



## *Joint UN-HABITAT and EFBS Congress on “Housing Finance in Emerging Markets — Experiences and Challenges”*

### **Housing Finance for the poor in Developing Countries**

What is the Situation of Housing Finance in Developing Countries?

- I. Constraints to the development of housing-finance systems
  - II. Regional experience
  - III. Encouraging Approaches to Housing Finance for the Poor
- C. Conclusions and Lessons Learnt  
Way Forward?



## Habitat Agenda commitments immediately relevant for shelter finance

- Ensuring transparent, comprehensive and accessible systems in transferring land rights and legal security of tenure
- Mobilizing innovative financial and other resources - public and private - for community development
- Promoting broad, non-discriminatory access to open, efficient, effective and appropriate housing financing for all people



## Millennium Development Goals

Target 11: To improve the living conditions of at least  
100 million slum dwellers by the year 2020

Financing required:

US\$ 132 000 000 000

over 17 years for upgrading housing

US\$ 1 180 000 000 000

for additional housing to prevent new  
squatter settlements



## **I. Constraints to the development of housing-finance systems**

- 1. Poverty**
- 2. Lack of proper land development and land titles**
- 3. Unsustainable subsidies**
- 4. Economic development level and stability**



## II. Regional experience

Africa

Latin America

Asia



## Encouraging Approaches to Housing Finance for the Poor

*Sustainable Banking with the Poor* has long been regarded as impossible. The myths persisted that the poor:

- Are not bankable
- Are not able to service
- Do not know how to handle money
- Are dependent on help regarding how to use a loan
- Require subsidized interest rates



## Examples:

1. Grameen Bank Housing Programme in Bangladesh
2. The Community Mortgage Programme (CMP) in the Philippines
3. Sewa Bank at Ahmedabad in India
4. U'shtani Fund South Africa
5. The Urban Community Development Office, Thailand (UCDO)



## Conclusion and Some Lessons Learnt

- Access to land and security of tenure is the most urgent need for the poor
- Housing finance through local community-based savings and loan groups
- Subsidy schemes for the poor segment of the population
- The micro-finance approach reflects and builds on the progressive income of poor families
- The way forward lies in scaling up the operations of lending for housing to low-income groups using community-based savings and loan associations
- However these should be linked to the formal finance sector

### *International Guarantee Fund for Shelter Development*