter and Urban Strategies Conference. I want to extend a sincere welcome to Korea to all of you and hope your visit to Korea will be most pleasant.

I look forward to the conference as I believe it provides an excellent opportunity to exchange views and experiences regarding housing. It should prove most beneficial in exploring common problems and in the promotion of friendships among our various countries.

I hope that during your visit each of you will have time to explore the development progress that is taking place in Korea. I would like each of you to witness the progress of our people who are united under our Government and to report on this progress in your own countries. To grasp a true picture of a country and its progress is extremely valuable in forming friendly ties.

I also want to express my appreciation to USAID for sponsoring this conference and for providing the forum for discussion among neighbors. I will close my welcoming remarks by wishing happiness and good health to all of the participants and distinguished guests.

NATIONAL SHELTER AND URBAN STRATEGIES CONF

SPONSORED BY USAID, HOSTED BY KNHC

OCTOBER 2



Kim Joo Nam

OPENING ADDRESS

PETER M. KIMM

Director, Office of Housing,
Agency for International Development

It is a great honor for me to speak to you at the opening of this housing conference. Although the AID office of Housing has had a considerable amount of experience in such conferences in Latin America and Africa, this is the first housing conference that we have sponsored in Asia.

As each of the preceding speakers have noted, we are in the midst of an urban crisis that is unparalleled in human history. The cities of the world, and particularly the cities of the developing world, are growing at dizzying rates. For example, the city of Seoul, in 1950, had a population just slightly above one million people. By 1975, Seoul's population had grown seven times its 1950 size and now has over seven million people. United Nations predictions indicate that in the next 25 years Seoul's population will almost triple to 19 million by the year 2000. The figures for all the major cities in Asia are similar. Manila, in 1950, had 1.5 million people. In 1975, Manila had grown to 4.4 million and 12.8 million is predicted for the year 2000.

The figures are staggering. The concept of providing three times the number of jobs, three times the number of schools, or three times the number of houses, from what we now have, in just 25 years, is difficult to comprehend. And these are not problems that can be dealt with by using the same old solutions that have been used elsewhere. Nobody has ever coped with the problems of the same order of magnitude that face us today and there is nowhere to turn for a model that we know will work. The cities in the industrialized countries grew at a much slower rate; relatively speaking, much greater resources were available.

We're talking about something that has never happened before and we'll have to develop our own solutions.

One of the critical needs of this urbanization cycle is housing. All of us, at all income levels, are very much concerned about our own housing, and are prepared to expend considerable efforts in this direction. For most people, a house is the principal goal for which they save and for all but the very wealthy, the investment in a home will be the major component of the net worth of an individual in his lifetime. Yet, somehow, despite this well known fact, shelter and human settlement problems have received a very low priority in the development community. National planning programs of many developing countries have paid little or no attention to housing strategy in their development efforts, while the problems increase.

For a variety of reasons, the U.S. Agency for International Development has been very involved in housing activities over a considerable period of time and in trying to set a framework for this conference, I thought it would be beneficial to discuss our experiences. The Agency for International Development administers the bi-lateral aid program of the U.S. and the bulk of the resources available are invested in rural projects. However, we have had, for some time, a significant program aimed exclusively at housing known as the Housing Guaranty program. That program is administered by AID's Office of Housing, which I head. Currently, it has resources available to it to issue guarantees somewhat in excess of one billion dollars, and for the past few years, we have approved new projects in the order of about \$120 million a year.

Although that is a very small sum of money in relation to the urban problems that I mentioned earlier, it does represent the largest single amount available anywhere in the world for this purpose.

The way the Housing Guaranty (HG) program works is that if a developing country is interested in pursuing housing or shelter activities, discussions are held between the country and AID on the nature of the project and program that is to be financed. If agreement is reached on the program objectives, AID issues a letter to the borrower, which says that the U.S. Government will guaranty repayment to any U.S. lender that will finance the project in question. This letter allows the borrower to enter the U.S. capital market and obtain a loan to finance the project. The net effect of the issuance of the U.S. Government guaranty on the loan is to make a line of credit available to the developing country at more or less the same terms and conditions as FHA or VA mortgages in the U.S. In essence, AID acts as a financial intermediary between the private capital market in the U.S. and the borrowing country, bringing money available to the borrowing country at essentially the same loan rates in which a mortgage can be obtained by a U.S. citizen, essentially, the same role and rates for loans that are available from the World Bank, which also serves as a financial intermediary. We also charge a fee for our guaranty that covers operating expenses. The program is completely self-sufficient and does not rely on U.S. Government funds to operate.



Peter Kimm

In the early years of the Housing Guaranty program our principal focus was on the development of housing finance institutions. In 1973, the entire AID foreign assistance act was given a review to determine who were the principal beneficiaries of our foreign aid program. The guidelines that resulted from that critical congressional review were quite clear, with explicit instructions to AID that the final beneficiaries of the U.S. foreign assistance program must be the lower income people, the rural and urban poor in the recipient developing countries.

In applying that mandate to the HG program, we began to look for a definition of the urban or rural poor. We adopted the very arbitrary standard of median income levels stating that families below the median level constituted the urban poor and would be the target for future HG programs. In applying this criteria to HG programs for the past two years, we have found that the median family income from city to city has been surprisingly close. It runs from about \$100 to \$150 per month, or about \$1200 to \$1500 per year. Using the old formula of 2 to 3 times annual income as the maximum debt one can occur for a mortgage, a median income would allow the purchase of a "home" costing round \$2,400 to \$4,500 maximum, at the median. And, we're talking about trying to reach as many people as possible well below that median income level.

With this type of economic constraint, the next thing that comes to mind is that if the people can't afford more than that, then the government can subsidize the difference. If you examine some of the population figures that I mentioned earlier, and if you'll make the most optimistic predictions about what the governments' income will permit per family, you'll quickly come to the realization that massive government subsidies just won't work. The question of subsidies becomes a central issue in the formulation of a housing policy and in the implementation of a housing plan.

It's interesting to note how the cities were able to grow from 1960 to present levels, and how the housing was provided. It was because the needed housing was constructed by individuals seeking their own interests. These people are now living in housing that others call shacks, slums, and squatter areas, yet those units are the major source of housing for a very significant percentage of the people in the developing world. One of the programs we have found that responds well to the needs of the urban poor is to finance the improvement of the slums and squatter areas. In particular, by providing better access, water, sewage facilities, credit for home improvements, and other community facilities that help to improve the quality of life. Another HG program type is sites and services—which, in a sense, tries to get the government one step ahead of the squatter movement by providing sites and infrastructure to provide individuals a place to build their homes. These programs, along with some more traditional public housing that meets the lower income criteria, are the types of programs that are being financed with HG funds and which meet the policy guidelines set out in 1973.

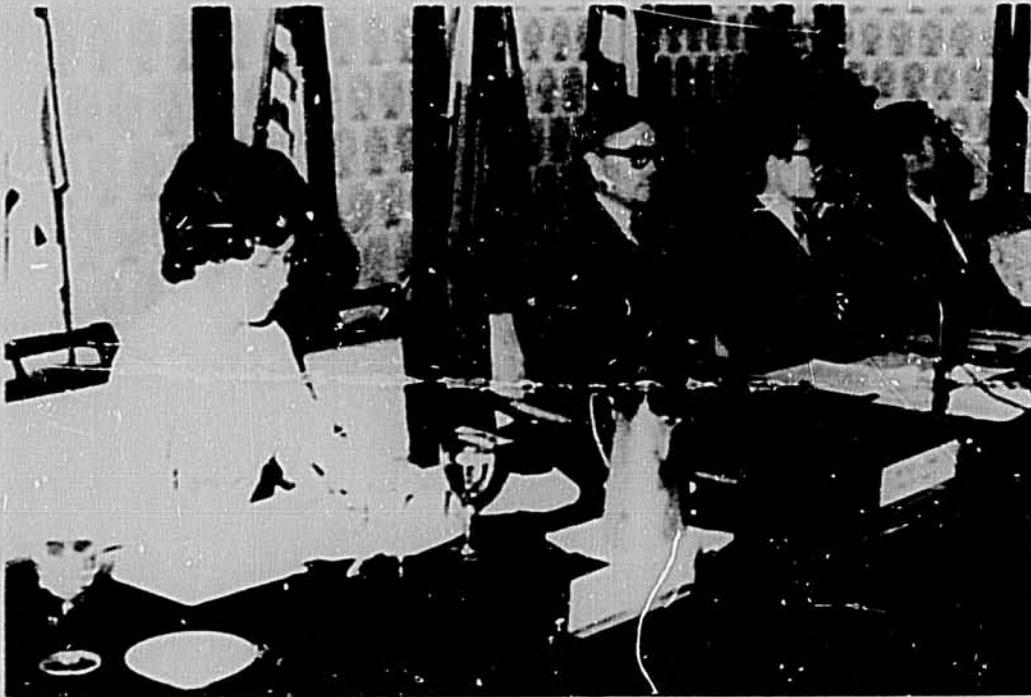
In the course of running a billion dollar program, and within the framework of the program reassessment that I mentioned, we have worked with some 40 countries. It can be said that we have made all the mistakes in the shelter field that can be made. More likely, there are some mistakes that we haven't made and are in the process of making now. However, because of our mistakes and our successes, I think we have something to say at this conference. I know we have a great deal to learn and therefore, it is with great pleasure that we join with our Korean hosts in sponsoring this conference.

I would propose that there are three major issues that need to be reviewed at this conference. First, there is the question of housing policy. Few countries in the world, and I do not exclude my own, have well thought out housing policies and I see little chance for successful housing programs unless urbanization strategies are well thought out and policies clearly established within which each country or city can operate. The second major issue is housing finance. In most market economy countries, you cannot finance housing exclusively out of the national budget—or in many cases—even significantly. The question of where the money is going to come from and how the flow will be maintained is central to housing policy. And the final issue that appears to me to be at the heart of the matter is the question of subsidies. It has been our experience that this particular item has been the major constraint to the development of programs that really come to grips with the problem, and the higher the subsidies, the less likely it is that the truly low income families will be the beneficiaries.

These are hard issues, but issues that need thoughtful individual analysis and answers. Each country has to make its own decisions. Nobody is going to

make them for you. But before the decisions are made, it's necessary to get all the information possible, to study the situation, and reflect upon the consequences of your decision.

Of particular interest to you will be the Korean experience. AID has made very significant levels of investments in Korea—some \$90 million since 1972, and we will devote tomorrow to the Korean program. Today we will try to give you an overview of the problems, try to give you a U.S. perspective of how we see it and how our experiences in working with other developing countries may provide some insights. I look forward to the next few days and hope that I will leave Seoul Monday a much wiser person. Thank you very much.



Josefa Ramos, Alfred Van Huyck, Lee Dong Sung, Pree Buranasri

THE URBAN PROBLEM FRAMEWORK ALFRED VAN HUYCK

**President, Planning and Development
Collaborative International, U.S.A.**

Although the quality of life available to citizens of different countries varies dramatically throughout the world, in no country can it be said that the legitimate hopes and aspirations of all the people have been satisfied with equality and social justice, but the issues to be faced in the developing countries differ so substantially in nature and scale as to warrant specific attention. What are these issues?

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 through 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.

3. These massive new urban populations will be the out-growth of cities already in desperate physical, economic and social condition. Often 80 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 of not only trained technical and administrative capacity, but also financial capacity.

This in turn perpetuates cumbersome, counterproductive administrative and management practices and supports the over-centralization of decision making while at the same time the 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 solutions are required. There will be no quick or easy response to problems of this magnitude. The need is for sustained effort.



Organizing Urban Strategy Response

As overwhelming and depressing as the litany of real problems may be, it need not suggest that there is no hope or potential for improvement in the urban quality of life. Already many developing countries have responded to the challenge with innovation and imagination. Many examples of this response will be presented at this conference.

The outlines of a broad long-term urban strategy are beginning to emerge. Although each developing country must formulate and implement its strategy according to its own constraints, policies, resources, culture and climate, there is a certain universality to the organization of the urban strategy response. It includes, in varying degrees of magnitude and importance, the following major dimensions.

1. Recognition that urban development is an integral part of rural development. Together they represent a continuum, spanning the entire national socioeconomic development effort. There is no neat way of breaking the linkages between urban settlements and their rural hinterlands. Each is actively dependent on the other; both must be developed in harmony.

2. For effective action there needs to be a typology of human settlements which recognizes the differing needs and development opportunities for

- Villages and market towns to provide services to rural populations, to strengthen marketing channels, and to introduce agri-business and non-farm employment opportunities.
- Secondary cities and provincial capitals to achieve regional balance and population distribution, to establish infrastructure for decentralization of government, urban services and industrial jobs, and to form the basis for long-term economic growth.
- Primate cities and national capitals to recognize their positive and unique contributions to national development, to provide for large-scale absorption of marginal labor, to effectively reduce development risks, to achieve economies of scale, and to express national aspirations.

2 There needs to be a clear recognition of the dual nature of most large urban centers which contain:

- A high standard core area of quality buildings (residential, commercial and industrial) with relatively adequate levels of infrastructure and public services.
- A large surrounding area of unplanned, unserved, marginal settlements consisting of low-quality housing, micro-commerce, and cottage industry.

Each requires completely different planning and action approaches to respond to their needs and opportunities.

4 Publicly-sponsored urban projects and programs must be related directly to specific target groups so that the costs and benefits can be accurately assessed. The obvious target groups—upper income, middle income and low income—need to be further refined to consider the social and economic potential of the household. For example, the low-income target group can usefully be further subdivided to consider fundamentally disadvantaged households, potentially economically mobile households, and already economically mobile households because effective

programs for each will be different based on their inherent capacities to respond.

5. This framework suggests that four logical priorities are necessary in the public sector in response to the needs of cities:

- Governments should stop undertaking those actions which are inherently negative to the present situation and are most harmful to the people, particularly the lowest-income groups. This includes such things as ceasing to destroy the houses of squatters and low-income groups without offering alternative residential accommodation; curtailing the harassment and banning of hawkers, marginal transport modes, micro-commerce and industry thereby depriving low-income groups of any hope of making a living, and not allowing substantial subsidies through low interest loans, below-market pricing, and favorable taxation laws to flow through to middle- and upper-income groups at the direct expense of the low-income groups.
- Crisis response action projects should be initiated for low-income target groups in the marginal settlement areas to achieve an immediate upgrading of the existing habitat. This includes programs to improve consumption levels of public facilities and services at whatever standard resources permit given total population needs. The Kampung Improvement Program in Indonesia and the Seoul City Upgrading Program in Korea are good examples other Asian countries may wish to follow.

- Governments should establish the basis for sustained improvement and expansion of human settlements through a concentrated effort to curtail land speculation and insure an adequate supply of land for meeting the needs of all income groups (the land acquisition program of the National Housing Authority in Thailand is an example of one useful response); development of sites and services programs on a scale to meet population growth; programs to facilitate employment generation in both the traditional and formal sectors; sustained improvements in public facilities and services, particularly health and education; improved food supply and nutrition; and access to credit for shelter, commerce and industry, particularly for low- and middle-income groups.
- Increments of high standard modern development should be added in primate cities, national, and provincial capitals. In spite of the fact that the clear and present crisis of housing focuses on marginal settlement areas and low-income people, all nations have the need to build increments of high standard modern development as a symbol of their aspirations and as an essential physical, social, and economic envelope for modernization. What must be of concern is that the costs of this type of development are fully charged to the beneficiaries and that the mass of the urban and rural poor are not required to subsidize it through indirect taxation nor asked to forgo their legitimate right to a fair share of the national resources.

The content of urban projects should be related to the efforts of the developing countries to respond to the general urban policy response delineated here. There is little need and little likelihood for sensational new

technological break-throughs suitable for mass application. What is needed is sustained support to the people, who are the greatest resource of the developing countries, to use their own skills, knowledge and natural abilities to improve their own urban environment.

The Importance of housing Policy

National housing policy has an important role to play within an overall urban strategy. The Office of Housing, AID sponsored the preparation of a booklet in 1974 entitled "Preparing A National Housing Policy." This booklet was concerned with the methodological steps in preparing national housing much more than with specific content. The reason is that formulation of a national housing policy must be the responsibility of the developing country itself. Only when the developing country's housing institutions are part of policy formulation is there any hope that the resulting document can be actually utilized to guide implementation. AID has held international conferences in Latin America, Africa and now in Asia with the theme "Formation of National Housing Policy." 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 its national housing policy; and providing access to worldwide experience in order to assist the developing country in understanding the range of options and solutions which other countries have adopted. AID does not, and should not, attempt to provide foreign advisers for the purpose of actually drafting the housing policy itself.

As was stated in the booklet a national housing policy is primarily of value because it:

1. Achieves a national understanding of the dimensions and implications of the housing sector problem among all of the groups concerned by providing a common data base and projections for both the public and private sector.

2. Establishes a unity of purpose and a basis for decision making in both the public and private sector. In this sense it acts as an agent for coordination.

3. Establishes the place of housing in the national development priorities. Housing has all too often been left as a residue to other sectors. The formulation of a housing policy forces consideration of its rightful place in national development.

4. Defines the respective roles of the public and private sectors in housing.

5. Will relate public and private sector housing programs to the real needs of all income groups, particularly low-income groups.

6. Identifies and proposes policies for the elimination of bottlenecks in the housing delivery system.

Overall a national housing policy should recognize three basic criteria in its formulation:

- It should be universal in that it covers all housing to be supplied and explicitly how all housing needs of all income groups are to be met.
- It should be universal in that it covers housing in both urban and rural sectors throughout the country.
- It should be internally consistent so that the relationship between individual policy items and the overall objectives can be established.



The housing development process itself is both national in character and personal in its benefits and achievements. Policies designed to guide this process must recognize and deal with both levels of aspirations. Unfortunately the housing policies of some governments, 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 governments' interpretation of the public interest.

Since those thoughts were written in 1974, many countries including several Asian countries have had additional experience in preparing national housing policies. AID has sponsored my own involvement in some of these efforts in Korea and Thailand in Asia, and Egypt and Honduras elsewhere. The Korean experience has been most developed and deserves review.

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 that a comprehensive housing policy assessment be made in order to rationalize various institutional activities in the housing sector and provide a background for future program development. This was among

the first attempt by a developing country to thoroughly reassess its housing sector strategy.

Work began on the housing policy 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, which are 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 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 ac-

tively participate in achieving national housing policy objectives. AID will continue to support further development of the Korean National Housing Policy.

More recently I have had the opportunity of working with Cipta Karya in Indonesia under United Nations sponsorship. In Indonesia housing policy is just emerging and a full national policy can not yet be said to exist, but substantial steps have already been taken as a guide to action.

1. The Government of Indonesia in Repelita II has recognized the need for greater emphasis on the housing sector including the neighborhood environment. The plan also recognized that the focus of the government's efforts must be the urgent problems of the low-income and low-middle-income groups which suffer most greatly because of the lack of housing and inadequate infrastructure and services. In response to these needs a major three-part program has been proposed.

- To initiate a low-cost house building program to meet the needs of the low-middle-income groups.
- To support an expanded, active sites and services program to provide land and infrastructure to low-income people upon which they can build their own housing.
- Undertake a large-scale kampung improvement program to provide immediate improvement in the standard of living at the locations where poor people are living now.



Alfred Van Huyck

2. Taken collectively along with the related institution-building activities which must take place to support these planned commitments and achieve the plan targets, this program represents a bold initiative on the part of the government to deal substantively with the housing problems of Indonesia.

Thailand is also becoming concerned with national housing policy and under the leadership of the National Housing Authority has moved forward toward identifying the preliminary elements which will contribute to the preparation of a comprehensive policy. And Singapore and Hong Kong have well developed policies, although little of their policy experience is relevant to other countries in the region because of their unique circumstances. I am not familiar with the housing policy work of other countries in the region and hope that during the discussion representatives from these countries can contribute their experience.

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 effect the delivery of housing in any country.

The Critical Policy Objectives

What are the critical policy objectives? My experience in Asia and elsewhere has suggested that there is a similarity to the central objectives which should be of concern, even though each country must seek to constructively deal with those objectives in its own way.

The central objective of housing programs must be to *achieve the maximum addition to the net housing stock of the nation*. The fundamental

emphasis must be in reducing the housing deficit and in 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 which will have the following major objectives:

1. Reduce the average cost per unit of formal sector housing units built in the public and private 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.

2. Establish nationwide programs to focus on meeting the needs of lowest-income people who cannot afford to participate in the regular housing programs of the public, semi-public and formal private sectors. This program should seek to conserve existing housing stock available to the poor, and provide improved levels of infrastructure services, public facilities and opportunities for expansion to new lands through sites and services projects and other forms of minimum cost urbanization.

3. Increase the level of cost recovery from the dwelling units provided. Public housing units today are often almost given away without recovery of either principle or interest (in that, if required maintenance and administration were costed, and inflation considered, recoveries would not cover the replacement cost). There is often little relationship between rents and the ability to pay. A much greater share of real cost must be borne by the occupants if housing production is to be increased.



Seoul City Presentation

4. The semi-public and private sector must be encouraged to play a larger role in housing production. The current policies of governments which inhibit the semi-public and private sector from achieving higher levels of production must be removed. This includes overcoming problems of finance mobilization and building materials shortages.

5. Specific policies and standards must be developed for estate management practices in both the public and private sectors to retard the deterioration of existing housing stock and meet the reasonable requirements of the user groups.

6. In many countries housing organizations receive little assistance from other agencies which provide infrastructure support and social and economic services. It is probable that this will be a continuing problem, and perhaps become more acute as projects become more distant from existing infrastructure links. In some cases this has caused internalization of the provision of infrastructure and facilities. There will need to be more detailed attention paid to this problem in the future, particularly with regard to insuring that needed education and health facilities are installed and operating, transportation available, and refuse disposal provided. The cost implications of the provision of all or most of these services needs careful review because of its potential effect on pricing.

7. Emphasis should be given on training the needed skilled labor force, program administrators, and managers.

8. Most countries are forced to develop their policy decisions and strategies on an extremely inadequate data base. There is almost no reliable income data. Physical analysis of the present housing stock and land use is not detailed in meaningful terms for housing planning. This lack of adequate data base will be a constant problem, and indeed could lead to erroneous decisions which might cost large sums of money in "over" and "under" design and planning for specific projects.

9. Countries should establish on-going evaluation programs which will constantly monitor work in the housing sector, measure how well it is achieving its objectives, and make recommendations for needed modifications.

10. An operational land policy is needed to support housing policies and procedures to insure that adequate amounts of land are made available for housing in appropriate locations and at acceptable prices.

11. All of the various central objectives identified here have specific impact on housing finance. There needs to be a strong financial planning process instituted which will monitor developments in all of these areas, translate them into their financial impacts on the public sector, and in turn feed financial planning information into the policy and management functions of the organizations. Critical to this process is defining and monitoring the role of subsidies.

At the heart of any public financial policy for housing is the basic issue of subsidies. The subsidy element implied in the current Thailand program may be as high as 75-85 percent of the total cost of units for the lowest-income groups in 1976 and 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 generally similar outlook 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, importantly, the need for a reserve for uncollected payments. When these things 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 are continued.

This has been the case in every country which has ever attempted heavily-subsidized housing programs.



Conference Delegates

Most have failed, and the programs have died. In the case of Singapore, the subsidy element has been an ever-increasing item in the national budget in order to keep the housing program going.

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

An entirely new concept regarding the use of subsidy is needed. It is proposed that where subsidy is required there be a single write-down subsidy element substituted for the array of subsidies now in use (such as interest rate subsidies, land cost subsidies, infrastructure subsidies, etc.). In fact, under the present system of subsidies, it is very difficult to ascertain exactly what the real price of the dwelling unit provided is. It may be considerably higher than official estimates.

A single write-down subsidy, as the concept is used here, means that the full market price of the dwelling unit be established with full costing of construction, infrastructure, land, and interest. Then the household is asked to amortize that portion of the total price which is within its ability to pay based on its income and downpayment.

The difference becomes a single write-down by which the government pays the lender the difference between the capital cost and the amount of downpayment and monthly payment of principle and market interest which the family can pay. This has the advantage of closing the subsidy and permitting the subsidy element to be written off each year by the government.

In turn, this insures that if the amount of the capital allocated for housing subsidies fluctuates in a given year, it will not disrupt the financing of the existing housing stock.

The once-only write-down subsidy also has the advantage of indicating to the home buyer the true cost of the dwelling unit. This is useful in establishing a sense of value in the minds of the occupants and also permits fixing the amount of subsidy at the time of purchase. This, in turn, will allow the government, if it so chooses, to place a "lien" on the dwelling unit for the amount of the subsidy. This "lien" would only be recovered if and when the dwelling unit is sold at a market price to another household (assuming that subleasing would be prohibited). In this way there will always be a chance that the government will recover the full price of the dwelling unit and, more importantly, the household would not be allowed to make the windfall profit of capitalizing the subsidy through sale.

It will also be desirable to write into the purchase agreement a periodic validation of the household income with the intent that if the household income has increased, that a preset portion of that increase would be collected in higher monthly payments with the added increment going to pay off the original subsidy element. All of these opportunities for additional recovery are facilitated by having the once-only write-down system of subsidy proposed.

Conclusion

In conclusion, it is appropriate that this conference recognize from the outset its direct lineage to the recent United Nations Habitat Conference in Vancouver. That important meeting adopted by consensus a set of recommendations for national action. Many of the points I have made here this morning come directly from the concepts and strategies discussed in Vancouver. All of our countries were supporters of this important document. As professionals and as technicians it is now our job to put this mandate to work in our own countries and to share our experience through international cooperation.

International cooperation in support of habitat in the developing countries starts with the recognition of two basic assumptions:

1. The developing countries must determine for themselves their policies, plans, and strategies for dealing with their own habitat issues.
2. The scale of the habitat issues to be found within the developing countries is of such magnitude in regard to the populations to be served, the human and capital resources to be mobilized, and the existing constraints to be overcome, that internationally-sponsored assistance can only be considered a supplementary contribution to codify and exchange world experience, to augment to a minor extent the human and capital resources available, and to act as a catalyst for sustained action on the part of the developing countries in their own behalf.

If these two assumptions can be agreed upon at the outset, then the basis for our subsequent discussion can be meaningful.

We need to focus the discussion at this conference on establishing those areas in which a mutuality of interests exists and in which action can be taken.



My presentation has sought to define such areas in response to the worldwide crisis of habitat. This crisis is so severe that the decisions or lack of decisions of all countries within the next 25 years will determine the quality of life in the world throughout the 21st century.

It is hoped that this conference like the one in Vancouver will succeed in focusing attention on this crisis in habitat. But this can only be the most meager beginning—a declaration of war on the enormous task confronting Asia in accomplishing a substantive improvement in the quality of life for all of its people. This will not be a short or easy struggle. There are no easy solutions in the face of the massive constraints to be overcome.

JOSEFINA RAMOS
Director of Social Services,
National Economic and Development
Authority, Philippines

I have listened with great interest to the talk on urban policy and took several notes on the basic issues that were enumerated. Specifically, the reduction of costs, programs for the improvement of environmental conditions and deteriorating areas, recovering of housing costs, sharing of government expenditures by the housing beneficiaries, participation of the private sector, development of maintenance standards for existing dwelling units, the increase of social and economic services from other agencies to the housing programs, training of administrators and managers, development of baseline data from which housing programs and projects may be developed and evaluated, and issues on land and housing finance.

All of these are policy issues that are somehow related to the issues that we are now studying and evaluating. But, before I go into this, I would like to make one or two statements on how our previous housing policy evolved.

Perhaps the highest policy level that we state is in the Constitution. That is that the Government is committed to participate, or to provide the proper housing services for those who cannot afford housing. In the past, our policy on housing involved the provision of dwelling units for government employees through the development of housing projects. These projects have involved one or two story building units and development of housing sites outside the cities where shanties from the cities are transferred.

There have been policies also in the past where finance is provided by agencies not directly involved in housing such as insurance agencies, the Government insurance program, and unemployment insurance funds. These

agencies are also involved in the provision of infrastructure, training, and other social services.

The programs that have been developed before were generally based on a poorly organized program. They have developed as piecemeal schemes, generally as emergency measures. However, since last year, our programs have been more or less organized in a systematic manner. All housing agencies have been organized into one central housing authority, which I think has been the prevailing trend in other countries.

First, on the basic question of what the policy is, or what should be the objective of housing. In the United States, the ultimate objective of housing is the provision of one dwelling unit per family. I think as far back as 1949, this has been stated as a general policy but now, in the Philippines as in other Asian countries, perhaps one house per family is a very idealistic objective. Many specialists say that overcrowding, or two families in one dwelling unit, is unhealthy, that it does not provide a good quality of life. This is one of the things we are trying to analyze, whether we really can afford or really want to reach the goal of one family per dwelling unit.

There are two kinds of objectives, short term and long term. The short term objectives should include the reduction or prevention of the further deterioration of existing housing and perhaps ultimately the provision of housing for families who cannot afford to obtain their own. But, as far as one house per family is concerned, it is not yet our ultimate goal. I think we can stay with one or two families per house considering the Filipino or Asian way of life.

This is one of the basic issues, the definition of the real objective of housing. What is it? Then, in relation to what type of housing should be provided, one of the statements necessary is that the integrated human settlement approach to housing should be adopted through appropriate management of the total environment. All housing plans must harmonize with a healthful environment taking into consideration relevant social and economic components to enhance individual and community well being.

In the past, as I said, housing programs have been directed to building housing projects. These are the construction of housing units built within or very near the City of Manila. Now, if our approach would be the human settlement approach with these built outside the central city, it means that not only housing should be provided but all other components including social services, infrastructure, and economic opportunities. Of course, this is a big issue because it is not easy to build communities and although ideal, it will take some time to realize this objective.

Another basic issue is, for whom are we building housing? What is the target group for public housing? Can the people afford what the Government will provide? And, should a national priority be made for housing with emphasis on the lowest income groups? In addition to construction of housing units, upgrading of substandard housing, sites and services should be one of the major approaches to housing. Relocation should be carried out in the public interest with an adequate corresponding resettlement program. Roughly 70% of the people in the Philippines earn less than \$100 per month, so we are trying to define what target group the government has to serve.

Another issue that was mentioned by Mr. Van Huyck is the land problem. Urban land assembly and land banking shall be undertaken to rationalize land use and lower land development costs. Public lands and expropriated lands in urban areas shall be inalienable and schemes shall be adopted such as leasehold or the cooperative concept of ownership to ensure the maximum rational use for housing. Land speculation should be discouraged through appropriate fiscal and other regulatory measures to insure the availability of reasonably-priced urban land.

We have so far undertaken a big problem on agriculture land reform; however, we still have the issue of whether land reform will work in a capitalistic society, which is what we are still in.



Josefina Ramos

Another issue is who should really provide housing? What should the role of the private sector and the Government be? Public and private resources must be realized to meet the needs for housing through more effective financing methods. The granting of preferential rates of interest and related fiscal and monetary incentives to make investment in housing competitive with other investment alternatives, formulating a system of disincentives to prevent dissipation or misallocation of resources, and instituting a savings incentive for housing as part of the national effort, among others.

We are saying that housing activities involve not only construction but financing. Perhaps there should be a balance between what activities are supposed to be undertaken by the Government and activities that should be undertaken by the private sector. One of the schemes that we are analyzing is the joint public-private venture scheme where the Government might provide the necessary financing and the private sector the construction or vice versa, or where the capital and interest may be shared by both. All capital investments in housing should be recoverable, either directly from the beneficiaries or indirectly through cross subsidies. For indigent beneficiaries, the direct Government appropriation should be the means of recovery. For other beneficiaries, a program of cross subsidization and other revenue generating ventures in favor of low cost housing should be adopted. This is very much related to housing finance and one of the things that Government is doing relates to some of the incentives that are given to the private sector, so the private sector will be more active in housing. One of the laws that the Government has just approved is the provision of incentives to private companies who can provide housing for their employees. Also, the Government is giving incentives such as tax rebates and tax exemptions.

In relation to technology, development of building and construction techniques, building systems maximizing the use of labor and indigenous material shall be developed and used without sacrificing sound engineering and environmental standards. This is very general and it's difficult to define just what sound environmental standards are. A few square meters of space that might be sufficient for Asians might not be adequate for others. Research programs on the development of materials, systems, standards, and techniques that are appropriate for low income housing shall be given support.

These are, in general, the sum of the policy issues that are still under study in the Philippines. We hope that with these issues enumerated, we can generate some discussion and we will be in a better position to rationalize each of these issues. Thank you very much.

PREE BURANASIRI
Chief, Policy and Planning Division,
National Housing Authority, Thailand

Before I relate some of our experience in the field of housing, I would like to offer some insights on how we see our housing problems. In Thailand, there are two schools of thought prevailing. One, I will call the directive, or know why. The second is the operative, or know how. The directive, or know why, means that everybody knows that we have problems in housing and most governments, past or present, know that they have to do something about it. At the same time, the operative or know how, the technicians or the professionals may be in a better position to know how to deal with the housing problems and to develop a real national housing policy.

In our third economic and social development plan for 1972 to 1976, it was indicated that the housing shortages in the Bangkok metropolitan area would be some 100,000 housing units. By 1980, if nothing happens, housing shortages will reach 170,000 units. It is estimated that this year, the final year of the third economic development plan, the number of housing units built came to about 31,342, far below the target we planned to achieve. In 1975-76, a statement of objective was announced by the previous government which said that it was their intention to build, during the next 10 years, 120,000 housing units in Bangkok alone. But this program had been shortened to five years, so each year we are supposed to build 24,000 housing units to reach the goal.



Pree Buranasiri

I should like to talk a little on the statement of objectives, or what we should call the stated objectives. For this occasion, the stated objectives may be understood as the national commitment toward the housing goal. The objective, which is yet to be accomplished, is set as a target of 120,000 housing units by the year 1980, and by building 24,000 units annually for five years, commencing in 1976.

The five year housing plan for 1976 through 1980 has been formulated by the National Housing Authority and approved by the Government. This plan essentially identified only three major target groups with incomes up to 5,000 Baht per month, the equivalent of 250 U.S. dollars, as the groups that the housing sector would take care of.

Major policies involved in this five year plan, or in the statement of objectives, may be categorized this way: It is the intention of the objective that the lowest income group, or those who earn less than 75 U.S. dollars, should receive 100% subsidy. This subsidy includes all capital costs to build a housing unit through investment by the Government. Secondly, a subsidy of the interest—the difference between the current interest rate and 6%, would be assumed by the Government. Thirdly, the monthly payment of the lowest income group for private housing would not be more than one-fifth of the income equivalent to about 50 U.S. dollars.

For the middle lower income group, who earn between 35 to 150 U.S. dollars, it is the intention of the Government to provide for them housing where 50% subsidized money will be given. This 50% subsidy also includes the difference of the borrowing rate and the interest. For example, if the borrowing rates to invest in the housing market is 12%, interest charged to the tenants will be 8% and the 4% difference would be taken care of by the Government.

For those in the upper lower income group of 150 U.S. dollars per month, or above, these people will not be subsidized by the Government.

Also stated in the objectives, it is clearly defined that only one-fifth of the household income shall be used for shelter expense. It is established that the housing standard in terms of capital costs for the average individual unit has been set, so there are three levels of investment among this group. Namely, the lowest income groups, the investment costs should not be more than 3,500 U.S. dollars per unit; for the upper and lower middle income group the cost will not exceed 5,000 U.S. dollars per unit; and for those who earn in the upper lower income

group, the investment per individual unit will not be more than 7,500 U.S. dollars.

It is also noted that all the needed funds will have to be from external or internal borrowing, but it is the policy of the Government of Thailand to reimburse for every year for the next 10 years after the borrowing of each year for 10%. It can be seen that the magnitude of the task and the problems are enormous. While the intention of the National Housing Authority is admittedly optimistic, it does reflect the determination of the Government to deal with the housing problem. However, during this past year, after carefully analyzing the whole situation, it has become clear that problems and constraints associated with the housing sector are: 1) There are errors in the numbers of housing shortages since the data base needed to calculate this kind of information is still very crude. Consequently, the housing needs and delivery system will have to be further analyzed. 2) The capital requirements to build 120,000 housing units will be enormous and the source of capital will be hard to come by in the next five years, so this may be the most important problem we will have to cope with. 3) The third constraint will be in land. Where land may be plentiful to develop around the Bangkok area, the cost of land in Bangkok is now becoming prohibitive for low income people to buy build their own shelter, and this becomes more and more of a constraint to our national housing objectives.

Manpower and organization capabilities are other major constraints. This by no means is an indication that we are unable to organize, but we do have problems in recruiting the workers. Another constraint includes the building materials market, the availability of the materials, and the availability of contractors. This, coupled

with inadequate infrastructure, accounts for a more important aspect of this housing constraint.

All of these constraints, when put together, reflect and show a definite route that will have to be taken to help in solving the housing problem.

I'd like to stress that instead of having a housing policy, we have a statement of the objectives and in the final analysis, this supersedes our capabilities to do a policy. The housing policy, we find, should be very broad in concept. For example:

1) It is our intention to adequately provide housing for all people in Thailand.

2) It is the plan that housing benefits the security and also the economic and social system.

3) It is the intention to assist those who are in need of housing.

4) The home ownership scheme will receive full support.

These are our four major housing goals, or housing policies that we have talked about, and these can be achieved through several measures which we state in the housing policy. For example, a good land policy is one of the measures that will help to achieve our objectives. Funds will have to be found somewhere and somehow and land acquisition acts will have to be announced and used by the Government of Thailand in order that we will have the land by the time we need it.

It is rather important to note here that, even with the stated objectives, a defined housing policy would set off the essential mechanism that may be needed to achieve the objective of building 120,000 units in the next five years. This may lead to something else.

It doesn't mean that we can use the stated objectives and housing policy alone to achieve our goals, but somehow the housing policy and objectives must have the dynamics that were mentioned by Mr. Van Huyck. In the five years we have adopted a system where we can evaluate our program and our implementing strategy. It is entirely possible that this evaluation might lead to a workable alternate housing policy for the next five years.

It should also be stressed that a housing implementation strategy is an important step to the policy formulation. It should be said that the housing policy, together with the statement of objectives, should have been thought of very carefully because once it gains momentum, it may be very difficult to change directions. So, maybe if we let it go too long without an evaluation, it would be very hard to divert the trend. This is what we at the National Housing Authority are trying to achieve. Thank you.



Lee Dong Sung, Pree Buranasiri

LEE DONG SUNG

Assistant Chief, Housing Section
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Before independence in 1945, Korea was largely an agricultural society. People in rural areas were largely content with small traditional houses made mainly from wood and earth with tile or thatched roofs. Only in recent history has Korea faced what could be described as a housing shortage. This began immediately after Independence because of the return to Korea of a large number of Koreans who had been living abroad.

The housing problem was further seriously aggravated during the war of the 1950's when more than half a million houses were destroyed. Thousands of war refugees moved southward. The shortage of housing reached crisis proportions and many substandard temporary houses had to be built to rapidly accommodate refugees and homeless people. Many of these were built illegally in urban squatter areas.

In the 1960's, the Government launched the first and second five-year economic development plans. At that time, the housing sector was given a low priority. Government was more anxious to apply limited resources to the development of industry; housing had traditionally been a concern of the private sector.

The Government-sponsored economic development plan was successful. However, the success of industrialization produced a rapid rate of urbanization. Many residents of rural areas migrated to urban areas long before



Lee Dong Sung

the cities were able to accommodate all the migrants. The lack of housing in urban areas was further aggravated by a change in family structure from extended families to a greater number of nuclear families.

During the decade from 1960 to 1970 the population of Korea increased from about 25 million to 31 million. The housing shortage ratio increased from 17.5 percent to 22.2 percent. In urban areas it increased from 33.4 percent to 42 percent during the same period. According to the Housing Census conducted in 1975, the housing situation has been getting worse. Total housing stock is 4,790,000 units as against 6,430,000 households, which represents 25.5% of housing shortage. However, housing shortage by region shows 43% for the urban and 8% for the rural.

The Central Government agencies dealing with housing administration are the Economic Planning Board (EPB), Ministry of Finance (MOF), Ministry of Construction (MOC), and the Ministry of Home Affairs (MOHA) and their functions and mutual relationships are as follows:

- a) EPB is to deal with long-term economic development plans including housing and allocation of annual budget to various sectors. EPB shall make an agreement with the national housing construction plan and fund operation guideline prepared by MOC every year.
- b) MOF shall determine the matters on housing loan interests, loan period, repayment methods of the national housing fund, and other matters related to the housing loan. MOF shall also supervise the general banking business of the Korea Housing Bank (KHB) which operates most of the public housing funds.
- c) MOC is responsible to formulate national housing policy and plans, securing the budget from EPB and re-locating it to the Korea National Housing Corporation (KNHC) and local governments, and to determine annual housing construction plans and fund operation guidelines with the agreement of EPB and supervise over the housing construction as a key ministry of public housing administration.
- d) MOHA has been dealing with improvement of rural housing environment in line with the New Village Movement.



Local governments construct and provide housing units with their own budgets and the loans allocated to them by MOC, and collect the loan repayment.

- a) KNHC: The Korea National Housing Corporation constructs and provides housing units with its own paid-in capital and housing loans secured by it and provided by MOC, and maintains the housing it provides including collection of the repayment. KNHC has a leading role in housing construction as a public agency.
 - b) KHB: The Korea Housing Bank gives out the housing loans raised from various sources to KNHC, local governments, and private builders, according to the fund allocation guidelines. It also handles housing fund directly with the private agencies on the basis of contract savings program.
- 1) During the period of 1962 to 1966, Korea managed to build about 65,000 housing units per year. This amount increased to an average of 108,000 units per year for the period from 1967 to 1971. In 1972, 130,000 units were built compared to 142,000 in 1973, and 158,000 in 1974. This continuing growth is a promising trend, but it falls still far short of the standard of building suggested in ECAFE Report, that is, 10 housing units for every 1,000



persons, which would require in 1975 the construction of roughly 340,000 units per year.

2) During the period of 1962 to 1974, the public sector constructed 245,000 units, equivalent to 20 percent of the total. This points out the importance of the private sector in housing construction.

Of the total housing built by the public sector, the Government arranged financing for 35,370 units, while the KHC built about 18,264 units and the KHB provided financing for 9,066 units in 1975.

It is estimated that housing investments in the private sector reached 174.5 billion won in 1973, which is equivalent to 84.3 percent of total investments in the housing sector in that year. This means that the private sector is playing a leading role in the field of housing construction.

However, it is believed that private housing capital is being formed in a "non-institutionalized" manner in most cases. According to a sample survey conducted by a private consulting firm, 88.4 percent of the funds used in acquiring homes was met with private money (cash) and the remaining 11.6 percent with credit. By source, private money includes 20.7 percent in disposal of real estate, 33.7 percent in savings, 14.6 percent in key money for room rents and 8.3 percent in "Kye". As for credit, only 4.4 percent was obtained through institu-

tionized channels such as banks and some other institutions, while 6.1 percent was met with private loans.

One thing that cannot be overlooked in the structure of funds for acquiring one's own house is the raising of private money by means of savings. Savings, which represented 33.7 percent of the funds used in purchasing or building houses, as revealed in the survey, are not totally institutionalized funds saved through public monetary institutions, but large portions of this are raised through "Kye" or private money markets in most cases. This trend should be regarded as a result of the unrealistically low rates of bank interest and fear of high inflation.

Major sources of public finance are National Housing Bond Sales, Contract Savings Programs with KHB, Foreign Loans and the Government Budget as indicated in the following table. National Housing Bonds are compulsorily sold mainly to those who seek any Government permit or license in accordance with the Housing Construction Promotion Law enacted in 1972 and effective from 1973. Currently, these Housing Bonds are sold at an interest rate of 6 percent and loaned out at 8 percent a year and repaid over 15 years. This Bond Money is loaned only to those who are homeless and are licensed to build relatively small size houses (40-85M²). The Contract Savings Program is handled by KHB with those individual home buyers who own a parcel of land and open a Savings and Loan Account with KHB. Under this program, the lending rate is 14 percent a year and the period of repayment is 20 years.

Lastly, foreign loans are induced mainly by KHC so far through the AID Guaranty Loan Program. This money has been used in building apartment complexes throughout the country for those middle and/or lower-middle income brackets because the loans

carry relatively high interest rates if foreign exchange fluctuation risk is taken into account. Recently, foreign loans have been introduced for the first time to improve squatter housing and to develop sites and services programs to help the urban poor.

According to population projects made by E... population will be 35,875,000 by 1976 and 38,834,000 by 1981. Assuming the average family size will be 5.4, about 548,000 new units are needed in order to accommodate all those new family formations during the five-year period. In addition, family structure tends to be changed from extended to nuclear family type, which will result in an increase of 347,000 households.

Economic development efforts started from 1962 to date have been largely put on industrialization which brought about rapid urbanization. Huge numbers of rural population have migrated into urban cities. Rural population is forecast to be 18,916,000 by 1981 from 18,512,000 in 1970. This indicates that the natural increase of rural population is supposed to migrate into urban areas. Such urbanization trends showed a considerable increase of urban population from 18.8 percent in 1960 to 35.8 percent in 1966, 43.1 percent in 1970 and 48.4 percent in 1975. Geographic movement of population requires unquestionably new accommodations.

As of the end of 1975, there are about 324,000 units of houses considered to be substandard and/or obsolete, which represent roughly 6 percent of the total housing stock in Korea. They were mostly built by war refugees right after the Korean War and by new immigrants from rural areas.

Most of them are located at the hilly areas of the city and equipped with an insufficient supply of urban facilities such as roads, water supply, and sewerage. Most dwellers are poor and cannot afford new houses. In this

respect, many of them are worth maintaining and improving, even if part of it ought to be removed to improve infrastructures and lower the density.

The rapid increase in housing demand resulting mainly from natural population growth, rural-urban migration, structural change of family from the extended to the nuclear type, and improvement of income levels, has given rise to a severe housing shortage. As of 1975, there were 4,845,000 houses for 6,474,000 households, indicating great shortages of housing stock. A major objective was established to increase the housing supply ratio up to 80 percent by 1981 from 74.5 percent in 1975. The Government is expected to make maximum efforts to encourage housing supply from both the public and the private sectors. In addition the housing policy calls for the improvement of standards in the following ways: Housing quality will be improved through supplying standard designs, standardizing construction materials, and eventually increasing the average size of new housing. Provision of community facilities will also improve housing quality.



Lee Dong Sung

Because of the housing shortages in great numbers outlined above and because of the desire of the Korean Government to improve living standards, the decision was made last year to formulate a comprehensive housing policy.

Major policy directions could be summarized as follows:

1) Public Sector policy: The Government and other public entities shall support housing construction for low income people who cannot finance their own housing from the private sector. Local authorities shall deal with housing improvement and rental housing construction for lowest income groups. They shall also deal with housing construction for sale to low income groups. The KNHC shall deal with rental housing construction for the lowest income groups and housing construction for sale to low and lower-middle income people.

2) Geographic Area: Priority shall be given to urban housing construction because the absolute population in rural areas will continue to decrease; rural areas are not in desperate need of new housing. Therefore, housing construction should be concentrated in the urban areas where the housing shortage is most severe.

3) Housing is to be constructed mainly on the large scale housing site and various income groups are to be housed in the area. Mixing of different income groups is important from the social and economic point of view.

4) Low cost housing: Various institutional measures shall be implemented for the guidance and development of low priced housing techniques and the provision of a stable supply of low-priced high quality materials.

5) Squatter Policy: Removal of low quality and unlicensed housing shall be minimized. Approximately 200,000 low quality and squatter housing units are scattered in higher areas of big cities with inadequate community facilities. These houses are clustered mostly on public land by illegal occupancy. They are worth maintaining, if improved and furnished with basic infrastructures, because demolition of squatter housing will cause incredible loss of values and decrease the housing

stock. Local authorities shall assume a leading role to carry out housing upgrading programs. Public land shall be offered, with no charge, to entities undertaking these programs.

(By squatter, I mean the area with illegal and substandard houses built on the public land in most cases.)

6) Efforts shall be made to control the land price hike and to provide sufficient land for housing construction. The land readjustment projects and site development projects being carried out on a large scale shall reserve substantial portion of land for multiple housing, preferable for public housing, preferable for public housing construction.

Large tracts of land suitable for apartment complexes shall be designated for apartment construction exclusively. Suburban areas shall be developed to supply land at low cost and mitigate the severe land price increases and the difficulties of land acquisition in downtown areas.

7) Rationalization of Administrative Functions: A strong administration is required to manage the necessary expansion of the housing supply.

Accordingly, the administrative functions of the Central Government, the local governments, and the Korea National Housing Corporation shall be strengthened. In addition, we have to improve the administration of housing finance and the Korea Housing Bank.

Important support functions shall be also increased such as housing research, survey, and evaluation. This is necessary for the effective implementation of short and long-term policy in the future.

Discussion

A question was asked about the reason for the move from extended families to nuclear families, as noted in Mr. Lees comments.

It was generally concluded that the change stems from a heavy influence of Western culture.

A question was asked about the effect of the establishment of land banks on urban policies.

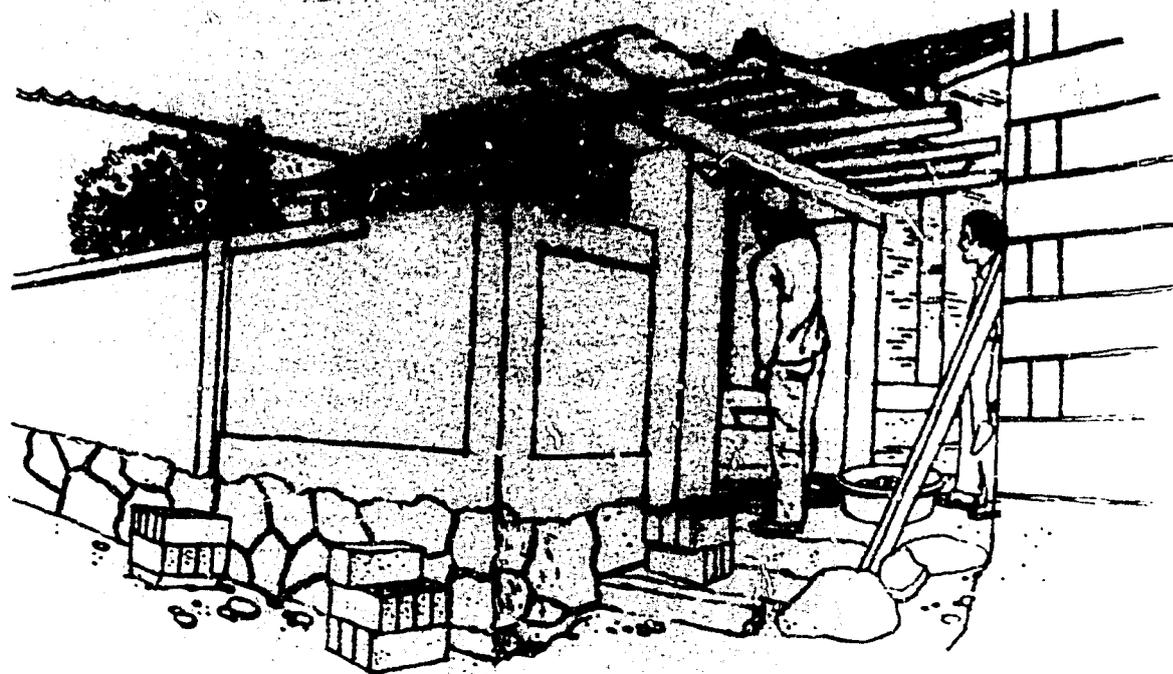
A representative from the Philippines explained how their Government is trying to restrict land speculation. The delegate from Thailand explained how they are attempting to rent land from Government agencies and suggested a possible program to establish a land development corporation where the land owner becomes a share holder in the corporation.

In summarizing, Mr. Van Huyck noted that he has sensed a growing shift in the recognition that land is not a private resource but a public resource and that more and more governments are moving towards the control of land speculation. He explained that while this attitude change has taken a long time, the necessary tools such as land use controls, taxing, or land banks, already exist but the key issue is the governments' will to move on the problem.

The delegate from Indonesia commented on his Government's National Development Plan noting the lack of consistency between the objectives of the plan and actual results. He noted the importance of land management, difficulties in achieving construction cost reductions to provide low-income housing, and the role of the private sector in housing.

A representative from the Philippines expanded on the role of the private sector and the profit motive pointing out that the cost of money and credit risks make housing for low-income families very difficult.

Mr. Van Huyck summarized the discussion by pointing out the importance of negotiations and coordination in the formulation of a housing policy with all interests, financiers, builders, and private sector, if the policy is to be a workable document.





Yang Táek Shik, Ro Yi Shik, Richard Pratt

RICHARD T. PRATT

President, Richard T. Pratt
Associates, U.S.A.

Adequate housing finance is one of the most formidable challenges to the achievement of socially desirable housing goals. Regardless of how well conceived national housing policies are, only the housing which can be financed can be built.

The Importance of a Suitable and Realistic Housing Finance System

A housing finance system and program must be consistent with, and able to support, a nation's housing goals and national housing policy.

A country cannot finance a housing program which it cannot afford. A government is likely to destroy its housing finance system, as well as fail in its housing goals if it sets out to generate housing production sub-

stantially in excess of its financial ability. Let me refer to some examples from U.S. experience concerning the level of housing finance and housing investment. In the U.S. over the last twenty years the lowest percentage of gross national product devoted to housing has been about 3.5%. The highest has been about 6% and the average has been about 4.5%. The U.S. may not represent a model program but most would agree that the United States does have a very good quality housing for the average man, one of the best housed nations in the world. Even in the U.S., a highly developed country with advanced housing finance institutions, it is significant that the average commitment of the U.S.'s productivity to housing has been 4.5% of gross national product. If a develop-

ing nation's housing program requires that 8% or 10% of gross national product be generated in housing investment it is predisposed to failure. It is politically tempting to promise housing starts and new dwelling units but failure to produce the promised production may generate serious political and social repercussions.

Separation of National Housing Support and Housing Finance

Policy makers should not confuse the question of who pays for housing with the way it's financed. Let me illustrate that point with a recent experience. My daughter came to me and asked if she could have a very expensive dress. I told her, "No, I can't afford it." She said, "That's all right, I'll get the money from Mother." She had confused the financing with the source of payment. She thought that her mother was the source of payment as well as the source of financing. It turned out that her mother was a very good source of finance; I leave it to you to surmise the source of payment. There's an important underlying relationship here, the question of financing and paying. A government may desire to provide a subsidy; however, this does not imply that government should finance the housing. A country may be producing less housing or using more resources than is necessary by making government the financier in a program which may require only a minimal subsidy. It's quite possible and quite workable to separate the source of financing from the source of payment. This process is beneficial in that it allows policy makers to carefully monitor who is paying for housing programs, the extent of housing support payments, and the identification of beneficiaries of housing programs. At the same time the market is free to develop a usable set of private financial institutions.

When an entity promoting housing acts as the financial institution and at the same time is a conduit for housing subsidy, problems of accountability and coordination often develop. I have seen cases in developing countries where there existed a private savings and loan business which provided housing finance, a government housing program which provided housing finance and a social security system which was providing housing finance and actual production of housing. In this case there was a complete breakdown in coordination of housing policy and production. The national government was cutting back on its support of housing while at the same time the social security system was producing housing and making loans at 3%. There was confusion in the places where houses were built, in the type of housing being built, and in the availability of housing finance. By developing housing finance institutions and keeping the source of the payment separate from the financing it is possible to monitor housing finance and more precisely direct housing policy in appropriate directions.

Goals of a Housing Finance Policy

What should the national housing finance policy do? What are the desirable outputs of a housing finance system? First it seems to me that the system of financial institutions in the housing finance system should remove market imperfections. For example, if the real risk in a mortgage is equal to 1% of its principal amount, then a thousand dollar mortgage should have a ten dollar insurance premium on it. However, in the absence of well developed financial institutions which can spread the financial risk, it's hard to get investors to invest in that mortgage. If a man is investing in only one mortgage he may see it as quite risky. He doesn't want to run the chance of loss

so he charges a very high premium for the risk which is involved. An entity which has sufficient financial resources to invest in large number of mortgages can assume the risk based on actual expected losses, rather than the maximum loss which might be incurred on a single mortgage or a small portfolio. As an alternative the government may assume the role of insurer and risk bearer. In the U.S. the Federal Housing Administration was formed for this purpose. FHA charges one half of one percent of the yearly outstanding balance to insure the lender against any loss of mortgage principal. This particular program has been very successful and was largely responsible for the United States solving its housing finance problems at the end of the second world war. A well-developed housing finance institution or insuring agency can spread risk over a great number of people. When these risks are properly spread the magnitude of loss is manageable. If you look at the average quality of mortgages which are made in the United States today, it requires only twenty cents of front end capital to compensate for the risk of non payment on a one thousand dollar mortgage. Developing countries may have much higher loss ratios but these risks can be reduced by having well-functioning set of financial institutions having high quality mortgage portfolio management. These risks can be brought to a point so low that the cost of a mortgage should become close to the cost of the best credit in the country. In the United States last year for instance, major companies with very good credit ratings were borrowing at an interest rate of 10.25% for twenty year money. A mortgage borrower at the same time could get money for 8.9%. This is a reflection of the excellent functioning of these mortgage finance institutions plus the

fact that risk has largely been eliminated by careful management of portfolios.

The fact that housing finance is generally long term makes it desirable to provide some liquidity to the mortgage so that a person or an institution need not necessarily have money locked up for the full term of the mortgage. A common solution to the liquidity problem and one which has been extensively used around the world is the establishment of financial intermediaries (savings and loans) which receive deposits, which are withdrawable on a short-term basis, and make long-term mortgage loans. There are two other ways that liquidity can be provided to the mortgage portfolio. One is through the provision of central credit facilities for the mortgage lending institution. This allows the lending institution to use its short term funds for long term lending while still being assured of funds to meet unexpected withdrawals. I happen to be associated with an institution of that type. It is called the Federal Home Loan Bank of Seattle and it lends money to savings and loan associations in seven states in the United States for the purpose of making additional mortgage loans or to pay savings withdrawals. A savings and loan can borrow from a federal home loan bank on a demand basis within prescribed credit limits.

A nation's housing finance policy and programs should work toward the standardization of the lending instruments. Standardization of mortgages allows a wide variety of financial institutions and investors to hold them knowing what they have in terms of the financial instrument. Mortgages should be standardized in terms of the conditions under which various people borrow, the legal rights of the borrowers and the lender, and the prepayment charges and the late charges.

In the United States a lender can hold and service a mortgage loan for under three-eighths of one percent in interest rates including collecting the payments and supervising the loan. Standardizing mortgage instruments also provides liquidity to the mortgage by facilitating a secondary market for the selling and buying of mortgage loans.

An important principle to assure the efficient use of a nation's resources available for housing is that subsidies should never be greater than that required to meet a specific housing goal. Quite often public housing programs will take people of substantially different incomes having a wide range of ability to pay and give each of them exactly the same housing subsidy. It is not uncommon for subsidies to be higher for higher income groups. This fails to tap the private sector's ability to pay and reduces the total housing production which can be generated with a given pool of assistance funds. It may be politically attractive to give large housing subsidies but this results in housing funds being quickly exhausted. A well designed housing system should collect from the people that amount which they can afford to pay before using public resources.

A nation's housing finance system should fit the national economy and should be capable of operating over expected conditions in the future. It makes no sense to blindly set up a housing finance system copied from the United States, England, Japan, or France, if the conditions in your country are entirely different than those in the model country. For instance, in a country experiencing a chronic high rate of inflation, a long term fixed payment mortgage makes very little sense. For example, if you have twenty-five percent inflation after a fixed rate, fixed term mortgage has been granted, you've lost one fourth of the housing finance fund invested in that house.

One of the principal things which a housing finance system should do is conserve the pool of housing finance. If a long-term fixed-rate mortgage loan is granted and then prices double the system has lost one half of a housing unit. At the same time the borrower has had half his house paid for by the action of inflation. If institutions and instruments are inappropriate for the country in which they are installed, taxes and subsidies are generated which may not be in the public interest. In some South American countries the system granted long-term fixed-rate mortgages without an adjustment clause. This amounted to giving the houses away because inflation rates were so high. It's a wonderful thing to get a free house but the trouble is there can only be very few of them. The system that operates in a country should be appropriate to the conditions there and should conserve that housing finance pool. Each time that the long-term mortgage interest rate increases one eighth of one percent, one percent of the mortgage funds committed to that house are lost. One eighth of one percent change on a long term mortgage interest rate is equal to an initial gift of one percent of the value of the mortgage.

A housing finance system that is adopted today should not jeopardize the production of future housing. If a system is developed which has unexplored implications for the future it can have great impact on the ability of the country to provide housing in the future. For example, if variable subsidies spread over long periods of time are used then it may be that three years from now the entire housing budget must be used to meet prior subsidy commitments and there will be no money for current housing programs. The housing finance system should not jeopardize the production of future housing. If subsidies are to

be included in the system their total cost should be known at the time that the loan is made. A policy may call for spreading subsidies over time, however, the total burden and budgeting implications should be considered at the inception and it should be understood that future implications may be severe.

Not only should housing finance systems not jeopardize future housing programs, they should support the aims of housing policy. Subsidies, to the extent they are used, should be tailored to the type of country using them. A country which must live with a high level of inflation might direct its subsidies to offsetting the disadvantages of inflation. Discounts might be offered on prepaid loans so that funds are brought back into the mortgage lending pool as quickly as possible. A country which finds loan collections difficult should consider letting the subsidy take the form of a reduction in the principle for prompt payment. As long as a subsidy is going to be given anyway, design systems which alleviate some housing finance problems and which enhance the ability to meet general housing goals.

Housing finance systems should facilitate the maintenance of the housing stock. Often housing finance systems are oriented entirely to financing new houses. Every house that can be saved is as good as a new housing start—maybe better—better, because there is no additional investment for infrastructure; we don't have the problems associated with demolition; we don't have the public health problem of a substandard unit—yet many of our finance systems are geared entirely to the production of new housing. This idea of maintenance of the housing stock should be a major priority in all countries. Home improvement and rehabilitation loans are relatively short term, which brings the housing finance money back for relending more quickly. One new home may take twenty years to pay off, perhaps in the same time four existing homes can be saved. With five-year loans, the pool of funds has come through four times in the same period that it would take for the twenty year loan to be repaid.



Delegates to the Conference

A complementary point to the home improvement lending is that the financing of existing housing should not be ignored in the housing finance system. How is effective housing provided for people? One way is to build entirely new houses of a certain quality and a certain standard, but what about the possibility of helping a person buy a used house—an existing house? What about making the financial system one which allows people to move up to better housing as their financial position increases? If the system doesn't finance used housing, it has substantially reduced the value of used houses as a source of new house financing. In developing countries most people buying new houses are able to do so because they had a smaller, older, more modest house in which they had some equity to use as a downpayment on a larger, better house.

These are some things which should be kept in mind as we think about a housing finance system and what it should do. The important points are:

1. A nation should not try to finance more housing than it can afford given its resource base.
2. The housing finance system and the ability to pay should not be confused. The housing finance system need not be the source of subsidy itself.
3. Financial institutions should be developed which can provide the following needs:
 - a. Providing effective financing for new homes based on minimum premiums for risk and the minimum management fees for servicing the mortgage.
 - b. Providing home improvement loans to maintain the stock of housing that currently exists.
 - c. Developing methods of financing existing homes.

CHUNG CHIN SONG

Manager, Research Department
Korea Housing Bank

As you know during the past decade Korea has experienced a great population growth, but housing construction has not kept up with the pace of the expansion. The lack of housing is especially conspicuous in urban areas where a tremendous growth in population has taken place. In order to alleviate the housing shortage, the Korea Housing Bank was established with a paid in capital of 5.5 billion won out of an authorized capital amount of 10.0 billion won. In July 1967, the Government was instrumentally responsible for encouraging private savings and channeling those savings into lending resources for financing housing construction for low and moderate income families.

The Bank has made remarkable progress since its establishment in spite of the many obstacles. We now have 35 branches, 24 in major cities, and employ 1700 people. The paid in capital is 8.14 billion won out of an authorized capital of 10.0 billion won.

The primary purpose of the Bank is to promote voluntary organizational funds for the construction of housing for low and moderate income families and to insure a sufficient supply of funds for housing construction. The Bank raises housing funds from two major sources. One is called the National Housing Fund, which is obtained from the issuance of National Housing bonds. The other is the banking fund, which is raised through various kinds of deposits, housing installment deposits, and issuance of housing debentures. During the period from July 1967 to August 1976, the Bank raised 213.6 billion won and supplied 169.9 billion won for 226,000 housing units.

The types of housing construction loans offered by the Bank cover loans for housing construction and purchase and loans for production of construction materials and for housing site developments. The Bank extends loans for housing construction, purchase, and the housing site purchase to individuals who are subscribing to housing installment deposits, which is a kind of deposit scheme titled to housing construction loan applications after paying monthly payments for six months. The maximum loan ceiling is 1.8 billion won for the construction of housing units. The loan is repayable in twenty months at an annual rate of 14%. The Bank offers another contractual savings scheme to individuals that is called welfare housing installment deposits. Individuals who have subscribed to the deposit scheme are also eligible for a housing construction loan after completing one-third of the total installment payments. The subscriber is eligible for either a housing site purchase loan or a housing purchase loan, and those who obtain the housing site purchase loan are also eligible for a housing construction loan. The ceiling of housing site contract loan is 2.0 billion won at the maximum, and the loan is repayable in ten years with a grace period of 6 months on a payment deduction basis at an annual interest rate of 14.0%. The ceiling for a housing purchase loan is 1.8 million won and the loan is repayable in 20 years at 14%. In this case, the size of the housing site eligible for the loan must range from 115 meters to 330 square meters.

The personal housing corporation loan is prepared especially for a housing partnership which usually consists of more than ten partners who work for the central or local government or a state-run enterprise. The condition of this loan is the same as for an individual housing construction loan.

Loans to housing construction businessmen are available for apartment construction for sale and for rent and for single family detached house construction. In the case of apartment construction, loans for a housing site must be at least 1,650 square meters or more and the floor area must range from 40 square meters to 85 square meters for the individual units. The maximum amount of the loan is 1.3 million won for units and the loan is repayable in three years at 17%. For rental apartment construction, the size of the housing site and floor area are the same as the apartment construction loans and the loan is repayable in ten years at an interest rate of 15% annually. As for single family housing units, lot sizes and the floor area are the same as for apartment construction loans and the loan is repayable in three years.

A manufacturer which hires more than 100 persons and organizations for educational or other purposes, which intends to build its employees houses, is eligible for loans which are repayable in ten years at an interest rate of 15.5%.

The Bank provides the Korea Housing Corporation and local governments with construction funds to assist them to build houses. Interest rates on the fund is 8% per annum and the loan is repayable in 15 years. However, the size of the floor area per unit must be as follows:

- a. In the case of a single family detached unit, houses range from 60 square meters to 85 square meters:
- b. Row houses range from 40 square meters to 85 square meters:
- c. Apartments range from 40 square meters to 85 square meters.

Finally, there are loans for housing site development. These are extended to individuals and the local government for developing housing construction sites. Interest varies but the highest rate is 18% charged on loans to individuals and the local government is charged the low rate of 4% per annum. The loan is to be repaid in two years.

This is the brief outline of the types of loans offered by our Bank and from our experience, we have some constraints about raising money. We have to compete with the commercial banks to raise money and this makes for difficulty. Another problem is in interest rates, that which we pay the depositors and what we receive from the borrowers. This makes it very difficult to balance between purchases and the loans and is one of the main problems which we face. Thank you.

Mr. SARDJONO

Director of Housing, Building and Planning, Indonesia

Mr. Chairman, I am not an expert in housing finance nor am I an economist, but I'm certainly involved with housing finance in Indonesia. Like other developing countries, Indonesia is, at present, hard pressed by the need for investment capital and in the field of housing, there are competing claims for the money in other development sectors. In Indonesia, we have no real housing finance policies and we were anxious to attend this conference to learn what is happening here in Korea, and in other countries too.

During the last few years, we have been trying to get a housing program moving but housing finance policies have not been clearly formulated. Everybody in Indonesia is now thinking about housing needs to the year 2000. Assuming that we can achieve the goal of one house for one family by the year 2000, we will need to construct or rehabilitate 1.5 million houses annually. For that, we need investments of about 11% of our GNP, and the amount of the Indonesian GNP now for housing, according to the economists, is about 7 to 8%, which means that it's not possible to solve our housing problem in Indonesia by 2000. The U.N. recommends for developing countries, I think, that about 4% of the GNP should go for housing.

Four years ago, the Indonesian Government organized a national workshop on housing and the financing of housing. The President opened this national workshop. We identified three major problems common in the Indonesian housing financing problem at the time. First, the resources and how we can tap our national resources from various sectors in order to accumulate suitable funds for a housing program. Second,

institutions for carrying out the financing of housing. One of the recommendations of the national workshop at the time was to set up a housing bank, but at the time, we could not formulate what kind of housing bank we needed. Then, the Government decided to assign the task to one of the state banks, the National Savings Bank, to be a kind of mortgage loan bank. This bank is now assigned to give loans to home buyers from our National Housing Development Corporation and also, houses of a similar standard supplied by private and non-private sectors. The interest rate set up by the government regulation, or at least the Minister of Finance, is 12%.

Also, we have to serve only those people who can afford to pay for the scheme. In our National Five Year Development Plan, the Government's policy in the field of housing is aimed at people in the 30 to 50 thousand rupiah a month income group. We call it in our country the moderate income group, not the lowest.

According to our social economic philosophy, this group has the capability to set aside 15% of their income for housing, and for the sake of further formulation of our program, we assumed that they should not pay more than 20% of their income. So, it means that we have to provide houses with the monthly payment, either for rent or purchase, of not more than 5,000-10,000 rupiahs per month. This is more or less the situation in our country now, and as I have already indicated, our constraint in the financing of housing is the high interest rate in our country. The private or market interest rate in Indonesia is about 24% annually. In Indonesia, we have a national savings scheme for developments. If you put your money in the Government Bank, we will give 18% a year. This is quite high. The lowest investment loan provided by the Government Bank for investor or developer is 15%. This is

directed mainly to support investment in industry, small industry. Up to now, the Government Bank has not considered giving the highest priority, a 15% investment loan, to housing schemes. We are still trying to get this done.

As I mentioned, if the National Savings Bank is to provide mortgage loans at 12% interest, it means that the Central Bank has to subsidize the scheme.



Mr. Sardjono

Finally, I would like to give you an illustration of how we try to relate the building costs which are increasing much faster than incomes in Indonesia. I mentioned that we will serve families having incomes of 30,000 to 50,000 rupiahs. We have made a study that the purchase or rental scheme, with variations in interest rates, is dominating the decision of whether the government or the scheme can serve the purpose of the private group. The decision of our Government is that the houses of the National Housing Development Corporation might not be sold but put on a rental basis. So, in formulating the rental scheme, the Government decided not to include the price of land in the rent calculation. The Government only calculated the infrastructure and building costs with 30 years or

more as an appreciation period. The capital has no interest because the source of funds used in the scheme up to now is Government money. I mean, equity from the Government's budget to the corporation, and by that way, we can reach the target group. For example, a house of 36 square meters costs 3,300 rupiah a month. For a two bedroom house of 45 square meters, the monthly rent is 4,500 rupiah. And a house of 70 square meters with three bedrooms, the monthly rent is 7,800 rupiah. This is within the range of the paying capacity of the income groups, but we came to the conclusion that we are now facing a very serious problem in our country. That is, the Government has three alternatives in this respect. First, the Government has to provide more subsidy if the Government wishes to achieve the number of houses which has been mentioned in the five year plan. It means that the Government has to put more money into this scheme. The second alternative is to reduce the target of the houses within this five year plan. The third alternative is to revise the target group, to choose a higher target income group. But I think this is politically unacceptable and we are, at the moment, in a difficult position on how we can continue our five year development plan. As I mentioned, we have not formulated our plan according to a realistic means of implementation. Thank you very much.

CHALARD WALLISUT

Deputy Management Director
Government Housing Bank
Thailand

(Mr. Wallisut's daughter translated for her father.)

This is our first time in Korea and we were feeling rather cold and nervous. But, the warm welcome and pleasant atmosphere have really made up for the weather. We would like to introduce you to Mr. Narongdej from the National Housing Authority. He is also the Chairman of the Government Housing Bank.

We are sorry that we were told only this morning to prepare this speech as it really didn't give us much time. So, please feel free to interrupt at anytime with any questions you might have.

The main objective of the Government Housing Bank of Thailand is to grant loans to enable and encourage borrowers to buy land and build housing. We're trying to charge the lowest interest rate as possible, which is 12% a year. But before we can grant a loan, we must make sure that the borrower can guarantee repayment. If somebody wants to borrow money, they have to have sufficient collateral such as money, land, or buildings, equivalent to 65 or 80% of the amount of the loan. The long term loan is for 15 years. The amount of income of the borrower must be 3 times the amount he wants to borrow. For the first month, the borrower doesn't have to pay anything. We are trying to help those of middle income, which is about 250 U.S. dollars a month. But, the majority of borrowers are those of low income, which is less than 250 dollars, and they receive consideration before the middle income people.

The main objectives of the Bank are to grant loans to enable the borrower to purchase land and to construct, expand, or repair his own building.



Chaard Walisut and daughter

Also, to enable the borrower to redeem any mortgage involving his own land or building.

As I said before, we didn't have much time to prepare our material and we regret the brevity of our presentation. But, if you have any questions, please ask. We will leave some documents here for distribution that should answer any questions you may have about the lending policies and control of the Government Housing Bank. Thank you.

Discussion

A representative from the Philippines noted the risks to the home buyer in accepting a variable mortgage payment schedule.

It was explained that there would be little risk if the payment schedule was tied to real income rather than rising inflation or interest rates.

It was pointed out that one of the Korea Housing Corporation's projects has a system of variable mortgage payments that seemed to be a very successful example.

Mr. Pratt led a discussion on the availability of money for housing. One problem mentioned was getting capital into long term financing. The U.S. savings and loan system was described and noted as one vehicle for accomplishing long term financing.

It was concluded that governmental intervention is a major factor in the generation of capital. Some of the problems noted in the flow of capital included poor loan collection practices, the provision of capital at below market interest levels which was described as a form of subsidy, and the absence of capital generating institutions such as savings and loan associations.

The discussion on the problems of collections inevitably led to the risks involved in lending to the lower income groups.

Mr. Kimm pointed out the fallacy of this attitude noting that in many instances, lower income families have proven to be better credit risks than the higher income groups. He explained that the lower income groups are now paying prohibitive rates of interest to landlords and curb market lenders because that is the only source of money to them. Loans at a standard rate of interest would be the best thing that could happen to them.

Mr. Pratt traced the history of the cooperative movement in the U.S. pointing out that this early history in the U.S. might be relevant to developing countries as it promoted a security in investments to low income families.

THIRD WORKING SESSION

**Program and Policies of the
Korean National Housing
Corporation**

**Presented by Cho Hang Ku, Director
of Engineering, Korea National Housing
Corporation**

**Presented by Ko Yi Shik, Director,
Planning Division, City of Seoul, Korea**

Director

Chairman





Korea National Housing Corporation Representatives

CHO HANG KU

Director of Engineering
The Korean National Housing
Corporation

The Korea National Housing Corporation was established in 1961 to undertake the housing programs of the Government. This includes the construction of housing units for low income people, the construction and disposal of various welfare facilities, development of lands for housing construction, development and production of construction materials, and the management of apartment housing complexes. The Corporation's capital is invested by the Government under the provisions of the Korea Housing Corporation law. Its current authorized capital is 50 billion won, which is equivalent to about 104 million U.S. dollars, of which the paid-up amount is 23.1 billion won, equivalent to 48 million U.S. dollars.

The management of the Corporation consists of the president, one executive vice president, six directors, all of whom comprise the Board of Directors, which is the highest decision-making organ of the Corporation. The head office of the Corporation consists of four offices and nine departments and has two branch offices and 31 management offices under its control. The Corporation also has two subsidiary companies under its supervision. The total number of personnel, as of October 1976, is 1,308.

The overall management of the corporation is performed under the direction and supervision of the Minister of Construction in accordance with the provisions of the Korea Housing Corporation Law. The head of the Corporation will be appointed by the President upon the recommendation of the Minister of Construction and its vice president and the other directors will be appointed by the Minister of Construction upon the recommendation of the president of the corporation. The auditor will be appointed, also by the

Minister of Construction in consultation with the Minister of Finance. The budget and accounting system of the Corporation is subject to the direction and supervision of the government in accordance with the Budget and Accounting Law governing Government Investment Corporations. Housing projects are implemented with the approval of the Minister of Construction under the provisions of the Korea Housing Corporation Law and the Housing Construction Promotion Law. Major items to be approved by the Minister of Construction are:

- Annual Housing Construction Program
- Project Implementation Plan
- Housing Prices and Sales Plan
- Land Purchasing for Housing Construction
- Housing Management fees and Ways of Management
- Alteration of Organization and its Personnel Ceiling

Financial resources for housing projects of the Corporation in addition to capital contribution by the Government are met from the following resources:

1. Government supporting funds consisting of funds from housing lottery, to be repaid in 20 years at a rate of four per cent per annum, and funds from housing bonds to be repaid in 15 years at a rate of eight per cent per annum.
2. Housing Bank funds with a repayment period of 20 years at 14% per annum.
3. Entrusted funds provided by public and private organizations.
4. The Corporation's own operation funds and homebuyers down payments.

The Corporation has received loans under the AID Housing Investment Guaranty program on four different occasions, from 1973 to 1976, totalling 70 million U.S. dollars. These loans were instrumental in constructing and providing about 20,000 dwelling units for low income groups in major cities throughout Korea. In line with new housing projects, a 10 million U.S. dollar squatter upgrading project for local cities is now in the planning stages and is scheduled for commencement early in 1977. These AID loans have contributed greatly in meeting the ever increasing demand for housing for low income groups. During the period 1973-1976, the Corporation has been working with AID to provide low cost housing on a large scale. In 1973, the first AID Guaranty loan was for 10 million U.S. dollars and constructed 1,490 apartment units in Seoul. The units were 73 square meters in size with central heating and the sale price was approximately \$9,000. This project was one of the first attempts in Korea to demonstrate and test the market acceptance of apartments under the AID Housing Guaranty program. All units were constructed within a 9 month period and applicants desiring to purchase units exceeded the number available by a ratio of 10 to 1. In 1974, the Corporation worked with AID to expand the market to urban areas outside of Seoul and to reduce the size of housing in order to reduce costs for lower income groups. The Corporation constructed 3,700 apartment units with a 20 million U.S. dollar loan, which financed the construction of 2,700 centrally heated 50 square meter type units and 1,000 ondol-heated 43 square meter type apartment units in Seoul and 5 other cities. The price range of these units were \$6,250 to \$7,400 for the 50 square meter units and \$4,065 to \$4,813 for the 43 square meter types. All 3,700 units were constructed by December, 1974.

In 1974, AID authorized a third loan of \$25 million. This loan focused again on the reduction of housing size in an effort to reach still lower income families. The Corporation constructed 6,200 ondol-heated types at 43 square meters in size, selling for between \$4,738 and \$5,348, and 3,000 at 50 square meters selling between \$5,565 and \$6,285. Construction on the 1975 program began in June and was completed in December, 1975.

In 1976, AID authorized a fourth loan for 25 million U.S. dollars of which 15 million will be used for construction of 43 square meter type units, 33 square meter type, and 25 square meter units. The remaining 10 million will be used for squatter and slum upgrading in 4 secondary cities. The new projects are now under way and should be completed by the end of 1976.

The housing implementation policies of the Corporation require that the size of the housing units to be constructed is geared to construction of mainly small housing units to low income groups. Government supporting funds are provided only for the construction of units for low income groups and the scope of eligibility of such funds for units ranging from 42.9m² to 82.5m² on the basis of the net living area as provided in the related laws. This Corporation has been building most of its housing units, mainly 42.9m² which is the smallest that could readily be available for low income groups. However, considering social problems that may arise from the construction of a large number of small size single type units in an area, units of 82.5m² or larger, are constructed in proper combination.

The policy is concerned with the rates of housing supply between major and local cities. Both the housing shortage and demand are comparatively high in major cities. But, in order to comply with the Government's policy of dispersing population from major

cities, housing units with favorable conditions for occupancy are allocated for construction with top priority in local cities or newly emerging industrial cities.

The policy is also concerned with the relationship between the central and local government policies. In this connection, the Corporation performs its housing projects in close coordination with their administrative policies, exerting efforts to strengthen a cooperative system with local authorities so as to enhance the effects in terms of city development, industrial promotion, and other socio-economic aspects.

The annual housing construction program will be formulated by the Corporation in accordance with the Government's basic policies, and is approved by the Minister of Construction. When the program is finalized, detailed project plans are prepared by type of housing unit for each area, also for approval by the Minister of Construction. As a rule, housing construction and development of lands for such purpose are subject to approval or permit by mayors or county chiefs of local autonomous bodies under the related laws but, for the purpose of ensuring the smooth performance of its functions, the Corporation has been recognized with the same stature as a national agency in terms of applying each of the related laws. Therefore, if the detailed project plan as to building and site development is approved by the Minister of Construction, separate permits by mayors or county chiefs may be dispensed with. However, the Minister of Construction is required to have prior consultation with the administrative agencies concerned, including mayors and county chiefs, in issuing such an approval.

Lands for housing projects of the Corporation are acquired through the close cooperation of local autonomous bodies and the Corporation is now making efforts to acquire lands for future use by relating the long term land use plan with urban development policies. Purchasing prices, in principle, are to be based on the amount appraised by the Korea Appraisal Board. Purchasing is made through negotiation with land owners, but when this is not possible, compulsory purchasing is to be made by applying the Land Expropriation Law.

A wide range of authority for land expropriation is recognized in acquiring land for housing construction by the Corporation and especially, to prevent land prices from being hiked unreasonably due to speculation. It is possible for the Corporation to resort to applying a system of announcing land prices which is a legal instrument in fixing the prices at pre-development levels.

When a housing plan is finalized, its detailed engineering designs and cost estimates will be performed by the Corporation's own engineering team. The road system, water supply system, sewerage system, and electricity required for the housing sites will be provided by local autonomous bodies and the Korea Electric Company. If the organizations fail to perform timely provision of the facilities due to financial reasons, they will have the Corporation provide such facilities at its own expense under the reimbursement contract between the parties concerned on the condition that the expenses will be reimbursed to the Corporation within 3 years at 6% per annum.



Cho Hang Ku

Other service facilities such as schools, postal service, fire fighting, and the maintenance of police, will be provided by administrative agencies which are legally liable for their provision. Shopping centers, homes for the elderly, children's playgrounds, etc., will be provided by the Corporation. However, the criteria as to the type and size to be provided will vary with the size and locational conditions of the housing sites involved. For the construction of administrative buildings, the Corporation may also take over such construction at its own expense which is to be reimbursed, as in the case of the infrastructure. Such buildings as shopping centers will be sold to the private sector after completion through an open bid and proceeds from such sale will be reappropriated for housing construction for low income groups.

All housing projects of the Corporation are performed by private construction contractors whose selection will be carried out through competitive bidding. Also, in order to insure reasonable prices of housing units and the timely provision of housing materials, the Corporation will procure in mass such major materials as steel reinforcement bars, cement, and timbers for construction.

At each housing construction site, qualified construction supervision personnel will be stationed on a permanent basis, representing both the Corporation and the contractor, for construction supervision. Construction will be paid on about five installment payments in accordance with the outcome of performance inspections.

Housing units may be sold in advance, not only at the time of their completion, but also during the progress of construction as a means to provide for project costs and to permit prospective home buyers to prepare well in advance for down payments. In this case, such sales may be permitted only when work is 20% completed. Housing prices will be based at cost and rental fees are set at a similar level as the case in which the housing unit is being constructed with loan funds at a rate of 3% per annum. Both cases are subject to the approval of the Minister of Construction. Occupants will sometimes be selected through the delegation of power by the Corporation to local autonomous bodies but building numbers will be decided upon through computers.

The management of the housing units provided by the Corporation will be entrusted to the Corporation until such time as the dwellers become capable of managing their housing by themselves. Management fees will be decided for collection within the amount not exceeding one per cent of the construction cost of each unit.

The Corporation, in order to carry out its housing projects, is operating a housing research institute which was established in 1962 as one of its subordinate organs. The scope of its activities includes research on housing standardization and industrialization, research and development of housing structures, and construction methods, research on new development of housing materials and their quality improvement, the study of rural housing improvement, and research on means of saving energy.

The Corporation constructed and provided 75,000 units up to 1976. This figure represents a total of 12,900 units during the 10 years from 1963 to 1971, in which the two five year economic development plans were implemented. During the period of the third five year economic development plan (1972-76), the Corporation constructed a total of 62,125 units with an annual average of 12,500 units. Particularly remarkable progress was accomplished in the housing sector in the last two years with the construction of 18,500 units in 1975, and 26,000 units in 1976. The Corporation is planning to build a total of 200,000 units during the period of the fourth five year economic development plan (1977-81), with an annual average of 35,000 to 40,000 units. This figure accounts for 35 to 40 per cent of the construction target in the public sector, which will be performed by the Corporation. Thank you.

(Mr. Cho's talk was followed by a slide presentation depicting the operations and activities of the Korea National Housing Corporation).

Discussion

Questions were raised about the cost of the high rise units and whether the prices of the units were actually within range of low income families.

Mr. Cho explained that construction costs in Korea would naturally be higher than other parts of Asia because of the climate. Solid walls and heating systems considerably added to the unit cost but KHC has made every effort to get the price down to lower income groups. It was noted that KHC is reaching the 20th percentile of the income distribution range, mainly through smaller size units and increased efficiencies in operation.

It was noted that Korean families have a tremendous capacity for saving and that the rental system in Korea requires a high initial deposit to rent a dwelling. This is a growing fund that eventually permits a high down payment when buying an apartment, often as much as 50% of the cost, which substantially reduces the monthly payments.

There followed a lengthy discussion on the key money system in Korea. It was concluded that this is a system of forced savings which the Koreans must participate in to pay for shelter. Key money contracts between the tenants and landlords usually run for a 6 to 12 month period and are renegotiated at the end of that time. Consequently, renters must continually save in anticipation of a higher negotiated rental agreement. The money is returned to the renter at the end of the contract.

Low Income Upgrading Program

RO YI SHIK

Director, Housing Bureau
Improvement Project for
Squatter Areas in Seoul

Seoul is a historical city that has been developed as the political, economic, social and cultural center of the Korean peninsula for more than 500 years.

Up to 1945, the population of Seoul stood at a mere 900,000. Seoul has since expanded at a rapid pace. As of 1976, the population has swelled to more than 7 million due partly to the population influx after the Korean War and partly to the urbanization trend caused by the rapid economic growth of the 1960's.

In a short period, a population of more than 7 million has come to live in a limited area. Seoul has become one of the most densely populated cities in the world, facing not only a housing problem, but also numerous other problems that face all large cities.

Under the circumstances, our housing problem can be classified into two categories: one is the issue of overcoming the present housing shortage; and the other is to resolve the problem of squatter areas that have been scattered throughout Seoul. I would like to discuss our programs in regard to squatter problems.

First, most squatter areas are located around hills on sloping lands and river banks throughout Seoul. Some are not fit for residential use. Most squatters in Seoul have occupied public lands where government control was not strict. Another fact is that social problems such as crime, juvenile delinquency, drugs, or unemployment are not serious in these squatter areas and social structures are similar to other areas of the City. Therefore, we can say that in Seoul there are squatter areas but no slums. This is because such squatter areas have been generated by

ambitious, self-development-oriented migrants, who have tried to seek better lives and raise their economic conditions from difficulties caused by the war. More recently, some have come from rural areas for better employment.

However, there exist some problems in these squatter areas. For example, since the areas have been formed on a transitory basis, in most cases without any plan, it is difficult to extend the kinds of services necessary for urban life. Such areas need sanitation and other facilities. The existence of such areas itself undermines the functions of the city and erodes its green areas.

The primary measure for the solution of the issue of the squatter areas is to prevent creation of any further unauthorized occupancy in such areas. Without firm preventative measures, the issue of squatter problems in the urban area can hardly be settled.

To this end, the City of Seoul has been enforcing firm controlling measures since 1970 by introducing the method of surveillance by air photos. As a result, control is so thorough that there has been virtually no additional unauthorized new construction in the City.

The City has built some 18,000 apartment units in heavily concentrated squatter areas in Seoul between 1967 and 1970. Under these programs, the City built only the frames of the apartments while the interior work was done by the occupants, who were mostly nearby residents whose houses were removed in the clearance of squatter areas.

For the resettlement of fire or flood victims and residents along river banks and high lands not fit for residential use, the City of Seoul has secured lands on the outskirts of the City and developed them into residential sites complete with public facilities. These were then sold to the residents for construction of houses by themselves.

In addition, during the period from 1967 to 1970, a large-scale residential community was created near Seoul within commuting distance for resettlement of people in the squatter areas.

Separate from the above-mentioned construction of apartments and resettlement programs, the City undertook between 1968 and 1973, projects to recognize and improve those squatter areas considered acceptable for residence. Infrastructure was put in along the existing roads and occupants were authorized to improve their houses with their own funds on the same lands they were occupying. In these projects, the City extended assistance amounting to 50 percent of the cost of the public facilities with the remainder plus the housing improvement costs borne by the residents. In this way, the projects were carried out as self-help, or Saemaul programs, which is the "New Village Movement" initiated by the President.

However, seen from a city-planning point of view, this was not a satisfactory improvement project, because infrastructure was still inadequate and the land ownership problem was still not resolved. The City had to embark on a more comprehensive improvement project, with the legislature backing.

In the earlier improvement projects, houses were repaired or rebuilt in accordance with the City Planning Law and the Construction Law. However, it was impossible to sell public lands to the present occupants because the future use of such public lands had already been designated for other purposes. In addition, the illegal nature of such lands constituted an obstacle to the sale and transfer of the land by the occupants even after investments in improvement had been made. While the City had been shouldering a part of the cost of infrastructure, it was not in a position to bear indefinitely such financial burdens. Taking into account these factors, the government enacted

on March 5, 1973, the Housing Improvement Promotion Law under which the areas of concentrated unauthorized structures were designated as improvement project areas. With such designation, of charge from the National Government and public agencies to the municipalities, which in turn could sell them to the present occupants, thereby raising the funds needed for infrastructure in the areas, this has facilitated the orderly development of the improvement project areas.



Ro Yi Shik

Under the Decree, the City designated as improvement project areas on December 1, 1973 those areas which are: a) not vulnerable to flooding; b) where unauthorized structures were concentrated; c) where residential areas were feasible with the possibility of road construction; and d) where such use would be compatible with the Master plan. There are about 200 such areas with a combined acreage of 4,550,000 pyong (or 1,505 hectares), involving about 126,000 houses. The improvement projects have been underway since 1974.

The City of Seoul, which was thus granted public lands from various agencies after the designation of the improvement project areas, conducted surveys of their present conditions for preparation of a project implementation program. At the same time, the City worked out development plans for infrastructure, a lot readjustment plan, and building guidelines under which lands were sold to the occupants so that they could repair or rebuild their houses for themselves.

The plan for securing lands for infrastructure, parks, and public facilities, inside the improvement project areas, differs depending on the characteristics of such areas. In general, however, 20 percent of the land is for roads, 3 to 4 percent for parks including children's playgrounds, and 2 to 3 percent for trash collection, parking lots, and local municipal (dong) offices.

As for the width of roads, the existing roads were expanded to measure 4 to 8 meters in width, except for inter-area roads, so that adequate access could be maintained and the best utilization of city space could be achieved.

With regard to removal of existing houses for improvement, the existing areas were classified into two categories, depending on the extent of serviceability of the existing houses. One comprising the zones where houses are to be dismantled altogether for recon-

struction, and the other involving the area where the existing houses are to be maintained and repaired.

Infrastructure such as roads, piped water, and sewer systems are undertaken, in principle, with city funds. But ground leveling for housing lots in the areas where the existing houses were to be dismantled altogether is conducted with either city funds or residents' money.

In case of the areas where the existing houses are to be dismantled altogether, new lots are laid on the basis of at least 50 pyong (165m²) for a single housing unit, large enough to build a duplex house for two to four households. In the areas where the existing houses are to be maintained and repaired housing lots are allotted on the basis of the legal minimum housing lot of 27 pyong (89 m²) or more.

When residents pay the land price in a lump sum payment, 30 percent is deducted from the sale price. Up to five years installment payment is allowable. In this way, the term is extended to residents so as to lower their burden.

Houses are to be repaired or rebuilt after the purchase of lands depending on the residents' financial ability. The height and other sizes of houses are controlled in the building guidelines.

If a two-story, four-household duplex house is to be built on a 50-pyong lot, a house up to 60-pyong (198 m²), or 15 pyong (49 m²) for each household, may be built. In the case of a single family detached housing unit, the size of house can be determined by the owner within the building guidelines with a one or two-story structure.

With a view to further expediting the improvement project and lowering residents' burdens, the City of Seoul arranges distribution of construction materials at actual cost and provides other administrative assistance such as exemption of taxes and arrangement of loans for housing.

In some project improvement areas, families cannot afford to purchase land and improve their houses in these areas. It is in these areas that an AID-guaranteed housing loan amounting to \$10 million, has been authorized for the implementation of the first pilot project.

The conditions for the selection of the AID-financed project areas include; a) more than 70 percent of lands in the area should be publicly owned; b) infrastructure improvements within the area should be possible with maximum utilization of the existing roads and it should not be necessary to remove more than a minimum number of the existing houses, 15 percent or less; c) less than 10 percent of the remaining existing houses should have to be rebuilt. Remaining houses are to be improved and repaired; public lands in the area are to be sold on a long-term repayment basis. These terms will be affordable by more than 90 percent of the actual residents in the area.

Loans will be made available up to 1 million won (\$2,000) for housing reconstruction and 600,000 won (\$1,200) for housing improvements and repairs. Where necessary a loan of up to 1,500,000 won (\$3,000) will be extended to those families who have to move to other areas due to the need for space for infrastructure improvements, to help them cover the funds needed to purchase lands and to construct houses. The ceiling of the loan for purchase of lands in the area is up to 90 percent of the actual cost, and individual loan amounts for improvements or reconstruction are determined in consideration of their repayment ability, which is presumed to be up to 30 percent of the total revenues of the household.

Seoul has developed into a modern city today thanks to long-term development projects and large amounts of investment with emphasis on city renewal and better planning.

Lately in particular, a policy to secure sufficient city spaces such as roads, parking lots and green areas is being implemented on a priority basis.

In parallel, squatter areas are being improved, and where the areas cannot be improved, residents are being resettled. In the case of resettlement, residents are either housed at city-built apartments or paid resettlement subsidies.

These squatter area projects of the City of Seoul shall be implemented as yearly projects until 1987, by which time the City hopes to have improved all of the squatter areas. Thank you.

Mr. Ro's presentation was followed by a slide presentation of various squatter areas in Seoul.

Discussion

A question was asked about the contractual commitments necessary by the squatters in the improvement areas.

Mr. Ro explained that under the AID Guaranty program, residents are prohibited from selling for 3 years. When they sell their property, they must pay back all financial benefits that were given them. The purpose of this is to prevent speculation in the areas.

In response to a question on housing policy, Mr. Ro explained that the policy requires that all efforts should be directed towards minimizing the necessity to demolish squatter housing. In the Oksoo area, only 22 housing units were removed out of a total of 540, and these were necessary removals for utilities and street widenings. There is, in effect, no movement of the families out of the squatter areas and strong emphasis on retaining the existing housing stock. The point is to provide the existing residents with tenure, help through loans to improve their homes, and to improve the area infrastructure.

Delegates visiting Korea National Housing Corporation Demonstration Hall



A question was asked about squatter participation and if the City had met much resistance in selling property that was already occupied by the squatter.

Mr. Ro explained that most of the squatters accepted the idea because it now provides them a marketable item and permits them to make home improvements. If they do not purchase the land, then they cannot improve their home because their occupancy is illegal.

In response to a question about squatter income levels, it was explained that there are no income restrictions on the loans to squatters.

In response to a question about future squatter control, it was explained that the City now has an organization in the Housing Bureau called the control section that patrols the City regularly for illegal structures through aerial photo surveillance and regular spot checks on the ground. The system is very effective and has reduced the number of illegal structures overall.



Delegates visiting Korea National Housing Corporation Demonstration Hall



Tour of Oksoo squatter area

Saturday Afternoon,
October 30, 1976
Field Trip

On Saturday afternoon, October 30, a field trip was organized by the Korea National Housing Corporation and the City of Seoul to view the AID-assisted squatter area upgrading site. Although rain prevented a walking tour by the conference delegates, they were able to view the characteristics of the Oksoo squatter area and obtained a better insight into the magnitude of the problems and the progress being made by the City of Seoul.

In addition to the squatter area, the delegates visited the site of the Chamsil new community development project constructed by the KNHC, observed a citizens hall where housewives supplemented family incomes by handiwork, visited model apartments in the KNHC demonstration hall, and toured the project offices of the KNHC where they viewed modern home construction materials and furnishings. In the model apartments, many delegates were introduced to the uniquely Korean system of ondol heating for the first time.

The tour was a very successful way of showing the visiting delegates the magnitude of Korean efforts in low income housing and the effect of AID Housing Guaranty assistance. AID is proud of its role in the evolution of the housing in Korea and in the successful implementation by the Koreans. In all, AID Housing Guaranty assistance has financed 19,000 low cost apartment units and squatter improvement programs that, in the next two years, will benefit as many as 40,000 families now living in some 18,000-20,000 squatter units.



Delegates visiting Citizens Hall



Country Presentations:

Singapore, Dr. Stephen Yeh

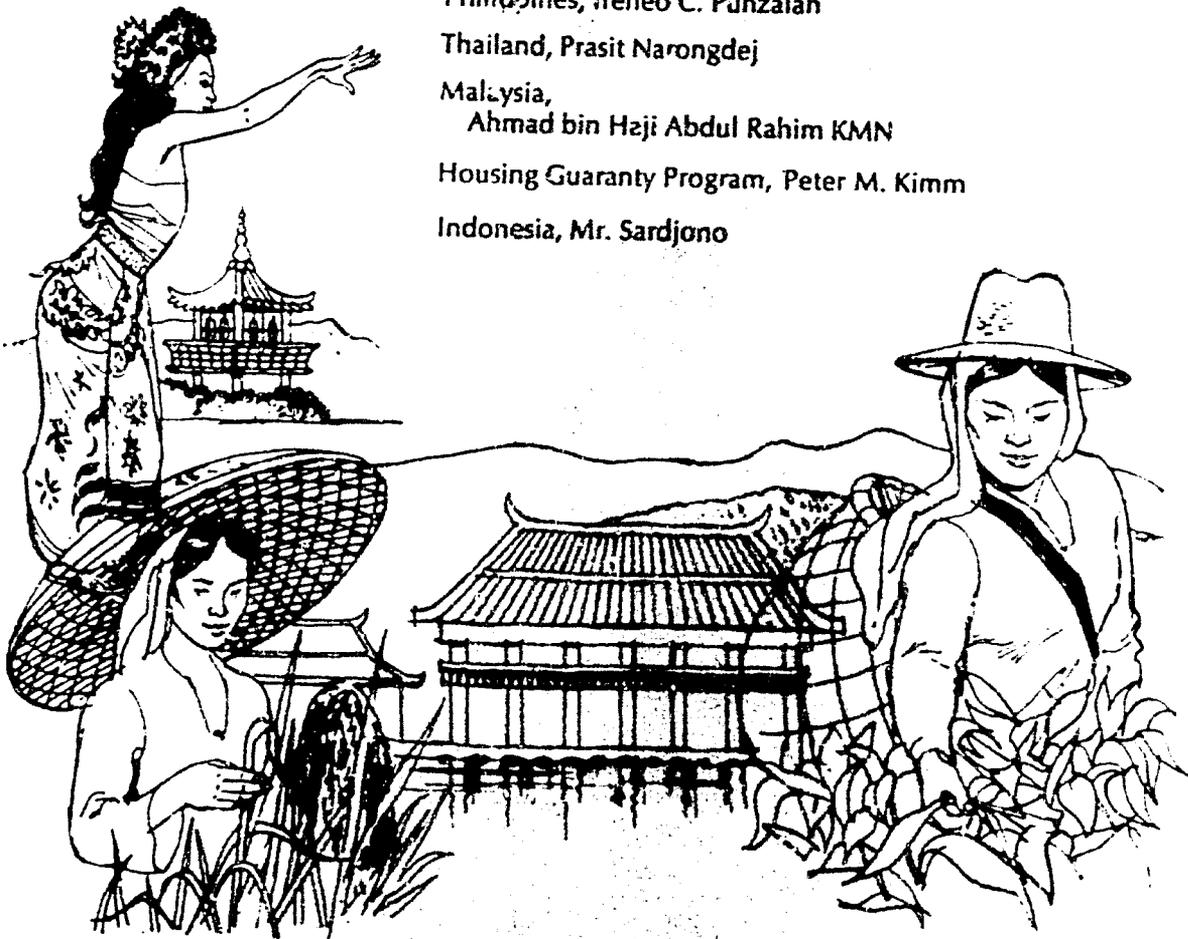
Philippines, Ireneo C. Punzalan

Thailand, Prasit Narongdej

Malaysia,
Ahmad bin Haji Abdul Rahim KMN

Housing Guaranty Program, Peter M. Kimm

Indonesia, Mr. Sardjono



DR. STEPHEN YEH
Professor of Urban and
Regional Planning
University of Hawaii
Singapore Housing Program

If you look for written statements on Singapore's housing policies, you probably won't find any. If you look at our annual report and try to get some clues to our housing program, and, if you are in luck, you will probably find a couple of paragraphs, with a few figures, and that's about it. So, to start things off, I thought I'd try to make a very rough translation of the meaning and context of the Singapore housing policy.

If I were given two sentences to summarize the Singapore approach, I would say that the Singapore Government is trying to meet housing demands, whatever and whenever they occur. What we are trying to do is to help the Government in meeting the total housing needs of something like 75 to 80% of the population. We have about 240,000 units under management and, at the same time, we have a backlog of about 90,000 households on the waiting list. We're not worried about the backlog but about what we're going to do 10 to 15 years from now. We have a construction rate of something like 40,000 units a year and we comfortably expect in 10 years, or less, that anybody who wants one of our apartments would have one.

We have all heard that housing demand is not housing need, and one difference between housing demand and housing need is a question of affordability. That is, whether the Government can afford and whether the people, their potential client, can afford. What I would like to share with you, in terms of Singapore's experience, is that the Government policy indeed can affect the type of housing demands which the government may find itself trying to meet.

In 1968, when Singapore broke the back of the housing problem, it was said that anybody who wanted one of our public housing apartments could get one within two weeks. And then, a series of events took place, a series of policy revisions took place, which led to our current backlog of 90,000.

In the last eight years or so, the Singapore Housing Board came out with at least four major policy revisions, all of which have substantial bearing on the pattern of demand. Beginning about 1967, we had three policy revisions on the required household size eligible for public housing. We started off in early 1960 with the requirement that you had to have a household size of five in order to be eligible to apply. As we built more and more, we began to reduce the required minimum household. Every time you cut down the required household size, you are increasing the number of people who are eligible. From a minimum household size of five, we cut it down to three, then we cut it down to two, and now anybody can apply as long as there's a minimum of two when they move in. Therefore, in terms of minimum size, it is down to the minimum level making it available for practically everybody. That is policy one and in so doing, we generated more demand.

While we were cutting down the minimum household size, we were, at the same time, raising the upper income ceiling. It went from something like 600 to 700 Singapore dollars to 800, 1,000 to 1,500. And, looking at our household income distribution figures, this upper income ceiling of 15,000 would make it close to 80% of our entire population that is eligible for public housing.

Now, to make things a little more difficult for ourselves, in 1968, the Government got the idea that it would be better for people to own the apartments rather than rent. The idea of ownership has social and political implications. We did a series of feasibility studies and discovered that for the price of the apartments, there was indeed a great deal of interest on the part of the tenants to buy. Except that a significant proportion of those who wanted to buy did not have enough cash for down payments, which was something like 20%. So, the Government passed legislation allowing the people to use their social security balance as downpayment. Now, with that and the fairly low selling price, and given the fact that the economy of Singapore was booming, and given the fact that the gap between public housing cost and the private housing costs began to substantially widen, our public housing apartments started to sell like hot cakes.

As business grew, it became necessary for the Government to increase the contribution to the social security fund on the part of the employees, and to increase the matching by the employers, to the point where our employees are now paying around 12% instead of the 6% they used to pay. The implication of this is that the social security fund has become a forced savings measure.

About two or three years ago, through a wholly owned subsidiary of the Housing Board, we started what we called middle income housing. We ran into quite a bit of criticism for that because our middle income housing schemes are, by most standards, very luxurious. We are doing a booming business because our apartments, in comparison with the price of the private housing costs, are still cheaper and the criticism, of course, is that we are depriving the private developers of a chance for this kind of market. But

then, you have to understand, that not only in public housing but in a great many other things, one of the characteristics of Singapore is that the Government sees itself as an entrepreneur. In our case, either through urban renewal or through middle income housing, the profit is put back into our overall public housing efforts. Even so, that is not enough and we do use a subsidy.

There is very much a substantial political will behind the Singapore public housing schemes. The words "political will" mean nothing unless it is put into evidence. Let me give you a few examples of how the political will is translated in Singapore. First of all, particularly in the beginning, the political will is seen in the form of the political leadership that the Government put into the Housing and Development Board. As a matter of fact, the very first chairman of the Housing Board, who happens to be a senior cabinet minister, was given a Magsaysay award for our housing efforts. But, we all know that to have top level political leadership alone is not enough. What makes the Housing Board work is really the middle and low-middle level technical and administrative personnel. I want to be fair and I don't want to single out the people who work for the Housing Board of Singapore as so outstandingly different from the rest of the civil service, that simply is not true. As some of you know, when the present Government took power, there was a transformation of the very capable civil service already and we shared this with Malaysia, a transformation from a fairly capable and efficient colonial service to one of colonial administration, to one of development administration. What I am trying to say here is that the civil service people and Housing Board, in many ways, are not really different from the rest of the civil service in Singapore. They are relatively non-corrupt and they are quite efficient.



Stephen Yeh and delegates

The next translation of the political will is finance. If you read our annual report, you will see that we don't have any budget. The fact is, that whatever the Housing Board needs to build whatever number of units it says it will build, is what they get. The Singaporeans are fairly independent. There is no foreign aid in the Singapore housing program. The Government provides the Housing Board with three types of finance. The first is for rental apartments. Funds for this are rather unlimited, at 6% interest with a repayment period of something like 60 years. For us to build apartments to sell, it's something like 7%, maybe a little bit more, with a repayment period of 60 years. We realize a profit from urban renewal, from some of our middle income housing schemes. The Government will also provide a subsidy to the Housing Board for whatever deficits we incur, and we do incur deficits that run into millions of dollars.

The next translation of the political will is the Housing Board's organization. For better or worse, we are monolithic. Monolithic in the sense that every important function is centralized under one roof. Anything from land acquisition, to construction, management, finance collection, and, until a year or so ago, urban renewal, re-settlement, everything is under one roof. In the organization of the Housing Board, which functions both as planner and implementor, answering to very few people. And, those very few people happen to be at the top.

Now, the advantages of something like this are obvious. But, the disadvantages, and there are several, is that you have a monster who tends to do things its own way. In Singapore, we have an overall land use plan, something we call a concept plan, which is supposed to last us for the next 10 years. Because of the political backing and the urgency to build public housing, the sites that we acquire sometimes do not exactly fall in the long range overall land use

pattern and we have been criticized for running away with our own programs without keeping an eye on the overall planning.

Administratively, the Housing Board is under the Ministry of National Development and, therefore, the Board goes through the Minister of National Development, or sometimes, to the Cabinet and the Prime Minister. So, in a sense, decision making is very simple.

Certainly one of the keys to our success is our land assemblage program. You can't talk about housing unless you have land, and the problem with so many housing authority types is that there is no land and dim prospects for any. We used to have a land bank and we would normally acquire land 6 years in advance. But that is not true anymore. I think it would be safe to say that we still have enough land for at least 3 years ahead of our building program. And while we are talking about our building program, you must not see our programming in terms of lots. We don't think about lots anymore. We are planning to build something like 10 so-called new towns over the next twenty years. Our land assembly program so far is pretty good.

For all these years, we have never really fooled around very much with all kinds of experimental floor plans because we have decided, rightly or wrongly, that through standardization we could achieve economy and also some improvements as well.

In many ways what the Singaporeans have done can hardly be exported to our friends in the area. You have to take into account that Singapore is a very small place. By a small place, I mean not only do you have extreme centralization of administration, but more importantly in terms of public housing needs, we don't have a hinterland. We are literally a closed society.

The Government can open or close its door to let people in or not let people in. Consequently, the theoretical maximum need and demand for public housing is infinitely predictable. I mean, if the Filipinos were to do what we do in Manila, I can see the rural areas would lose more people because everybody would be going to Manila for good public housing. We don't have that problem. We don't have the rural-urban migration to worry about. Unlike Korea, for example, we are located in a zone that has no typhoons, no earthquakes, no tidal waves—the weather is good so it has certain bearings on the use of construction materials. Singapore was also blessed when we started this public housing by the existence of a fairly sophisticated construction industry. Since we build high density high rise, the level of construction skill has developed quite a bit. These are all important factors that must be known in understanding Singapore's housing program. Thank you.

Discussion

In response to a question, Dr. Yeh explained that the total Government expenditures for housing in Singapore amounted to something less than 15% of the total Government expenditures, probably closer to 10%.

A question was asked about the possible social impact or problems related to public high rise buildings in Singapore. It was pointed out that in other parts of the world, this has been a serious problem.

Dr. Yeh prefaced his response by noting that he was speaking for himself and not for the Housing Board. He noted that there were many myths surrounding high rise apartments, first of all is the crime rate that accompanies high rise structures. Secondly, the myth that when you relocate people from slums to high rise buildings that you destroy community ties, neighborliness, mutual self help, and other social amenities. He explained that his research department had been looking into the social implications of high rise living and found that there was no relationship between gross residential densities and crime rates. He explained that he had analyzed victimization studies that had been done in New York, Washington, Seattle, and other American cities, which also refuted the myth that relates social crime to high rise living. The second myth, that in replacing slum communities with urban renewal projects you destroy such social amenities as neighborliness, does not mean anything unless you can translate neighborliness into specifics.

He explained that he had quite a bit of evidence which shows that in terms of community cohesion, with anything from visiting, to helping each other in financial terms, there is no significant difference between people living in so-called established slum areas and those living in public high rise buildings. A considerable dialogue followed on the subject which was concluded by Dr. Yeh in stating that, with the exception of Hong Kong and Singapore, he would not recommend high rise construction for any city in Asia.

IRENEO C. PUNZALAN

Director of Planning
National Housing Authority
Philippines

For those who are not familiar with the Philippines, there are about 7,100 islands. There are three major groups of islands, Luzon, the Visayas, and Mindanao. Luzon and the Mindanao islands are the largest islands in the archipelago, and metropolitan Manila is located on Luzon.

About 35% of the area is under cultivation. Although we are taking to task the ownership patterns in the metropolitan area, the amount of land which has been cultivated and livable remains on the level of about $\frac{1}{3}$ of the potential of the country.

Governing the entire development of the country are about 6 major goals, into which the goals of the National Housing Authority should merge.

The first goal is to promote social development, the second is to expand employment opportunities, the third is to attain a more equitable distribution of income and wealth, the fourth is to promote regional development and industrialization, the fifth is to accelerate economic growth, and the sixth is to establish prices at reasonable levels. These are just general directions of where our entire economy wants to go under its 4-year development program. Particularly, we are attempting to reach a more equitable distribution of income and wealth in the housing sphere and we are attempting also to promote regional development.

We are about 40 million people. About one out of every three live in the rural area resulting in a very high density in our metropolitan area and relatively low density in the rural area. There is a lot of rural-urban migration taking place and there are three diverse cultural groups that make it difficult to put them in place and expect them to interact.

We are a relatively young population, also. About 62% of us are children and young people, up to 24 years of age. There is a very high economic dependency ratio where only about 50% of the population are working. English is our second language and this is a reflection of our colonial past. I do hope that you will recall these pertinent points about our population, about the development of our land ownership pattern, about our young population, and about our worker dependency ratio, when we talk about the housing program, since these are critical parameters which determine why we do the things that we do.

With respect to housing, organized efforts in the Philippines started before the war, about 1934. The first project that was built under the government's guidance was the old Bitas housing project. This is in metropolitan Manila, very near the Tondo area.

This was followed in about 10 years with worker housing in Quezon City. This is one of the satellite cities which has been organized only very recently in the metropolitan Manila area. That was in 1940. Then the war came and construction activities were paralyzed. In 1954, there emerged a National Housing Corporation and a National Housing Commission. Prior to that we had another organization called Peoples Homesite Corporation. These agencies exist side by side with about the same objectives. In 1947, there was the first effort to integrate so we have the Philippine People Homesite and Housing Corporation. You'll notice this pattern in our organization—we will have a proliferation of agencies and then there is consolidation period. This is pertinent because the National Housing Authority at present is a conglom-

eration of different agencies that have been previously involved in housing.

Peoples Homesite and Housing Corporation was established in 1956 as the Home Financing Commission. This was supposed to engage itself in mortgage insurance, where loans generated would be given government guarantees as repayment.

In 1964, still another agency called the Presidential Assistant and Housing Resettlement Agency,—was formed specifically to focus on relocating squatters. And still another group came after that, the Central Institute for the Training and Relocation of Urban Squatters. And finally, in 1968, the government, attempted coordination by putting up the Presidential Committee on Housing and Urban Resettlement.

All of this culminated into the National Housing Authority. The project that I am going to talk about a little later had a longer history than the formal history of the National Housing Authority, which is only one year old. But the projects that I am going to talk about have a history dating before the war.

Aside from these groups, the National Group Housing Corporation was not consolidated. This is a corporation whose principal activity is the pre-fabrication of housing units. They have concentrated on single detached units so far. The other group not consolidated was the previously mentioned Home Financing Commission, which deals in mortgage insurance.

Now we are coming to the new era of housing under the National Housing Authority. It is under the leadership of Gen. Tobias and it is supposed to work together with the following groups: the National Housing Corporation, the manufacturing unit, the Home Financing Commission, and the financing institutions, namely, the Government Service Insurance System and the Social Security System for the private sector.



Tronco Punzalan and delegate.

These two insurance companies provide the largest amount of funds currently available for the housing effort. And the role they play vis-a-vis a National Housing Authority is one principally of funding.

They absorb the bonds that we float under the law creating the National Housing Authority. These bonds, amounting to 170 million pesos now, are intended to fund part of our national effort. Aside from this, we have about 50 million pesos, or less than 10 million dollars, of direct capital subscription from the national housing or from the national government.

So that is the milieu in which we are operating. Our major policy makers are now defining the major directions.

In defining these directions, we have isolated the following concepts and approaches. First, we are now looking at housing as a process and less as a product. In the past, the principal effort was towards producing the unit, the product. Now there is a lot of effort placed on the process where we look at shelter, not as—principally the provision of a roof over one's head, but more the provision of environmental facilities, environmental hygiene, community facilities, things which make a community a human settlement. Now, you may wonder why this is the case but in the Philippines we do not have winter. Although we do have hot weather, we nowhere approximate the arid atmosphere of some countries.

Temperature in our place rarely fluctuates beyond 10 degrees fahrenheit, so, the demands caused by the elements on shelter are not that critical. It is more of the environmental facilities which we are now putting emphasis on.

The second major approach is that housing is the concern of everybody, rich, middle income group, and poor. Now we are trying to forcibly get some support from the upper income groups and channel this to housing.

The major areas where we intend to hit are in taxation and increased social benefit assessment. The social benefit assessment that we have in the Philippines is one of the lowest, if not the lowest in Asia. And this is a situation which, I believe, the major policy makers are planning to correct.

The third major approach we are now trying is to reverse the situation where the housing unit which we provided went to the middle income group. As Dr. Yeh mentioned a while ago, low income housing is not necessarily low cost housing, and in the past, our low cost housing has been going to not very low income groups. We are trying to approach the problem by defining, not the unit, but the person eligible for the unit in terms of income and percentile that he is in relative to the entire population.

We are also examining the following: an investment in housing must be recoverable, that affordability shall be the measure of benefits, and that private resources would be mobilized and coordinated to meet the needs for housing.

When we say recoverable, we do not mean recoverable from the beneficiaries themselves. It's either project recoverability in the sense that parts of the project development are geared towards profit, which is flowed back to other segments of the project development, or it is an economy-wide subsidy where housing itself is treated almost like a cost center. Different sectors in the economy such as construction sectors, and the other manufacturing sectors, are treated as the profit centers from where profit flows into the housing sector.

Current thinking now is towards the latter, where the subsidy is generated on economy-wide basis, although the Tondo project, which I will talk about later, is a project-type concept as far as subsidy is concerned.

The other point I would like to raise is that affordability, being the measure of benefits, is more a discriminating factor than a deciding factor. The fact is, that there is limit to the cost of a dwelling unit. And the political factor, political acceptability has placed itself above this very minimal type of development. Therefore there is a subsidy which is in demand. We have to subsidize quite a portion of the housing cost.

So, these are the concepts and approaches which we are trying to make in the light of the history I just mentioned. We are looking at housing more as a process, we are trying to tap the resources more of the middle and the higher income group towards housing, we are aiming at the really low income group, that we are trying to recover our investment on an economy-wide planning model, and that affordability is a discriminating, but not a deciding factor, as a measure of our housing benefits.

We have estimated our housing needs at about 200,000 households per year. We have a need for new unit construction and we have a need for upgrading current settlements. The third dimension we have is the need for relocating people who shouldn't be where they are—in railroad track, esteros, and other places.

I mentioned a while ago that Manila metropolitan is actually a conglomeration of different cities. Therefore, it was difficult earlier to come out with a concentrated effort on how to control the residential growth. So, in the major esteros, the water ways, the railroad tracks, they were able to grow rather large slum communities, and this is a big problem right now.

The second factor of upgrading is the large extended family, extending from cousin to second cousin and even in some cases to third cousin. Where these families live together as one household unit, the problems of upgrading are enormous.

We are organized on three different levels. First, is the national planning level, that is the National Economic Development Authority. They plan the major resources allocations of the country and housing is one of these resources at which level the model of a subsidy on an economy-wide basis takes place.

The second level is the level of National Housing Authority where the emphasis is on concentration of efforts. I have mentioned to you that a while ago we had a proliferation of agencies, but now all of these are consolidated into one. So here the effort is towards getting everything into the National Housing Authority, providing the National Housing Authority, with a rather broad spectrum of powers, and hoping that the National Housing Authority can cope with these problems.

Among the powers granted are the expropriation of land, all the way to the regulation of private residential apartments.

Under these dimensions, new construction, upgrading and relocation and resettlement, we have projects both of which we initiated the past year and which we inherited from all those agencies that we aggregated.

The most recent one, commanding international attention, is Tondo. The other ones, which are not really well publicized, are the relocation and resettlement sites. We have land around the metropolitan Manila area about 15 to 20 kilometers away from the urban core, where we relocate the squatters. These are Dasmarinas, Sapang Palay, and Carmona. This is the relocation and resettlement sphere. In the new construction, we have not, actively entered this area to our age. The ones that we are pursuing right now are those which have been inherited in the past. But there are, four major projects which are looming up and these are Tatalon, Welfareville, Tala, a government center. I'll explain each of these.

Tatalon is a site inside Quezon City, very close to the urban core, which has a long history of political strife inside the community. We are in the process of expropriating this land and we intend to build medium rise walk-up apartments in the area.

Welfareville, also inside the urban core, in another former municipality. Right now it is devoted to the correction of delinquent adolescents and there is an orphanage also inside the compound. But negotiations are taking place that this be grouped together and devoted again to housing. Once more we are thinking of putting up walk-up apartments in this area.

The third area is the government center where we're trying to relocate its center from the Manila portion to Quezon City. And we are again in the process of expropriating land around this government center to build residential units.

The last one is a huge 600 hectare piece of land up in the outskirts of Quezon City for which plans haven't really been formalized yet.

The project which you might be most interested in is Tondo, because I think this would be illustrative of the kind of history you would find in a place which leads us to do things the way we do it.

The Tondo forshore land was reclaimed long ago, before the government was able to move into this place, develop it into a modern pier and settle in the area.

Now, our political system in the past was such that we have had rather promising politicians and they promised by law or by otherwise to give portions of this land away. So we have different kinds of titles evidencing land claims in Tondo.

When the new society came in, we froze the status of land tenure and finally decided what titles we were to honor. It was on this basis that the upgrading program was going to take place. The thrust was towards maximum retention of the units in place, towards upgrading, meaning to say the environmental hygiene was foremost, not the physical shelter.

So this is a brief history of how Tondo came to be. Now, the development we are introducing there really is trying to ease the density of the area by moving some of the families who cannot be accommodated to a nearby resettlement site, which is a reclaimed fish pond. We have moved some, or about 500 families now to this new relocation site. This is an exception rather than the rule because the thrust is keeping them where they are and putting the amenities inside the current area.

It is a very valuable land but we do give it at rather subsidized rates where the design is a project subsidy. The land prices can be taken advantage of and we can sell or lease some of these areas to generate profits for other areas. So this is a very broad sketch of the Tondo model.

Discussion

In response to a question, Mr. Punzalan explained that the merger of the various institutions dealing with housing was accomplished by Presidential Decree.

Ms. Ramos responded to an inquiry about inflation rates in the Philippines explaining that it had been as high as 15%, but is now running around 7 to 8%.

A question was asked about the squatter relocation policies. Mr. Estanislao Alinea, Chief of the Resettlement and Relocation Program, responded. He explained that the policy is not to relocate but to upgrade. When it's necessary to relocate, it is done with extensive planning and consideration. Before any move takes place, the resettlement site is completely prepared with all the infrastructure and amenities. People to be moved are classified to determine who qualifies for Government assistance and we then conduct tours to show them their new homesite. They are assisted by the Government in their move and loans are provided in the form of building materials so they can complete the sanitary core that is provided. Those families who do not qualify economically for relocation are provided transportation to wherever they want to go. The effort is to assist only those who cannot afford relocation.

PRASIT NARONGDEJ Governor National Housing Authority Thailand

As in the Philippines, the Thailand Housing Authority was established by martial law in 1973 and was done to consolidate several bureaus and organizations. The construction of public housing for the poor is one of our major policies. And that at least 20,000 varied units would be completed per year.

I was appointed in August last year to take up the governorship of the National Housing Authority. We are able to have over 23,000 units of housing in various designs; however, since September 1975, only a few hundred of those have been completed. And several thousand more have been anticipated to be ready for occupancy by the end of the calendar year.

In the span of 15 months, we have constructed more than twice the number of units in Thailand than were constructed in the past 20 years.

Furthermore, we are proud to announce that we have also successfully acquired several good parcels of land with sufficient funds to build houses for the next three to five years.

The National Housing Authority is not the sole government authority to deal with the public housing. The Government Housing Bank is another mechanism working towards the same objective.

While the National Housing Authority is dealing almost entirely with the lower income sector of the population, the Government Housing Bank helps to finance the construction of houses for middle income people by providing loans—long mortgage loans, both to individuals and private developers.



Prasit Narongdej and Yang Taek Shik

The middle income of the Bangkok population is just about 3,000 baht a month, that is 150 U.S. dollars a month. If earnings do not exceed that amount, we classify that as the lower income population. This is the income sector that the government will assist in housing.

When I was appointed the governor of the National Housing Authority, I was also concurrently assigned to be Chairman of the Board of the Housing Bank. The Government Housing Bank has been formulated since 1949 and total business conducted to June 1975, was a little over 100 million baht.

Our records show that between July 1975 and July 1976, a total of 413 million baht in various forms of loans have been given. Again, an increase of over 400% during the 12 month period and that is over the business conducted by the bank over the last 24 years.

Our achievements during the period have been something that we are quite proud of and this has been done in spite of a very unstable political situation. Since I took up the office, there has been a change of government four times in Thailand. All the work we do so far is primarily on only one objective, that is, right to show to the government, to the public, and demonstrate our technical ability, our know how, our readiness to perform, and that we have achieved.

Despite the foregoing, we are not yet hitting our target. And many problems are emerging. The most severe problem is the lack of certain supporting legislation. We don't have the condominium laws, we don't have the land acquisition right, and the appropriations from other organizations such as water works, electricity, telephone, and City administration.

We have been experiencing a 7% per annum increase of population in Bangkok, and in 10 years there will be at least 10 million people residing in the metropolitan area.

It should also be interesting to know that out of this 7% increase, only 2% is natural growth, that is, by birth. 5% has been due to the migration from the rural area.

The second biggest city in Thailand is Chiang Mai, which is about 200,000 population. So Bangkok is forty times the size of the second largest city in the country.

The migration of the population into the urban area is a problem for everybody. About 4 years ago the Soviet Union also tried to prevent the population moving into Moscow and only last year they declared that they could not do it. If the Russians could not do it, I don't think we are able to prevent it, so we might as well face the problem and try to solve it.

Talking about the increasing population in the metropolitan capital city of Bangkok, Bangkok has not been as fortunate as our sister cities like Seoul or Manila. As Bangkok is sitting on a layer of mud of about 25 to 30 meters thick, that is floating above the sand and gravel that make up a lot of water beds. Almost all structures in Thailand, or in Bangkok, are simply supported by the friction between the piling and the mud. In order to have a high rise structure, one must be prepared to spend a tremendous amount of money on the piling.

Furthermore, natural resources and infrastructure of Bangkok are rather limited. The nearest fresh water resource to Bangkok now is about 200 kilometers away so that the water supply system is only adequate for the existing population. We have to spend a tremendous amount to have the public water adequately provided to the ever-increasing population. Also, the city layout has not been properly planned. I was told the first road that was built in Bangkok was built for the reason that there was a British consulate and a Portuguese consulate on that road. And since then, we have only built roads according to need, and not according to plan.

Bangkok also is a city which doesn't have any drainage or proper drainage system. Whenever there is a heavy rain, there is flooding for days in the Bangkok area. The garbage disposal system is also a big problem because of poor planning. Wherever there is a traffic jam, the garbage truck is also stopped, so the garbage trucks serve only about 20% of its anticipated capacity. Also one thing that is very dangerous is the sewage disposal system because of the high water table.

Housing shortages are, I believe, the same throughout all developing countries, especially in Southeast Asia. We also have a shortage of over a hundred thousand households now in Bangkok. So many people live in the slum area and, as I mentioned before, the public sector of the government has taken up this problem.

When you go to a slum area in Bangkok, you will notice at almost every household there is a paper stick in front of their door. The stick would note: "My name is Mr. A. My wife is Mrs. A. I have four children, 2 boys and 2 girls. My job is a welder. My wife is a housewife. We do not have any problems and we are happy here. So go to hell. You don't have to bother us." There is a reason why they put these sticks up, many organizations visited them and tried to help them or pretend to help them, tried to get some facts, but never to implement. Those people are simply sick of answering questions.

There are many social concerns about our crowded living conditions. When we are talking about shelter and urban development, we are not just talking about building a house, but we also have the social aspects to consider.

The authorities have to make a house a home, to make the settlement a lively community. Housing problems are a social problem, and a social problem is a political problem. The political problem is the whole source of unrest. Wherever you are, whoever you may be, it would all be affected since the world today is but one world.

Thailand has much hard work ahead and we are anticipating that we will overcome it. When I decided to take the job of governor of the National Housing Authority 15 months ago, I never realized that there are so many responsibilities, so many burdens. I thought only that I am a young, energetic, healthy, middle-aged, 41-year-old business man. Last night we went out to dinner and after the dinner we went to a night club. The hostess asked me how old I was. My colleague told her that I was 54, and, my God, they believed it.

Again, on behalf of our delegation, I would like to take this opportunity to thank you for the very warm hospitality of our hosts and we certainly hope one day that we would be able to reciprocate.

Discussion

Mr. Prasit was asked to describe the housing finance that exists in Bangkok.

He explained that after he took office, the only financing that was available was through the issuing of the housing bonds through the commercial bank. The Government promulgated a special legislation which allowed the commercial bank to utilize its cash reserves, half percent of their cash reserve, to buy all bonds at a very low interest rate of 5%. The prime rate in Bangkok is now ten and one half percent, so whatever borrowing that is afforded to us, at 9 or 10% and with strings attached, is really of no interest. He explained that last year they issued 1,000 million baht of housing bonds, equivalent to about 50 million U.S. dollars, to finance the first year's projects. In Thailand, they still have financial resources available and also, construction materials are ample. Also, many of the Thai workers are exported to places like Iran and Singapore.

In summation, Mr. Narongdej commented on Dr. Yeh's remark about how housing problems would be solved readily if the Government had the will to do it and the determination to execute the will. He added that in Thailand, they had been fortunate enough to have leaders who all see the housing problems as critical and they give support to this important sector.



Delegate Prasit

AHMAD BIN HAJI ABDUL RAHIM KMN

Secretary General
Ministry of Housing and
Village Development
Malaysia

Thank you, Mr. Chairman. As well, I'll take this opportunity to thank USAID and our host for making these arrangements.

Any mention of national shelter and urbanization studies in the context of Malaysian experience, would have to include an explanation of 3 major characteristics. The first one is an important element of the new economic policy, which is the two-prong objective of the eradication of poverty, irrespective of race—I am sure by now you appreciate that Malaysia is a multi-racial community. The second, is how to bring about national unity through measures which will be effected by restructuring our society. Society in Malaysia is well defined in compartmentalization of rural and urban, as well as of the income and vocations, and therefore, when one speaks of urbanization, at least up to 1970, one has to be conscious of the demarcation of the indigenous people in the rural areas and the non-indigenous people in the rural areas.

The second aspect is that when we speak of preparing a plan, we have for the first time a chapter on housing, and that is why I think our plan has grown up from half this size to what it is now. When we speak of total needs, effective demands, and targets, there are a number of qualifications. Qualification no. 1 is that—the base line for these statistics in housing and objectives and projects—are based on the 1970 household census, which excluded the Borneo component of Malaysia, which leaves a big gap. The second constraint was that, so far as the informal sector is concerned, there was no feedback system. So, in that particular chapter, or in reference to

targets,—one should be aware of these limitations. The third element, so far as urbanization and housing is concerned, one should be aware that in the federation of States, with the federal territory of Kuala Lumpur instituted nearly two years ago, the demarcation aspects pervade through all attempts at trying to achieve the national target of housing.

Let me begin from the last aspect, one of constitution of issues between federal government and the state governments. Under our constitution, land and housing are matters of the various states. The fact that the establishment of the federal territory of 94 square miles around Kuala Lumpur did however provide some possibility for the federal government to express itself in definite terms, and since roughly about 50% of the total national needs identified with that qualification mentioned earlier, it is found that there is some hope of achieving such defined targets. The rest, of course will have to depend so much on the capacity of the state governments. But this is not that simple because, from the experience of our last plan, from '71 to '75, even with a small 5% objective, 5% rule of the total national target assigned to the various states, they could achieve only 2½% in public housing.

Under our new plan, it was envisaged that their contribution should be doubled.

Coupled to this question of whipping-up the states, so to speak, to live up to their constitutional requirements—is also the other factor that I mentioned earlier, one of the restructuring the society to effect national unity and also to eradicate poverty. To achieve that particular national objective is by

no means simple, and I think Malaysia is one of the few countries that tries boldly to address itself to the question of multi-racial mix of population to effect a balance in national, social, political, and economic development. That objective pervades through all of our attempts.

Now, going back to what I stated earlier, on the constraints affecting the various states, how can one try to overcome by helping the less endowed with their lack of capacity to new and more ambitious targets? Ask the states, and they would say that they could do it. That is the expression of optimism that prevails in the various states, or the sense of dedication of their democratic rights. I believe, in any federal-state framework, the various conflicts between the two forces, federal and state, will exist. In the past, the states reaction to federal attempts at what was intended to help them, had now become misinterpreted as something to erode any balance of power that they had with them. That is the backdrop when we come to the question of urbanization and housing.

The first factor, resettling society, came about only after we had some nasty experiences of interracial disharmony and, fortunate for us, it did not spread all over the nation. But it gave us an opportunity to review what was thought earlier to have been the rightful or the reasonable, strategy for development. Appreciative of the situation prior to independence in 1957, the leadership at that time emphasized rural development and I think it was a common feature of many Polynesians in the area to have emphasized rural development.

There was also a corresponding development in the urban areas but it was not to that same degree, so in context of housing, we did, however, achieve something positive through the land settlements schemes and rural development program. There was in

existence the Federal Land Development Policy which implemented many development schemes and, therefore, all of the participants received their due share of housing.

The present strategy in rural housing is: (1) to continue with the federal land development schemes, (2) to upgrade the amenities and facilities required by our rural population.

With the introduction of new strategy to effect this balance for the sake of economic and restructured society, regional development was instituted and with that, new growth centers have been planned and have been started in several states. It was also to arrest migration into the cities, and despite the successes of the land settlement schemes, we have recognized that, even though there is excellent rural development, migration to urban areas would have to be reckoned with. Therefore, according to 1970 figures, we projected that out of total population, 19% urban in 1970, we would have something around 40% in urban areas by 1990.

From that point, we have come up with new policies in housing and these are the current features. The first, unlike most countries, Malaysia tries to avoid a straitjacket way of imposing on the government as a duty to provide housing. The policy stipulates that only access to opportunities and facilities—for housing should be granted to the people, in particular, the low income group. Meaning, that there should be a big element of self-help from those people. And since, like Indonesia, the spirit of self-reliance has been cultivated as far back as independence, it was expected that this message would not put the government in a very peculiar situation. This is a political way, I suppose, of passing the buck, (1), to the states (2), to the people, and not to put it entirely on the shoulder of government.

The government takes upon itself something in the region of 55% of the total housing needs of only half a million—chickenfeed as far as any of my colleagues are concerned—it is only about 100,000 required per annum for the whole nation. But compared to the situation I explained earlier, what is regarded here as chickenfeed is in fact a complex situation, where some new measures will have to be undertaken. Reliance on the private sector is not only confined to this balance of 45% but we have also defined that the role of the formal private sector, mainly the private housing developers, should have the construction of at least 20% of the total national target, to address themselves to the needs of the middle income and upper income brackets.

Since national emphasis is given to the role of the private sector, I will explain how we have attempted, or are still attempting, to achieve that objective. The first objective is one of giving numerous incentives to the private sector to perform its role and to provide the necessary housing that is required in various critical areas. Private developers have declared their intentions to have the government in public-private sector participation program, and the one aspect that I have not mentioned earlier, is one characteristic which we inherited from our masters before,—is one of high standards.

Talking in terms of standards, there is a policy decision that we should avoid high rise. For what it is worth, we do not have much high rise housing.

The second aspect is, that we try to translate housing standards by increasing density and now we are experimenting with the private sector project which will yield the same number of units per acre, something in the region of 50-60 units per acre, whereas the normal row house concept will only yield, following prevailing conditions of building codes requirements, only between 8-14. So we have gone to a

very extreme case in the hope that there will be responses from many sectors, including the UN Environmental Program people who criticize what we are doing to our human settlements. We hope to start from there and work backwards to something like 20-30.

Discussion

In response to a question concerning the private sector's participation in housing, Mr. Rahim explained that private construction in Malaysia has kept pace with the Government's goals, but there has been a tendency by the private sector to ignore Government's efforts. He added that efforts are underway to develop better coordination between Government and the private sector.

There followed a brief discussion on land controls and the difficulties in Malaysia because of Moslem inheritance laws.



Ahmad bin Haji Abdul Rahim KMN with delegates from Korea and the Philippines

PETER M. KIMM

An Explanation of the
Housing Guaranty Program

What I will do for the next couple of minutes is make my own presentation on the activities of the Housing Guaranty Program of the U.S. Agency for International Development.

For the five countries that are represented here, we have the greatest level of activity in Korea. We have issued four successive guarantees totaling \$90 million and you have seen much of the work that has been financed by that \$90 million. About \$75 million is already invested in activities here in Korea.

We have also held lengthy discussions over a period of time with the Government of Thailand, specifically with the National Housing Authority of Thailand, and we believe, although we are not certain, that this will result in the issuance of a guaranty of financing. In Indonesia, the Philippines, and Malaysia, we have had discussions at one time or another with the various governments, but that is as far as it has gone.

I'd like to explain very briefly and concisely the process involved in getting a housing guarantee loan and the other activities of the AID Office of Housing.

If a government is interested in receiving housing financing under the guarantee program, the first step is to make a request. That request should be made through either the USAID Mission or the U.S. Embassy in the country in question. Upon receipt of such a request, we would then make an initial visit to the country to conduct a shelter sector assessment—where we would expect to bring ourselves up to date on the housing situation of the country. As well as conducting the shelter assessment, we would also discuss with the agency the type of housing which they would

like to see financed. As you know, our guidelines require that the target group is people who are below the median income. I would say, from the presentations here, that this is also the target group of all the agencies that are represented, so that would probably present no particular problem.

With that information, we then return to Washington and present all of this information to a committee in Washington. After consultation with that committee, we then advise the prospective borrower that we have or have not received approval in principal for the project. This is where we are now with the Thailand project. We have presented and received approval in principal for a line of credit up to \$50 million. With that approval, we then go back and enter into further consultations with the prospective borrower which is intended to define more precisely the activities and projects which would be financed with the credit.

It is not necessary to define each project and to have all the engineering details of each project, but it is necessary to have defined some project in which you have enough detail that you can describe rather precisely what it is that would be financed.

On completion of the second stage, we return to Washington to our committees. At this time, we have even more committees than we had the first time and following their review, the project is finally approved or disapproved.

I believe we have never failed to obtain final approval if the prospective borrower maintained an interest in the project. We then issue a letter to the borrower which obligates the U.S. Government to guarantee repayment to any U.S. lender who will finance the

project. As I noted in my opening statement, we have never issued such a letter and failed to obtain financing. The letter is tantamount to assuring that financing for the project will be available and a U.S. lender will lend on the basis of the U.S. Government guarantee.

As a practical matter, we are acting as a financial intermediary, between the borrower and the lender, and absorbing some of the risk that the borrower does not want to take. As such, we act in the same role as the World Bank on one of its loans and the terms and conditions of the loan would be at the same rate as a U.S. home purchaser would pay on a government guaranteed mortgage and at about the same interest rate as the World Bank charges. At the moment, that is about 9% for 30 years.

After receiving our commitment letter, the borrower can enter the U.S. capital market and borrow from any U.S. lender they can find. We will tell you who has been quoting on the project lately, and as I said, the guarantee is in itself tantamount to assurance of financing for the project.

Agreements are then entered into between the borrower, the lender, and AID that defines the terms and conditions, the disbursement period, and what is to be financed. We will have gone through this entire step from beginning to end in as little as three months, if there is a clear agreement between the borrower and lender, I would estimate the time it takes would be between 90 and 120 days. As a practical matter, there usually is not a clear agreement between the different parties involved and that requires several rounds of discussions in order to clarify outstanding issues. Typically, it might take a year from the initiation of discussions until the issuance of a guaranty resulting in financing.

We now operate in some 40 countries and we have developed a very considerable body of expertise, or at least experience, if not expertise. In addition, we also administer some other technical assistance efforts in countries which are not participating in the housing guaranty program. Some significant activities in the Arab countries, Egypt, and Syria, and we are providing technical assistance on a reimbursable basis; that is, we get paid for it rather than providing services without payment. In Kuwait, in the United Arab Emirates, they looked over the various sources that might be available and opted to come to the U.S. Government for it.

We are fully prepared to provide assistance and advice without the necessity of a housing guaranty. We would be happy to work with any developing country in a review of its housing programs, or advise on any housing problem that they might have on the management of existing properties, or in assessment of the housing finance situation. We do this all the time. Again, the agent for such a request is the AID mission or U.S. Embassy.

Dr. SARDJONO

Director of Housing,
Building and Planning
Ministry of Public Works
Indonesia

In my presentation I will review, very briefly, how we approach our housing policy and programs in Indonesia and, if you allow me, I would like to use some charts and projections to help in my explanation.

We have at present 130 million people living in Indonesia and we rank fifth in population of the world after the United States. The rate of growth is 2.3 percent annually and the second problem is that 70% of our population live in the small islands of Java, which represent about 7% of the total land area of the country. We have a density of about 550 persons per square kilometer in Java.

The Minister of Research in Indonesia states that in the year 2000, Java would become an island city. But, the Minister of Public Works said that Java is a ship and in the year 2000 it would be sunken. So we have to concentrate our national development efforts on how we handle our population and to spread our developments to the outer islands of Java.

I mentioned that the national population increases 2.3% annually, but the increase of urban population is averaging about 4.4% annually, especially in Jakarta, which is increasing around 5.75% annually. This is a special case.

In housing, we are facing an enormous problem and enormous housing needs. At the start of the second five year plan, we have a housing backlog of at least 440,000 houses per year.

The present housing production rate is about 230,000 houses per year and it represents two houses per thousand population.

Yesterday, I mentioned that if we were to solve our housing problem in the year 2,000 we would have to have to invest 11% of our GNP. This means that it is not realistic to reach this point in the year 2,000.

The intention of the second 5-year plan is to start a program of this magnitude. This is the basic philosophy of the government in the second five-year development plan.

If we need 440,000 houses per year and the present rate of construction in the rural as well as the urban areas is only 230,000 it means that we have to increase production by 210,000 houses annually. This would be divided into 90,000 urban houses per year and 120,000 rural houses per year. Our urban population represents about only 20% of the total population while the rural population represents about 80%.

Some wider policies are closely related to our housing policy. Namely, regional development policy, lands, monetary and financing policy.

In Indonesia, we have formulated three basic functions in the fields of housing. First is policies and regulations, second is what we call administration or management supervision, and number three is the actual production of houses.

The Indonesian Government has decided to separate these three functions. There is the National Housing policy, where the members are ministers; a second level working team, where I am in charge; thirdly, the various sectors who actually produce the houses. Coordinating these activities has become very important in Indonesia.

Next, I will discuss income structure in the urban areas of Indonesia on which we based our housing development program. First, we classified our income groups in five categories: the very low income groups, low, moderate, middle, high. The programs for the very low who we assumed were mainly living in kampungs, we have the kampung improvement programs. The next group, sites and services, then low cost housing, middle income housing, and luxury houses.

I have not mentioned that at the beginning of '74, the government assigned the state savings bank to function as the mortgage bank. The policy of the government at present is to stimulate various sectors by providing necessary development loans as well as ownership loans to the consumers. Construction loans are provided to the developers.

We assume that not more than 20% of the income can be used for housing. For example, if a family has an income of 50,000 and they can make a down payment of 20%, and the interest rate is 24%, in 15 years he can only pay for a house costing 600,000. But if the interest rate is 6%, then he can afford a house of 1.4 million.

Next, I will explain a little bit on rural housing, which is very important in our national developments plan because 80% of our population lives mainly in the rural areas. In Indonesia we have 58,000 villages and we have made a survey and classified these villages into the poorest villages, potential self-development villages, and self-supporting villages. Within the five-year plan, we will develop only one thousand villages as demonstration projects on how we can overcome the rural housing problems in Indonesia.

In the poorest villages, we concentrate our programs mainly in environmental health. It is similar to our kampung improvement program in the urban areas. In the richest villages, we are trying to stimulate institutional development for the housing and community self help activities.

I would like to mention some highlights in our urban housing programs. As I mentioned, we have the Kampung Improvements Program. This improvement is focused on infrastructural developments, like community roads, drainage, water supply and some other health and social facilities.



Mr. Sartiono

Actually this program is the responsibility of the local government and the central government only assists in financing and in technical assistance to speed up the program. For example, the Jakarta government had started this program in 1969, and since 1974, with the support of the World Bank, we increased the program in Jakarta. 50% of the project cost is more or less is supported by the World Bank through long term loans, and the cost of this program is about 40 U.S. dollars per family.

In conclusion, Mr. Chairman, I'd like to mention that the policy and programs of housing in Indonesia are still in the initial stage. It is in the initial stage of development of these policies and the execution of the programs. We build the houses, start inviting people to live there, and try to formulate better policies. We are trying to pioneer some activities because the private efforts in Indonesia are mainly oriented on what the Government is doing. It is hard to inspire the participation of the private sectors if the Governments are doing nothing in the actual production of housing. I would like to close with an Indonesian saying that describes our housing program: We call it slow but sure. But, in housing, it is slow but I am still not sure. Thank you very much.

Discussion

Mr. Kimm noted that Indonesia was unique pointing out that with a population of 130 million distributed over thousands of islands, that the administrative problems go far beyond what many governments have to deal with.

Mr. Sardjono noted that Indonesia was unique and that they were only beginning to feel confident about their programs and policy directions. Although he recognized some regional and international assistance efforts, he admitted that the Indonesians are doing it themselves. He further explained that they were optimistic in Indonesia and fully aware of their limitations.

Closing Summaries:

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Peter M. Kimm

Alfred Van Huyck

Josefina Ramos

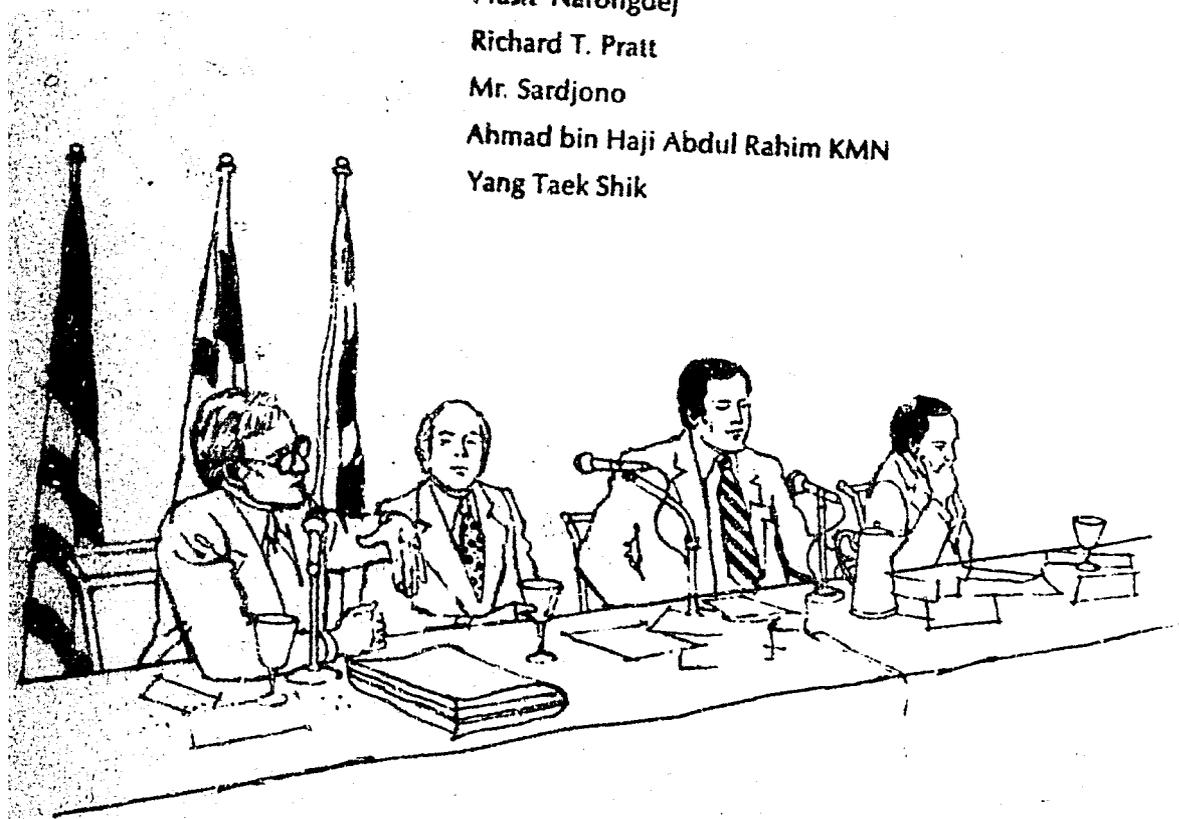
Prasit Narongdej

Richard T. Pratt

Mr. Sardjono

Ahmad bin Haji Abdul Rahim KMN

Yang Taek Shik



DR. PAIK YOUNG HOON

President of the Korean Industrial Development Institute and Member of the National Assembly

I was given permission to say a few words about our involvement in the development of the Korean housing policy.

With the very capable advisory assistance of Mr. Al Van Huyck, who was provided through USAID, Korea began working on its national housing policy in 1972. One of our first concerns was how to concentrate a housing policy as a major part of the nation's economic policy. This required working very closely with the Economic Planning Board and Ministry of Construction. The initial program was only a housing construction plan and we had to transfer this into a housing development plan, which required the close cooperation of a number of Governmental agencies. This not only required much research and work, but also a large job of re-education.

In 1974, this new concept finally became a part of the National Economic Development plan. Although we have made significant progress, there are still about six problems in implementation.

At the top of the Government structure, we seem to have a general understanding of the need and concept of a housing policy, but there are many agencies involved in the plan. We still need to narrow the communications gap at the local levels of government.

Secondly, there is the need to mobilize the efforts of the private sector. Private construction will account for around 70% of the housing required and we need to mobilize this effort. There are still decisions to be made on slum or squatter areas. We are now in the process of trying to rehabilitate these areas, which is a major directional change. There are almost 150,000 slum houses that need attention.

Thirdly, the problem of the decentralization of Seoul. This involves the creation of new industrial areas outside of the city and the movement of existing industry. This is a nice concept but also very costly.

The next problem is land. The cost and availability is a very critical problem. This, coupled with the problems of improving our housing material industry so they can provide low cost housing materials, is crucial in the cost of housing in Korea.

So, these are some of the problems that we must resolve in our policy. Since I became a member of the National Assembly, our goal has been to stimulate our planning agencies and our housing agencies. In the next five years we will invest 4 to 5% of our GNP in housing which requires a continued critical analysis of our directions and sound planning. Thank you.



Delegates to the Conference

PETER M. KIMM: What we want to do here in the final session is simply give an opportunity to anybody who feels there is anything he wants to add. I would like to sum up my own impressions of the meeting.

We have had five countries, in addition to the United States and international agencies, represented here. Whereas the countries have many things that are different, population, levels of development, social and cultural attitudes, I was much more impressed by the similarity in the assessment of the problems and state of development than in the differences.

Each of the countries involved had recently taken some significant step in consolidating their approach to the housing sector. The all important point which was made about Singapore, of political will, is that if you don't have political will, you can't begin. In each of the countries there has been a very serious expression of the political will to do the job. And that then puts the problem from the political level to the

next level, which one might call the technical level, which is where we are operating. That is if the political leader says, "We want to give housing a very high priority," then they look to the people who run their housing agencies to show them how to convert the desire to give housing a high priority into the actuality of there being better housing in the country.

We all know that this involves problems for where there are no clear precedents—the income level, the capacity of the people to pay, and the available capital—hold constraints and restraints on any program. We don't fully understand it but we know more about it than anybody else.

I would say I was very much impressed by the frankness of the presentations. Someone remarked that at international meetings there is a tendency for each country to get up and to tell how well they are doing and that it takes a considerable amount of security to get up in a meeting and say what it is you do know and what it is

It seems to me that on the subject of shelter, housing, human settlements, which involves all human needs and wants, you could go on and have a meeting about just that one subject for some period of time. The subject that hit me as being the one in which there was real interest, and where we all need to know more, was in the concept of policy formulation, the social considerations involved in providing better shelter, capital mobilization, particularly capital mobilization in an inflationary world. The critical role of the private sector and how little we in the government are able to affect what the private sector does. That is, the landholders, non-profit organizations, and the way things happened in the squatter settlements, outside of record keeping and so on.

The critical issue of subsidies, which is the real tool that the government has to play with in the housing sector, and the problems with subsidies. The related question of standards, how much you have to subsidize something is the immediate results of standards, to which you think you have to achieve.

The role of an international agency, what can it do to help a country. Fundamentally, if there is one thought with which I agree completely, and on which I will end my own comments, it is that you really have to do it yourself, that an international agency can help you to analyze a particular problem, but anybody that's going to solve its housing problems or make any serious progress with it, must do it themselves.

ALFRED VAN HUYCK: Several things struck me. In my opening remarks on Friday, I suggested that I felt that there was a consensus in terms of response to these housing and urban strategy problems, and I think the presentations, particularly today, have reinforced my feeling that the countries in Asia have recognized the common elements of this problem and you've just articulated them once again. And that the strategy response of upgrading sites and services, low-cost housing is beginning to take shape and I think this is an exciting development.

Second, in my remarks on Friday, I said—I thought we would hear about innovative and exciting responses to this challenge and I think the conference has borne that out. I think we heard some very exciting programs from all the countries. In fact, as an outsider, and as a consultant, I am somewhat envious to be in the company of people that are really doing things, that are really building houses, really getting on with it.

JOSEFINA RAMOS: I would like to take this opportunity, on behalf of the delegation from the Philippines, to note that it has been a very worthwhile conference and I feel that we have gained some insights.

The opportunity that we have been given to interact with the Koreans, and the understanding that we gained from their experiences, the information that we got from AID about their Guarantee Program, and the different things that they are doing in Korea and other countries. I think we have learned much from this.

I feel that I personally have become more appreciative of what we are doing, in comparison to the other countries, their successes, their inadequacies, and failures. I think we are all in the same boat.

I would like to share with you one thing that I learned in the three months training program in the Career Executive Training that I attended last month. No matter what you do in planning and implementation, there is always a better way of doing it if you think harder. Thank you very much.

PRASIT NARONGDEJ: When I was a student at the University, I was riding a bus. I always envied seeing my friends driving an automobile.

I asked my father if I could have an automobile and he said no, we simply could not afford it. My father said, if you want an automobile, you must work harder. Try to work harder both in the university and on your part-time job. But if you cannot get it, you better look back. There are still a lot of people who cannot afford to ride the bus. That's exactly what our housing problems are like today. We are envious about Singapore and Korea, but when we look behind, we see the Tondo area in the Philippines. We are nothing at all compared to that.

So, I am happy to have the opportunity to come over here to exchange views with other colleagues in housing, to learn from the experiences of those who have been successful, and also to exchange views with colleagues that are in the same position, who have to work hard to achieve a goal.



RICHARD T. PRATT: I must say that I have been very impressed with the conference and what the Koreans have done. I think that they could sell automobiles in the United States very easily. I think they are very good salesmen, they have excellent projects, excellent ideas, and they know how to present them to us. I think we can all learn some lessons from that.

One the perspective on housing finance, I feel a little bit like a doctor in a cancer ward, I guess. Finance seems to be the problem that is most difficult and so often the patient seems to die just when we think we have some progress made. And I think one of the important points in regard to this is that we are looking for long term money.

The fact that mortgages are financed in the United States with 30 year money does not necessarily mean that we are going to have to be highly flexible and we are going to have to remember that financing only allows us to keep a pool of funds which we can roll over from time to time and create more housing. It is not going to create the housing which is greater than we can afford.

And finally for most people at most times, housing finance is going to remain more or less a mystery. A noted authority was asked once who understood the financial system of England. He said that there are only two people, one was a clerk at the Treasury and the other was a teller in the office of disbursement, and they never talked to each other.

I leave this conference with a great deal of satisfaction in thinking that this has been an opportunity for so many delegates in countries in East Asia to get together in a forum in which there has been friendly and open discussion. We have gotten to know each other, and I hope that this is a trend that will continue and there is this dialogue and exchange of ideas, since the problems

that I have observed are common to most of these countries. Thank you.

Mr. SARDJONO: As we are about to leave this conference, we have been informed that Korea is a country which has just taken off from the runway in economic development as well as in housing.

When I listened to the discussions at this meeting, I have found that Korea is very far ahead of what we are doing in Indonesia, especially in the field of housing.

Korea has taken off because there has been technical assistance, some financial input from the outside, and we are also exploring whether such input can contribute to Indonesia's take off. Thank you very much.

AHMAD BIN HAJI ABDUL RAHIM KMN: Having come to the end of this conference, and the fact that we have had it here in Seoul, will naturally give us not only new thoughts but also a new sense of understanding and perhaps relate to our own aspirations and dedication. It is not going to be easy having to explain back home what we have heard from our neighbors, and of the U.S. AID Programs.

I understand that there is going to be a dinner in Walker Hill tonight, so it makes one feel that there is something bigger to expect.

I have one regret, that is that I came here alone. Because no matter how much and how truthful you are, there is no one to reinforce or to confirm your findings and convictions. This is also our mistake back home, we are too obsessed with our own national problems. My case, for example. I did not expect to be here because there was an impending strike by civil servants in October, but thanks to the wisdom of some of our leaders, they managed to avoid the strike.

The second aspect was that we are in the midst of budget session of parliament. And for that reason, I was not supposed to be here at all. But having heard and participated, I now express my grateful thanks to U.S. AID for making this conference possible and meaningful, and also to Mr. Ro, and particularly, President Yang.

It has given me an opportunity to know more about U.S. AID Program. In conclusion, Mr. Chairman, thank you very much for this opportunity.



PETER KIMM: I will have the next to the last word and say how much I enjoyed the conference and how impressed I have been with the quality of participation, particularly for the first time that a group like this came together. It was a most impressive performance indeed. I would like to express our deep thanks to the Koreans for their hospitality. It was impeccable, as it always is, and for the very last word, I give you President Yang.

YANG TAEK SHIK: Mr. Peter Kimm, and all distinguished participants.

It is time to close this Shelter and Urban Strategies Conference.

I am sure that the housing policies and the programs which we have discussed during this conference gave us a basis for future considerations in improving housing conditions.

I cordially wish that your stay in Korea was most pleasant and memorable through an observation of the various phases in which Korea is developing.

Finally, we must always keep in our mind that without the efforts and sponsorship of U.S. AID, this meaningful conference would never have been held.

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