

INITIATIVES TOWARDS SHELTER FOR ALL- EXPERIMENTS AND EXPERIENCE FROM INDIA

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Introduction

The right to adequate housing as a basic human right is enshrined in the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights. The global human settlements strategy as envisaged in the Habitat agenda envisions a world devoid of shortage of shelter. The Agenda 21 of the UN Conference on Environment and Development advocates an “enabling approach” for the human settlement sector to leverage on external assistance in generating internal resources needed to improve the living and working environments of all people, with special emphasis on the urban and the rural poor. The objective stresses on the participation of various stakeholders and interest groups in the decision making process, co-operation of political, financial and technical functionaries and partnerships among public, private and community sectors in implementation.

The Indian Government has been striving to formulate action plans in implementing the essence of the global declarations and fulfilling its commitments on shelter, in letter and spirit. The positive attitude and participatory nature of the Co-operative sector, Banking Sector, Private sector

and Financial Institutions, over and above the trailblazing efforts of HUDCO, have been instrumental in rendering the goal as one of achievable proportions. HUDCO has simultaneously addressed the issues of facilitation, resource mobilisation, sustainability, affordability and disaster mitigation in extending its techno-financial assistance through a diverse basket of options, with focussed attention on the disadvantaged and the underprivileged. The paper intends to elaborate on the efforts of the various functionaries and examines this premise with the aid of experiences and experiments drawn from various sectors.

Status of Housing in India

Status of Housing Stock: In 1991, India had a total housing stock of 148 million dwelling units of which 39.3 million was in urban areas and 108.7 million in rural areas. The housing stock rose from 93 million in 1971 to 148.1 million in 1991, while the number of households rose from 97.1 million in 1971 to 153.2 million in 1991, which showed an excess of 5.1 million households over the number of housing units. During the decade 1981-91, the addition to the housing stock in absolute terms was quite significant. Thus the increase in housing stock during the said decade was more than the increase in the number of households. This positive aspect of the incremental position apart, at the aggregate level, the shortage of housing units continued.

Quality of Housing Stock: There has been a substantial degree of variation in the quality of the housing stock. The quality of housing stock has been classified in terms of pucca (permanent), semi-pucca (semi-permanent) and kutcha (temporary) structures for three Census years. Generally there has been an improvement over the years in the quality of housing stock and more "pucca" houses are being built both in urban and rural areas. Of the total urban housing stock, 76% formed pucca houses whereas 16% formed semi-pucca and 8% kutcha houses. On the other hand, in the rural areas, 31% were pucca units and 35% semi-pucca units, about 25% formed serviceable kutcha

and 9% unserviceable kutch units, indicating a substantial requirement for both new construction and upgradation. Contrary to the general perception that the rural houses have more number of rooms, about 41% of the existing rural housing stock were one-room houses and 31% had two rooms. Only 28% had either three or more rooms. The estimated shortage of housing in 1991 was of the order of 22.90 million units, comprising 8.23 million units in urban and 14.67 million in rural areas. The housing shortage in urban areas was primarily characterised by the need for greater emphasis on upgradation, the units accounting for 40% of the total urban shortage. The shortage due to congestion, excess of households over houses and obsolescence formed 23.2%, 17% and 19.8% respectively. Whereas in rural areas, the shortage owing to upgradation requirement was substantially higher (75%) in comparison to the shortage due to excess of households over houses (25%).

Housing requirement in India

The Working Group on Urban Housing for the Ninth Five Year Plan (1997~2002) of the Ministry of Urban Development and Poverty Alleviation has extensively dealt the issue of requirement of housing in urban areas. The requirements have been initially projected in terms of the backlog up to 1997 based on the decennial population figures from 1961 till 1991 and also projecting the housing stock. However, for projections during 1997 to 2002, the rates obtained as of 1981~91 was applied. Projections of housing shortage for the year from 1991 to 2001 are given in the Table 1.

Table 1. Projections of Housing Shortage in India 1991~2001

(Number of dwelling units in Millions)

| Year | Rural | Urban | Total |
|------|-------|-------|-------|
| 1991 | 14.67 | 8.23 | 22.90 |
| 1992 | 14.53 | 8.01 | 22.54 |
| 1993 | 14.37 | 7.97 | 22.34 |
| 1994 | 14.21 | 7.91 | 22.12 |
| 1995 | 14.04 | 7.82 | 21.86 |
| 1996 | 13.85 | 7.71 | 21.56 |
| 1997 | 13.66 | 7.57 | 21.23 |
| 1998 | 13.45 | 7.36 | 20.81 |
| 1999 | 13.23 | 7.18 | 20.41 |
| 2000 | 13.00 | 6.93 | 19.93 |
| 2001 | 12.76 | 6.64 | 19.40 |

For a population of 330 million, in 1947 there were about 65 million houses. The housing stock accounted during the 1991 census was 148 million, which is expected to reach 179.1 million by the year 2001. The total number of households as per 1991 census stood at 153.2 million comprising of 112.5 million in rural areas and 40.7 million in urban areas. As discussed earlier, out of 22.9 million housing shortage, 8.23 million was in urban areas while 14.67 million in rural areas. With the nature of additionality in housing stock keeping in view the trends from 1961~1991, an overall urban housing shortage of 7.57 million was estimated as of 1997 and with the estimated additionality of 16.5 million in five years, the net shortage will be 6.64 million by 2001. Similarly, in rural areas, the net shortage has been estimated to be 12.76 million units by 2001.

The National Building Organisation (NBO) had estimated the housing shortage in 1991 at 8.23 million. The housing shortage in 1997 was estimated to be 7.57 million. The new housing demand during 1997~2002 has been estimated at 8.8 million units. The Working Group on Ninth Plan calls for

measures to ensure the provision of 16.76 million housing units for different income groups including the requirement of upgrading.

In a nutshell, as of now, India has a population of 1,000 million requiring about 200 million houses. Against the same, the total livable housing stock is nearly 167 million units. Thus, a total of 33 million houses are required to be built, over a period of five years, indicating a requirement of 6.5 million houses to be constructed every year.

Fund Requirement for Housing

A significant feature of the housing requirement estimation is that, of the total requirement of 16.76 million units to be built/ upgraded during the 9th Plan period, about 70% of the units cater to the urban poor/ weaker sections of the society while about 20% is for low income groups. About 10% of the urban requirement is to address the needs of the middle and higher income group segments. This would mean that for urban housing alone, the total requirement of investment would be Rs.1,214 billion (US\$ 27.6 billion) during the next five years to eradicate the housing shortage of 7.57 million, upgradation of 0.32 million semi-pucca EWS units and the additional construction of 8.67 million units. In effect, the overall fund requirement for housing development to meet the requirements of our cities during the five year period stands at Rs.1,214 billion (US\$ 27.6 billion). In combination with the fund requirement for rural housing too, the total requirement has been estimated to be of the order of Rs. 1,500 billion (US\$ 34.1 billion).

Flow of Funds into Housing sector: In spite of substantial increase in the availability of absolute quantum of funds for housing in the Five Year Plans, the actual allocation in terms of the percentage of investment in housing to the total quantum of plan funds has reduced considerably. This has come down from 34.2% in the First Plan to 9.7% in the Eighth Plan as indicated in Table 2. It could also be noted that the investment in housing sector by the public sector has declined from 16% to 1.8% and similar trend is noticeable

even in the private sector wherein the percentage of housing investment in total private sector investment has come down from 50% to 19.1% in the consecutive Five Year Plans.

Table 2. Investments in Housing Sector during the Five Year Plans

(Rs. In Billions)

| Plan Period | Total investment in the Economy | | | Investment in Housing | | | |
|-----------------|---------------------------------|----------|---------|-----------------------|----------|--------|-------------------------|
| | P ublic | Pr ivate | To tal | P ublic | Pr ivate | T otal | % Investment in housing |
| 1 st | 15.60 | 18.00 | 33.60 | 2.50 | 9.00 | 11.50 | 34.2 |
| 2 nd | 36.50 | 31.00 | 67.50 | 3.00 | 10.00 | 13.00 | 19.2 |
| 3 rd | 61.00 | 34.00 | 95.00 | 4.25 | 11.25 | 15.50 | 14.9 |
| 4 th | 136.55 | 69.80 | 206.35 | 6.25 | 21.75 | 28.00 | 12.4 |
| 5 th | 314.00 | 161.61 | 475.61 | 7.96 | 36.40 | 44.36 | 9.3 |
| 6 th | 900.00 | 660.00 | 1560.00 | 14.91 | 180.00 | 194.91 | 12.5 |
| 7 th | 1681.41 | 1800.00 | 3481.41 | 24.58 | 290.00 | 334.58 | 9.0 |
| 8 th | 4341.00 | 3900.00 | 8241.00 | 77.50 | 694.76 | 872.26 | 9.7 |

Source: National Building Organisation, Prominent Facts of Housing in India, NBO and Regional Housing Centre for ESCAP, New Delhi, 1990.

Projections on Flow of Investment into Housing: Against the projected requirement of Rs 1500 billion (US\$ 34.1 billion) for the housing sector during 1997-2002, the Report of the Working Group has identified a possible flow of Rs 520 billion (US\$ 11.8 billion) from formal sector during the 9th Plan period. The Report also identified the expected flow from various financial institutions as in Table 3.

**Table 3. Flow of Funds from Financial Institutions
during the IXth Five Year Plan**

(Rs. in million)

| Sl. No | Institution | 9 th plan projections |
|--------|-------------------------------|----------------------------------|
| 1 | Life Insurance Corporation | 45,000 |
| 2 | General Insurance Corporation | 10,000 |
| 3 | Commercial banks | 55,000 |
| 4 | Employees Provident Fund | 50,000 |
| 5 | Housing Finance Companies | 95,000 |
| 6 | Housing & Urban Dev. Corpn. | 25,000 |
| 7 | National Housing bank | 30,000 |
| 8 | Asset Securitisation | 25,000 |
| 9 | Co-operatives | 30,000 |
| 10 | Others | 15,000 |
| | TOTAL | 380,000 |

In addition, it is also projected that Rs 120 billion (US\$ 2.7 billion) will flow from central and state governments and Rs 20 billion (US\$ 0.45 billion) from House Building Advances provided by the employers, thus adding up to Rs 520 billion (US\$ 11.8 billion). The actual likely availability could also be gauged from the fact that against the estimated flow of funds of Rs 250 billion

(US\$ 5.7 billion) in housing sector from formal sources during the 8th Plan period, the actual availability was only about Rs. 60 billion (US\$ 1.36 billion). Assuming the full availability of the estimated Rs. 520 billion (US\$ 11.81 billion) during the 9th Plan period, the flow of funds falls short by nearly 3 times the requirement.

Government Initiatives towards Housing Delivery

The State and the Central Governments are actively pursuing the issue of low cost housing for the needy classes comprising of the Below Poverty line, Economically Weaker Section and the Low Income Group through various action plans and programmes focussing on specific target groups. The Central Government facilitates the programmes formulated by the Governments of the State and Union Territories pruned to suit the local needs and conditions, through fiscal, legislative and institutional intervention. The Central Government has also formulated a comprehensive Housing and Habitat Policy (NHHP) in 1998 in continuation to the National Housing Policy (NHP) document published in 1994, emphasising a shift in the role of the public sector from that of a provider to one of a facilitator, with increased emphasis on improving the accessibility of the houseless and the disadvantaged groups to shelter. The urban housing schemes cover all segments of the population including the EWS and LIG, in addition to the affluent income groups with special programmes for the urban poor.

Night Shelter/ Sanitation Scheme for the urban footpath dwellers: The Night Shelter Scheme implemented through HUDCO aims at providing bed for accommodating the individual pavement dwellers with sanitation facilities with a 20% subsidy from the Government.

Social Housing Scheme for Economically Weaker Section: In the social housing schemes for EWS with an monthly income ceiling of Rs. 2500 (US\$ 56.5), the loans provided by HUDCO are supplemented by the public

investments. A maximum loan of Rs. 40,000 (US\$ 909) for construction and Rs. 20,000 (US\$ 451.5) for repairs of dwelling unit are provided in urban areas.

Housing Scheme for Low Income Group: The low income group housing programmes are implemented by the State Governments through Housing Boards and Departments of Housing in the respective States. The allocations are provided as part of the budgetary provisions in addition to institutional loans. HUDCO provides loan assistance amounting to 85% of the project cost for families of monthly income falling between Rs. 2501 – Rs. 5000 (US\$ 56.5 – US\$ 113), with a repayment period of 10 to 15 years.

Environmental Improvement of Urban Slums: There has been a marked shift in the strategy for slum eradication from the 'slum clearance' approach to one of 'environmental improvement and rehabilitation'. The vital infrastructure consisting of water supply, sewerage, drainage, community baths and toilets, paved pathways, street lighting and social/ community facilities are extended to the slum dwellers in a bid to improve their quality of life. The programme is linked to the Urban Basic Services Programme and the Nehru Rozgar Yojana, emphasising on beneficiary participation and provision of gainful economic opportunities.

Low Cost Sanitation Scheme for Liberation of Scavengers: The scheme for integrated low cost sanitation provides for the eradication of manual scavenging by enabling the conversion of dry latrines into waterborne type and also construction of new waterborne toilets. The scheme is being implemented through HUDCO.

Urban Employment through Housing and Shelter Upgradation: The scheme provides for the renovation and upgradation of existing houses in slums, inner cities and other localities inhabited by the weaker sections, under the Nehru Rozgar Yojana (NRY).

Community Development Schemes through NGOs: The Government through HUDCO is extending assistance to the Non Government

Organisations (NGOs) in construction and upgradation of houses for the EWS and LIG.

Scheme for Housing and Shelter Upgradation (SHASU): For housing and shelter upgradation of the EWS category in urban areas, a loan with a subsidy is provided under the scheme to eligible borrowers. In case of additional capital requirement, a loan is made available from HUDCO under the EWS Housing Scheme.

Foreign Aided Projects: Various schemes related to EWS housing and slum improvement in urban areas is also undertaken with the help of overseas funds from DFID (U. K.), KfW (Germany), JBIC (Japan), ADB (Manila) etc. in collaboration with the Ministry of Urban Development and Poverty Alleviation.

Recent Thrust to Housing Sector

Promoting the Housing Industry to Kick Start the National Economy: In recent times, the increased housing availability has gained a substantial priority as evident in its occupying a very important position in the development agenda. With the thrust on development of housing to support the liberalized Indian economy, the Construction Sector has emerged as a 'top priority' for both the decision makers and the leaders of Indian Industry. Several bold initiatives have been taken by Government in this direction. Recent Union Budgets have laid a great deal of emphasis on this sector. Housing sector has been identified as a priority area in the National Agenda of Governance of the government. It has finally been recognised that the housing sector has the potential to give a kick start to the national economy. Housing construction also has many forward and backward linkages and an estimated nearly 280 industries have direct linkages with the housing and construction activity.

Other than this construction is also the second largest employment generating sector next only to agriculture in India. Owing to persistent initiatives of the government in promoting the sector, positive signals in the revival of the economy are now visible. These are manifested in the increased sales and consumption of cement and steel as well as the increased financing of housing by Housing Finance Institutions. The sales and consumption of cement and steel marked a growth rate of around 20 to 22% in the financial year 1999~2000 as compared to the previous year. The Housing Finance Institutions have, on the average, reported 32 to 35% increase in approvals and 38 to 42% increase in disbursement of funds for housing activity. This is apart from the fact that HUDCO, the premier techno-financing institution in the housing sector in India, registered a 118% growth in loan approvals and about 50% increase in disbursements during the year 1999~2000.

The National Housing and Habitat Policy 1998: The National Housing and Habitat Policy (NHHP) of the Government of India calls for a housing revolution. This Policy in continuation to the National Housing Policy of 1994 focuses on the change in the roles of the stakeholders in the Housing Development process. Taking off from the earlier policy, the NHHP dwells at length on the roles and responsibilities of the stake holders. In an effort to persuade the private and co-operative sector to take greater initiatives in meeting the challenge of housing provision, this policy proposes to put in place a facilitating environment through fiscal concessions and other incentives. This policy has been developed as an outcome of the work and experience of construction in the post liberalisation period. Although the move towards disassociation from direct construction by state owned agencies has been witnessed since the early seventies, in this new economic environment of micro-economic policy management, the emphasis is on the private corporate sector.

Launching of the 2 Million Housing Programme: The National Agenda for Governance - the election manifesto of the present government recognises "Housing for All" as a priority area. In a bid to achieve the objective and

eradicate the shortage of shelter in the country, the Government has launched a scheme to construct Two million additional houses every year in urban and rural areas. Out of this, it has been decided that based on the 1991 census data on housing shortage, 0.7 million will be built in urban areas while 1.3 million will be in rural areas. A programme of such a magnitude would result in an investment of about Rs 80 billion in the house construction activity. This would also facilitate the cement, steel and other building materials industries in addition to resulting in substantial employment generation in this sector. Every investment worth 10 million rupees in the construction industry generates employment to the equivalent of 750 person-years of employment. HUDCO has been allocated a target of supporting one million additional houses every year over and above the normal operations, while the balance one million is supported by various housing finance institutions.

Budget 1998~99/ 1999~2000 : Giving a Boost to the Housing Sector: The union budget for the year 1998-99 was a major step in the recent past towards giving the housing sector a boost. This was very ably supported by the budget 1999-2000 which has announced many measures that are expected to infuse vigorous activity in the construction and housing sector in the country. Increased equity contribution to HUDCO and larger tax benefits for investments in the housing sector both to the private and corporate sectors are some of the hall marks of the government's effort to give a distinct thrust as envisaged by the budget documents.

The consecutive budgets have provided for massive support for housing and urban development operations of HUDCO with a total additional equity of Rs.4630 million (US\$ 105.2 million) of which Rs. 2710 million (US\$ 61.6 million) has been provided for in the 1999-2000 budget while Rs. 1920 million (US\$ 43.6 million) was made available in the previous year's budget. In addition to these, the government had also provided additional support to HUDCO for rural housing with an equity contribution of an additional Rs. 500 million (US\$ 11.36 million) in 1998-1999 taking HUDCO's total equity to Rs. 8980 million (US\$ 204.1 million) in two years. This equity enhancement is significant, as HUDCO's equity capital accumulated over the 27 years of its

existence, was only Rs. 3850 million (US\$ 87.5 million). This addition of Rs. 5130 million (US\$ 116.6 million) equity would enable HUDCO to leverage Rs. 42 billion (US\$ 0.95 billion) from the market for extending finance to housing and urban development activities.

The provision of the additional equity would enable HUDCO to support a delivery of 1.5 million houses each year. HUDCO proposes to finance 1 million houses as part of the government's 2 million housing programme, with 0.4 million in urban areas and 0.6 million in rural areas, in addition to financing half a million houses under its normal programme, each year. Further, inclusion of micro credit and tiny sector as part of priority sector lending portfolio of banks, would give a fillip to HUDCO's initiatives under composite credit mechanism. Further the budget has given a considerable boost to the housing activity through fiscal concessions and policy initiatives, covering all the three segments of individuals, corporates and housing finance institutions. The announcement on repeal of the Urban Land Ceiling and Regulation Act has been widely welcomed as it would enable freeing of about 200,000 hectares of urban land for housing activity.

The proposal of extending tax holidays for approved housing projects allowing a deduction of 100% of the profits for the first five assessment years and 30% of profits for another five years, which was revised to housing units of up to 1500 sq. ft., in the budget 1999-2000, will go a long way towards encouraging the private sector to involve in the housing activity. Further measures such as permission for increased deductions against income from house property for repairs and collection charges from 1/5th to 1/4th would encourage in better maintenance of constructed housing stock. The enhanced limits of Rs. 75,000 (US\$ 1704.5) for deduction of the interest on borrowed capital from taxable income in the case of self occupied property would promote larger individual investments in housing activity by the individuals.

Further the decision in the budget 1999~2000, to increase the percentage of incremental deposits into housing sector from the banking sector funds, from the present 1.5% to 3% would enable inflow of about Rs.38 billion (US\$ 0.86 billion) of low cost funds. The repeal of the interest tax payable by financial institutions would also reduce the cost of funds enabling a better

deal for the customers. The announcement about extending depreciation benefits for the corporate employee housing from the present 20 to 40%, is a significant encouragement to the Corporate sector to increasingly provide housing to their employees.

Emerging Alternatives in the Transition phase: Most of the financial institutions including HUDCO are looking towards Mortgage Backed Securitisation as a viable option for mobilising resources. Securitisation is a tool for generating additional resources by securitising the future receivable of a loan asset/ mortgaged assets into an instrument of investment commonly known as Pass Through Certificates (PTC). The returns from the sales of PTC's are deployed in creation of further assets in Housing or Infrastructure. The National Housing Bank, Housing Development Finance Corporation (HDFC) and LIC Housing Finance have already entered the fray with pilot projects in Securitisation in the housing sector.

Initiatives by the Government to bring in speedy foreclosure laws through amendment to National Housing Bank (NHB) Act, the Amendment to Non Performing Assets (NPA) Rules pertaining to HFIs, and the changes in the tax calculation procedure permitting tax assessment on the basis of actual income and not accrual for Banking and Financial Institutions are some of the measures contemplated to promote large scale housing activity in the long run.

Housing Initiatives by the Co-operative Sector

The Co-operative movement has gained substantial roots in India. The role of the co-operatives in mitigating the housing shortage and ameliorating the housing conditions is appreciable. The major functionaries in the Co-operative sector include the apex and the primary co-operative societies, the agricultural and rural development banks and the co-operative banks.

Apex and Primary Co-operative Societies: The apex and primary co-operatives undertake housing schemes with funds from the members as well as financial institutions. They are aiding the construction of around one lakh dwelling units annually and 72 % of the houses funded by them belong to the weaker sections. The Co-operative Societies function through a two-tier system with 25 Apex Co-operative Housing Finance Societies (ACHFS) at the State level affiliated to the National Co-operative Housing Federation (NCHF). There are nearly 90,000 Primary Co-operative societies with a membership of about 60 lakh individuals which act as a major delivery channel of credit for housing in the country. The resources of the ACHFS come from the share capital subscribed by the member primary societies, State Governments and individuals, loans from Life Insurance Corporation (LIC), refinance from NHB, borrowings from the commercial and co-operative banks, HUDCO, debentures issued by ACHFS etc.

Agricultural and Rural Development Banks: The Agriculture and Rural Development Banks (ARDBs) formerly known as Land Development Banks constitute the long term lending arm of the co-operative credit structure catering to the investment needs of the sector. The ARDBs have either a federal or a unitary structure at the State level. The ARDBs depend on resources mobilised through borrowing from National Bank for Agriculture and Rural Development (NABARD) through Ordinary or Special Debentures, supplemented by their share capital and reserves. They also borrow from NHB through the floatation of Special Rural Housing Debentures. The State Co-operative Agricultural and Rural Development Banks are also permitted to mobilise fixed deposits for periods not less than twelve months.

Co-operative Banks: NHB extends refinance assistance to Scheduled State Co-operative Banks (SCBs) for the housing loans disbursed through District Central Co-operative Banks (DCCBs) and the non-scheduled Primary (Urban) Co-operative Banks. There are about 28 SCBs and 1400 Primary Co-operative Banks in the country.

Banking Sector Initiatives for Housing Delivery

National Housing Bank: The National Housing Bank (NHB) constituted in 1987 as the regulatory authority is implementing refinance schemes for Housing Finance Companies, Regional Rural Banks and Apex Co-operative Societies. NHB also provides direct lending for slum improvement and low cost housing with financial assistance at concessional rates of interest.

Commercial Banks in Housing Finance: The Reserve Bank of India (RBI) considers lending up to a limit of Rs. 0.3 million (US\$ 6818) for construction and Rs. 50,000 (US\$ 1136) for repairs to damaged houses as eligible for concessions under priority sector lending. The investments made in the bonds issued by institutions like SIDBI and HUDCO are also reckoned as part of priority sector advances. RBI has also stipulated a minimum allocation of 1.5% of the incremental deposits of the commercial bank to be deployed in housing finance. The Statutory Liquidity Ratio (SLR) advances to housing finance companies like HUDCO have reduced in the recent years on account of direct lending by banks through their subsidiaries.

Regional Rural Banks: The Regional Rural Banks (RRBs) are permitted to provide housing loans in rural areas subject to certain maximum ceiling, provided the aggregate of loans does not exceed 5% of the incremental deposits in the previous year. NHB also extends refinance facility to the Regional Rural Banks.

Role of HUDCO in Housing Delivery in India

In order to supplement its efforts for housing and urban development, the Government has entrusted the task of techno-financial assistance to Housing and Urban Development Corporation Ltd. (HUDCO). The Housing and Urban Development Corporation Ltd (HUDCO) is the premier National techno-financing institution in the field of housing and urban development, established by the Government of India in 1970. HUDCO aims at “emerging as the market leader in supporting the housing and urban development needs of the 21st century with the right choice of options for policies, programmes, projects and also building it through the right level of institutions in all shade of sectors; namely, public, private, cooperative, corporate and individual”. In short HUDCO endeavours to become an organization serving the mandate of social objectivity and at the same time realise profitable results. Significantly, HUDCO has crossed the 10 million mark, in facilitating the construction of over 10 million dwelling units all over the country with its techno-financial assistance. HUDCO has become the largest facilitator of housing units across the globe, accounting of 1/17th of the total housing stock in India.

Cumulatively till June 2000, HUDCO has sanctioned a total of 14,852 schemes involving a total project cost of Rs. 505.42 Billion (US\$ 11.487 Billion). HUDCO's loan commitment for the schemes is of the order of Rs.328.63 Billion (US\$ 7.469 Billion) of which an amount of Rs.205.25 Billion (US\$ 4.664 Billion) has already been released. HUDCO's assistance has helped in the construction of 10.10 Million residential units, about 4.68 Million sanitation units and in undertaking 1830 urban infrastructure schemes effectively improving the living conditions in the urban and rural areas, in 1762 towns and thousands of villages. HUDCO's contribution to the 2 Million Housing Programme has been significant as HUDCO has assisted in the construction of 1.065 million units in 1999-2000, 1.114 million units in 1999-2000, against the allocated annual target of 1 million units, under the 2 Million Housing Programme. HUDCO has supported 0.89 million units in urban areas against 0.8 million units assigned, and 1.289 million units in rural areas against the target of 1.2 million units.

Many special initiatives were taken up by HUDCO in the 50th year of Indian Independence in an effort to revitalize the message of efficient use of cost effective technologies for construction. Participation of HUDCO in the “Exhibition on Rails” and the Tableaux on the theme “**Devastation to Reconstruction**” in the Republic Day Parade are two important had wide publicity and has been successful in spreading the message. The other special initiatives being organised by HUDCO include setting up of **Model Villages** (Adarsh Gram), **Model Improved Slums** (Adarsh Basti) with a convergence approach and Special Building Centres in each of the States /Union Territories in the country. HUDCO is also considering the setting up of model building technology parks, which can permanently display these technologies. These are expected to act as centres to be emulated in other situations and will be developed with all recent innovations in the fields of cost effective construction and services and energy efficient building materials.

HUDCO’s efforts to Promote Co-operative Housing Sector: HUDCO has been on the forefront in assisting the initiatives by the co-operative sector in increasing the housing stock of the country. A few of the success stories in the middle and low income segments of society are outlined below:

The Perundurai Teachers Cooperative Housing Scheme by Tamil Nadu Cooperative Housing Society: To meet the rising need of residential houses of the teachers and staff of the Educational Department in and around the Perundurai Town Panchayat, the Perundurai Teachers and Staff of Education Dept., Cooperative Housing Society was registered. Land admeasuring 10.86 acres was purchased in Poorapalayam village and Town and Country Planning Authority approved layout plan for 160 house sites. In this successful effort the cost of construction was maintained at a reasonable level even while ensuring acceptable quality.

EWS House cum Workshed Scheme For Handloom Weavers at Kanchipuram: This is a special housing scheme for the construction of house cum workshed for the weavers of the Arignar Anna Silk Weavers

Cooperative Society. This scheme has been implemented at Kanchipuram, the famous South Indian Temple Town and a production centre for the traditional silk sarees and related items. The scheme was conceived on 'HUDCO's cluster pattern' concept with housing units arranged around a cluster courtyard, which created not only aesthetical environment and acted as community space, but also became very useful for the weaving related wafting and warping activities. This model also has been replicated for different communities including Tobacco Beedi Workers, Fishermen, Potters etc.

Rural Housing Scheme in Selevip Nagar, Adhigarathy, and Coonoor: The scheme financed by HUDCO envisaged construction of 1000 houses in two districts viz. Coimbatore and Nilgiris. The beneficiaries under this rural scheme are all repatriates from Sri Lanka engaged in the plantation profession. The project has been implemented on a sloping site approachable through footpath only. It has been financed by HUDCO, Tamil Nadu Co-operative Housing Federation (TNCHF), Coonoor Taluk Cooperative Housing society and MKMM - an NGO involved in rehabilitation of repatriates. The NGO was instrumental and active in the purchase of land, provision of support for supply of building materials as well as provision of basic amenities in the layout. The beneficiaries have participated in transportation of material and construction of their own houses. This rural housing scheme had won acclaim for its successful implementation.

HUDCO's Emphasis on Public-Private-Peoples Partnership in Human Settlements Development: The private sector needs to be brought in to assist the government in the development and provision of housing and infrastructure to contribute to the growth of the economy. Every effort to involve the Private sector in the housing and infrastructure delivery and also commercialization of the operations to ensure sustainability would be successful only when the public at large are involved in all the stages of the project implementation - planning, implementation, maintenance and management stages. Various positive steps have been taken in the recent past

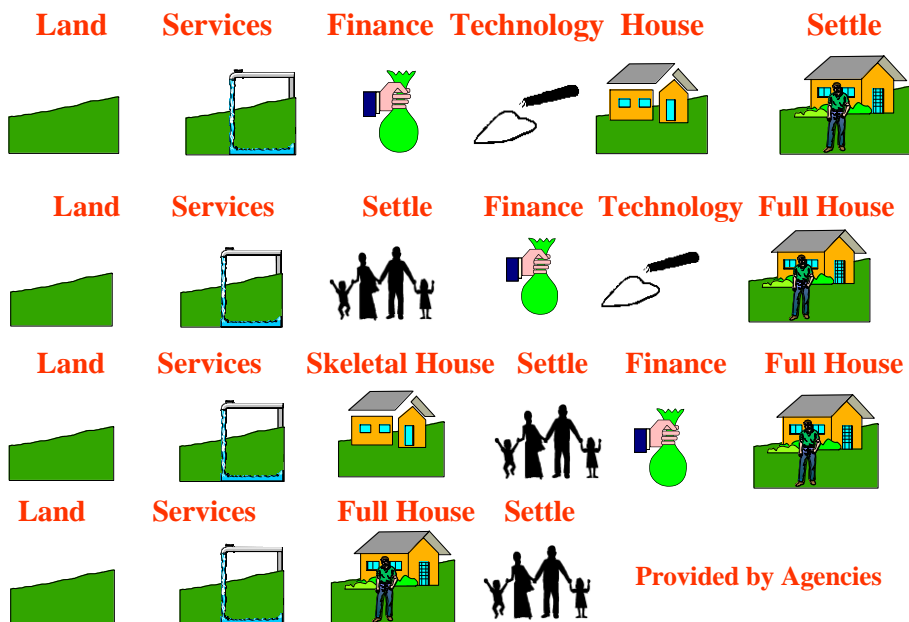
towards the promotion of private sector participation across the country. Direct financing by the financial institutions like HUDCO with covenants and conditionalities of full cost recovery have shown considerable promise. In this area, with constant persuasion, HUDCO has been able to get the **tariffs** for urban services **revised in several States** and cities with inflation indexing, with an objective to make the schemes self-sustainable. The basic principles of **“user pay” and “abuser pay or polluter pay”** have been emphasised as far possible. HUDCO, through its research and training wing viz. HSMI, has been successful in organising capacity building programmes for urban managers and the staff of housing agencies, parastatals and local bodies, sensitising them towards commercialisation and private sector participation.

It is increasingly becoming clear that the direct and complete involvement of the private sector in the majority of projects and locations are not possible in all situations due to a variety of constraints. The present focus therefore is towards developing modalities towards a **hand - holding approach** by the State/ Local Governments and Public Sector/ Parastatal Organisations on one hand and the Private sector on the other through the development of **Public - Private Partnerships**. Though the initial steps for such formations are being developed in certain housing projects, water supply schemes, Urban Transport projects etc. experience also points towards an important innovation in the structuring of these relations by increasing the participation of community/ user groups in the development, decision making and implementation processes of urban development projects. The greatest challenge will be to evolve ways and means to allow for greater *synergy/ convergence/ integration* through efforts to develop **Public Private Peoples Partnerships (PPPP)** from the present focus of Public Private Participation (PPP). This would enhance the chances for not only quicker decision making as the users are very important stakeholders in urban development projects, but would positively address the issue of sustainability of the projects too.

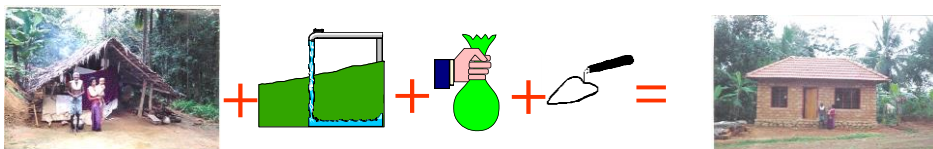
HUDCO has propagated various housing options to cater to situations where land is not available, land is available for construction and for

redevelopment of squatter settlements. These are indicated in the figures given below:

Options for Housing: When Land is not Available



Housing Option - When Land is available - scattered plots:



Successful Joint Ventures for Mutual Benefit: *Udayan* Housing in Calcutta

From Participation to Partnership is the new *mantra* for the new models that are emerging. The Bengal Ambuja Projects including “Udayan” have shown the way for true partnerships in housing development can produce effective results. The success of this partnership between *West Bengal Housing Board* and *The Gujarat Ambuja Cement Group* has led to the setting up of other Joint Ventures by the Bengal Government i. e. Bengal Peerless Housing Development Company, Bengal DCL Housing Development Company, Bengal IFB Housing Development Company and Bengal Shraichi Housing Development Company.

The project is located on 25.75 acres of land on the southern fringe of E.M Bypass, the prime expansion area of Calcutta city. The land acquired for development by the State Government was transferred through the parastatal West Bengal Housing Board to the Bengal Ambuja Housing Development Ltd. in consideration of an equity stake in the joint venture. HUDCO was the only institutional lender for the project and the entire loan of Rs. 221.31 million (US\$ 5.03 million) drawn has already been repaid before time.

The development has been planned with a ‘low rise-high density’ concept with provision for exclusive courtyards and terraces and associated infrastructural facilities. The West Bengal Government, being the majority partner in the joint venture company, had reserved the right of fixing the prices for the LIG and MIG units. The first Project of the Company has provided a highly acceptable housing area with a mix of housing for all categories including the High Income Group, Middle Income Group, Low Income Group as well as the Economically Weaker Sections at very affordable rates.

HUDCO’s Assistance to NGO/ CBO Initiatives in Housing: The Non-governmental and community sectors are forms of the private sector, which are however not profit making and devote their existence to the voluntary service of the deprived communities. This sector has at most times provided many innovative housing solutions where other formal sector agencies have failed.

The feasible options advocated by HUDCO for urban and rural housing for various target groups are indicated in the figures below:

In its effort for down marketing housing credit for the urban poor, a cash loan scheme for construction of houses with the participation of the beneficiary family, has been initiated by the Government of Kerala. This novel scheme is a self help programme with the beneficiary households organised as *Community Development Societies (CDS)* in all the 58 Municipalities and Corporations of Kerala.

The self-help initiatives of *SEWA, Ahmedabad*, initiatives for shelter upgradation of poor self-employed women living in slums, with a clientele of 3600 poor women in urban slums is an important effort. Also SPARC, Mumbai along with its associates Mahila Milan have floated two schemes at Hyderabad and Pune, benefiting 115 households promotes involvement of the beneficiary women in the manufacture of building components and also supervision of construction. Another HUDCO assisted scheme is for the Shakti Mahila Vikas Swalambi Sahakari Samithi in Madhubani District, Bihar, to benefit 45 women-headed artisan households with a HUDCO assistance of Rs 1.125 million (US\$ 25.6 million).

Linking of Insurance, Loan and Subsidy in Housing for Weaker Sections:

In order to ensure that the families in distress are not disadvantaged in regard to making regular repayments, a novel mechanism has been worked out and is implemented in the State of Kerala in respect of the schemes implemented through involvement of Community Development Societies (CDS). Kerala Urban Development Finance Corporation (KUDFC) is the nodal agency at State level to avail loan amount from HUDCO which is to be passed on to the beneficiary through the CDS on the condition that the Government of Kerala would guarantee the repayment of loan by the concerned Municipal CDS to KUDFC to repay the loan to HUDCO. The beneficiaries of the scheme will be identified by the CDS. The technical advice for these houses will be provided by an NGO viz. COSTFORD, Thrissur besides supporting the setting up of community construction centres at selected locations.

A historic **Memorandum of Understanding (MoU)** has been signed for Insurance linked Savings-cum-Subsidy Scheme for provision of housing for **Women headed households** in Kerala. The MoU has been signed by the Government of Kerala, HUDCO, Kerala Urban Development Finance Corporation (KUDFC) and the New India Assurance Company Ltd. This first ever initiative in the country linking savings to credit, and also extending comprehensive insurance coverage for houses of weaker sections, would cover the One Lakh houses which will be constructed by Community action through the network of Community Development Societies (CDS) of poor women established in all the 58 Municipalities and Corporations in Kerala.

As per this innovative scheme, for a nominal one time premium of **Rs. 150 (US\$ 3.4) per house**, equivalent to **the cost of a bag of cement or a masons daily wage**, the houses are insured for Rs. 25,000 (US\$ 568.2) against damages due to the risk areas of fire, lightning, flood, storm, tempest, cyclone and inundation, subsidence and landslide (including rockslide damages), explosion/implosion, riot, strike, malicious and terrorist damage, impact by accidents, earthquake, fire and shock, and aircraft and other aerial and space devices or articles dropped therefrom. In addition, the joint owners (two persons) are also covered for another Rs. 25,000/- each against death due to accident for a continuous period of 15 years. The scheme would be operated through the '**Graha Mitra**' policy of the New India Assurance Co. Ltd. In the event of death due to accident the compensation would be given to the legal heirs or nominees through the respective CDS/KUDFC after adjusting the liability of loan against the beneficiary. In the event of destruction, the company would pay to the CDS, the value of the building at the time of occurrence of calamity or the amount of such partial loss or damage, subject to a maximum of Rs 25,000/- in respect of each building, thus discharging the liability of the beneficiary as well as the financier KUDFC. The insurance premium of Rs 150/- per house will be paid in the beginning of the insurance period by KUDFC, out of the first loan instalment disbursed by it to the concerned CDS from HUDCO loan. A savings in **HUDCO's Public Deposit Scheme** equivalent to 15% of the house cost, ensures substantial growth during the repayment period in addition to acting as a cash security. The recovery is done from the beneficiary family through the CDS network at the grass roots.

A number of innovative methods of housing delivery and financing are emerging in the recent past that comprehensively address issues relating to security, repayment, community participation etc. The most recent and path

breaking initiative that has emerged relates to linking of insurance with the loan and subsidy contributions from the HFIs and governments. This initiative has substantial potential for replicability particularly for the weaker section population.

HUDCO's Efforts for Disaster Mitigation and Rehabilitation of Victims of Natural Calamities: HUDCO has been characterized by the quick and positive response to the aid of people ravaged by the natural disasters in the country. More than 70% of the country remains in the grip of one or the other natural calamity such as earthquake, flood, sea erosion, drought, famine and cyclone. HUDCO's contribution towards these natural disasters is significant. All possible assistance was provided to the earthquake-hit regions of Latur, Jabalpur, Chamoli, Rudraprayag, Uttarkashi etc. No stone was left unturned in saving valuable human lives and property through cyclone resistant construction in the recently super-cyclone hit state of Orissa. Wherever there was a calamity, HUDCO has come forward in a positive way abetting the massive reconstruction and rehabilitation programmes thorough its techno-financial assistance.

Table 4. Cumulative Assistance in Disaster Relief:

| | | (Rs. in million) | (US\$ million) |
|------------|-----------|------------------|----------------|
| Flood | 1,430,113 | 4507.1 | 102.4 |
| Cyclone | 412,416 | 8073.9 | 183.5 |
| Earthquake | 68,839 | 842.7 | 19.2 |
| TOTAL | 1,911,368 | 13,423.7 | 305.1 |

During the year 1998~99, HUDCO sanctioned 2 major schemes to the Government of West Bengal for a total loan assistance of Rs.1 billion (USD 23.8 million) for reconstruction/ repair of 7,80,000 units for the people affected by tornado/ floods and other natural calamities in the districts of

Malda, Murshidabad etc. Further, in continuation of the already extended assistance for earthquake rehabilitation at Jabalpur, HUDCO sanctioned additional 4 schemes, during 1998-99, with a total loan assistance of Rs.103.6 million (US\$ 2.35 million) for reconstruction/repair of 3050 units.

HUDCO has also responded spontaneously for reaching out to the earthquake affected population in the Chamoli and Rudraprayag regions of Uttar Pradesh which were recently rocked by massive earthquakes. In addition to financial assistance as soft loans for reconstruction /repairs/ renewals/ retrofitting of the damaged housing stock, HUDCO has also offered to provide technical expertise for the same through the establishment of 5 Building Centres, with 3 in Chamoli district and 2 in Rudraprayag district. HUDCO would also adopt one village each in both affected districts as HUDCO Adarsh Gram for integrated development of the affected villages. HUDCO also proposes to set up few demonstration units to exhibit appropriate technologies for disaster resistant construction.

Other bold initiatives for dissemination and propagation of innovative technologies.

Affordable Housing through Propagation of Innovative and Cost-effective Building Materials and Technologies

Need for cost-effective and environment friendly technology: Building Materials and Technology, like Management and Finance are crucial inputs for housing growth. The importance of **speed of construction** is very relevant at a time when the country is going into a massive construction programme. However this cannot be the only goal, we need to take up a much broader perspective especially in the context where the larger housing gaps are present in the low income and economically weak sections. The need for wider and greater adoption of innovative and cost effective building materials in the construction sector could be understood from the fact that building materials account for about 60% of basic physical inputs in construction while

the associated cost component often goes upto 70 to 75% of the cost of a house for low income groups. Since the total cost of a unit, cement (18%), Bricks (17%) timber (13%) and iron and steel (10%) account for a significant portion of the construction cost, any reduction in the unit cost is linked to the use of cost effective alternatives to replace them.

Construction activity accounts for more than 50% of the development outlays in India. Building construction costs are increasing at rates which are 50% over inflation. This is primarily due to the increase in cost of basic building materials like burnt brick, steel, cement, timber, etc. As a result, the cost of construction using conventional building materials and construction forms range from Rs. 4000/- (US\$ 90.9) to Rs. 6000/- (US\$ 136.4) per sqm. for housing. This is only in respect of the normal types of housing. Higher cost levels are registered for using better finishes and amenities. Construction costs of this order is beyond the affordable capacity of the Economically Weaker Section and Low Income Group and a large cross section of the Middle Income Group, whose income levels have not increased commensurately. This has become all the more relevant in the macro context due to the large volume of housing to be done in both rural and urban areas and the limited resource of building materials and finance available. However, construction also adversely affects the environment, through physical disruption, the depletion of key renewable resources like fertile top soil, forest cover and excessive consumption of energy. Therefore, there is a strong need to adopt cost-effective, environmentally appropriate technologies by upgradation of the traditional technologies and local materials as well as using appropriate and intermediate technologies using modern construction materials with efficient and innovative construction technology inputs. The advancement of the construction industry is therefore vital to the achievement of national socio-economic development goals including human settlement development.

Today with the globalisation of trade, the speed of penetration of technological advancements has immensely increased. The most sophisticated technologies for construction in terms of systems and equipment, tools and

machinery as well as management and monitoring systems are now available in India. Recent deliberations on No-Dig (Trenchless) technology, Water Jet technology, use of Fly Ash, other concrete admixtures and additives, Ready Mixed Concrete, Slip Form and Tunnel Form construction etc. have focussed on use of advances in research and development and sophisticated building construction technologies in India.

Simultaneously the increased participation of the private sector in large development projects such as roads, bridges, industries etc has brought with it to India, the state-of-the- art techniques in mechanised rapid construction practices. However these are mainly limited to large scale top of the line projects for the well to do. The majority of construction activity in the country, however is based on the age old labour intensive techniques and norms of construction which have long over lived their usefulness. A lot of indigenous research and development has been taking place which needs to be recognised and widely applied. The major research and development institutions such as the CBRI, SERC and a host of 15 odd R&D bodies have developed a number of new alternative building materials and construction techniques aiming at reducing the cost of construction. These efforts offer a variety of technological options for planning, design, materials and construction aspects for varying geo-climatic situations.

Building Centre Movement for Transfer of Technology: One of the constraints in the wider dissemination of the results of the R & D efforts has been the lack of an appropriate grass-root level technology transfer mechanism. An important initiative was taken in this regard through the establishment of "Nirmithi Kendra" in Kollam district of Kerala State (India) in August 1986. Towards furthering the above felt need, the Govt. of India, Ministry of Urban Affairs & Employment had launched the programme for the establishment of a National Network of Building Centres in 1988. Keeping in view the immense potential of such an initiative at the local level, the programme aims to have atleast one building centre in every revenue district of the country. The

programme is being implemented by the Ministry through the organisational and logistic support provided by HUDCO.

The major objectives of the Building Centres are to ensure:

- technology transfer from 'lab' to 'land'
- skill upgradation and training to the artisans (masons, carpenters, bar-benders, plumbers, electricians, etc.) on innovative and cost effective technology options.
- production of various cost effective components using local resources and sales outlets for the same.
- construction of housing and building using the trained work force and the components manufactured demonstrating the cost effective building system
- provision of necessary housing guidance, information and counseling to the people on the proven innovative, cost effective and appropriate building materials and technology options.

The Building Centre network today accounts for about 573 building centres covering the entire length and breadth of the country of which over 400 are fully functional.

Impact Areas of Building Centre Movement: The building centres have been able to demonstrate cost reduction of 15 to 40% as against conventional methods of construction. This has been demonstrated in construction of houses for all income categories as well as other social and community assets, amenities and facilities like Village Offices, Primary Health Centres, Anganwadis, Balwadis, Kalyanamandapams, Mangal Karyalayas, Barat Ghars, Community Centres, Operation Black Board School Buildings etc. As on date, construction works worth nearly Rs 7910 million (US\$ 179.7 million) have been implemented through the network of building centres using cost effective technologies in addition to production of precast components for more than Rs. 1820 million (US\$ 41.4 million). The building centres have

imparted training for over 210,499 construction artisans. The Movement has also played a very distinct role in awareness creation, disaster mitigation and reconstruction activities during natural calamities like the earthquake in Uttarkashi, Latur, Jabalpur, Chamoli, Rudraprayag and Garhwal region and the super-cyclone/ tornado/ floods in Orissa, Gujarat and Andhra Pradesh.

Training of Professionals/Project Managers: More than 754 Project Managers including Architects, Engineers, representatives of Housing Agencies, Builders and Professionals of Building Centres were trained in over 34 training programmes. The Training Programmes were conducted at HUDCO Zonal Training Centre in Chennai and at Human Settlements Management Institute (HSMI), New Delhi. HUDCO also extends a part subsidy to each participant attending the training programme.

Training of Master Masons and Supervisors: The programmes are organised in collaboration with Habitat Polytech. A total of 19 training Programmes have been conducted benefiting nearly 521 master masons and supervisors at locations like Orissa, Killari, Auroville (Tamilnadu), Jaipur (Rajasthan), Gadchibowli (Hyderabad) and Roorkee Building Centre (UP), Jabalpur (MP) to Supervisors/ Master masons. A subsidy is provided to each trainee attending the programme as an incentive. The programmes were arranged with special thrust for rehabilitation of earthquake/cyclone victims at Uttarkashi, Latur, Andhra Pradesh, Orissa and Jabalpur. These training programmes have significantly contributed to the capacity building with detailed exposure on the organisational, managerial, technological, financial and logistic needs of the Building Centre programme.

HUDCO has set up special building centres to assist in construction of earthquake/cyclone resistant houses, with appropriate technology inputs, for rehabilitation programme, in the earthquake/cyclone affected districts of Uttarkashi, Latur, West and East Godavari districts of Andhra Pradesh, M.P. and in Tamilnadu.

Rural Building Centres: Looking to the nature of housing needs and operations in the rural areas, there is an acute need for providing similar technological support through building centres in rural areas. The requirement of upgradation in rural areas can also be best met through the building centres, which can be multiplied with little capital expenditure. HUDCO is taking up the work of expanding the network of building centres from District Headquarters to cover the need of rural housing and rural development through Rural Building Centres (Gramin Nirmithi Kendras), to be located at Taluk/Tehsil or Block Headquarters. Mobile building centres called "Nirmithi Vahini" have been launched for far-flung villages, hilly terrains and inaccessible areas in Tamil Nadu and Uttar Pradesh. Mobile Building Centres can move from one village to another, camping for a few days, imparting the necessary technology exposition and training to the local rural community, by empowering the leader among the local artisans as the resource person for the same.

HUDCO puts up a special annual display at the '**HUDCO Build-Tech**' pavilion in New Delhi, under the auspices of the India International Trade Fair (IITF), during the month of November, demonstrating the activities of the resourceful building centres besides alternative building materials and technologies. HUDCO also organises or sponsors numerous exhibitions, seminars and workshops in the country and abroad, in addition to the permanent Technology exposition at HUDCO South Zonal Office, Chennai.

Conclusion

"Access to safe and healthy shelter is essential to a person's physical, psychological, social and economic well-being and should be a fundamental part of national and international action." (Quote: *Agenda 21*, UN Conference on Environment and Development, Rio de Janeiro, 1992). Despite diehard efforts from the member nations in line with the "United Nations Global Strategy for Shelter to the Year 2000", adopted in 1988, the world has been

unable to keep pace with the goal of facilitating adequate shelter for all by the turn of the century. In India, the spectrum of enabling measures unleashed by the Government besides facilitating action through fiscal concessions and promotional activities in association with HUDCO, complemented by the private and corporate sector, banks and financial institutions, co-operative sector and the community sector have been successful in achieving admirable strides. The pioneering initiatives at the various quarters evince a thin ray of hope in ensuring the provision of sustainable human settlements, towards turning the dream of "Housing for All" a reality in the near future.