



## GLOBAL EXPERT GROUP MEETING

# “WAYS FORWARD TO ACHIEVING AFFORDABLE AND INCLUSIVE HOUSING FINANCE FOR ALL”

## Roles and responsibilities for UN-Habitat and partners

*#affordablehousingforall*

### CONCEPT NOTE

Barcelona, 11-12 December 2014

With the collaboration of:



Ajuntament  
de Barcelona



## BACKGROUND AND JUSTIFICATION

### *UN-Habitat Global Housing Strategy*

In 2013, the Governing Council adopted the Global Housing Strategy (GHS), proposing that governments should address the issue of housing affordability more holistically, through the internationally accepted principles and standards related to the right to adequate housing as well as within economic development, employment generation and poverty reduction policies, and through promoting sustainable and more cost-effective building technologies and materials.

The GHS endorses housing finance as a pre-requisite for a sustainable national housing sector stating that ‘a variety of housing finance options should be made available for all levels of income and especially the most poor, including cross-subsidies, mortgage finance, financing for social and rental housing, non-collateral credit mechanisms for owner-builders, credit for developers and contractors, and producers of building materials and components’.

One of the key expected outputs of the GHS is to contribute to a paradigm change in housing, inter alia, through reviewing and/or redefining the role of governments beyond enablement, towards reassuming a leadership role in:

- (a) providing inclusive finance and closing the gap for the poor majority
- (b) instituting efficient governance and administration processes for housing delivery and finance
- (c) managing beneficiaries, facilitating and supporting demand capabilities of economically weakest sectors of the society; and

(d) promoting a variety of housing solutions matching the different demands and income levels.

In the sequence of the Resolution Approval, steps were made to mobilize resources and UN-Habitat’s Housing and Slum Upgrading Branch is now in the process of implementing the GHS at national level, starting with six pilot countries.

### **UN-Habitat’s Mandate**

UN-Habitat is mandated to promote adequate housing for all and sustainable urbanisation. Affordability is one of the seven elements of the right to adequate housing as the cost of housing should not threaten or compromise the occupants’ enjoyment of other human rights<sup>1</sup>. It is thus incumbent upon UN-Habitat to support and promote housing finance sector development and housing finance inclusion, and to assist member states in this regard.

UN-Habitat’s areas of action in housing finance comprise mainly normative work namely policy advice and technical support to countries to developing housing finance sector strategies, advocacy and public awareness through documentation of case studies, elaboration of guidelines and best practices.

In addition to its normative portfolio, UN-Habitat has also expanded its role in operative activities through the Slum Upgrading Facility (SUF) Programme (implemented since 2005) and the Experimental Reimbursable Seeding Operations (ERSO) Programme (implemented since 2007). These programmes were significant as a pilot experience to understand better how UN-Habitat could assist developing countries mobilise domestic resources for low-income housing and slum upgrading. As from 2014, SUF and ERSO will no longer be under the auspices of UN-Habitat creating an opportune moment to drawn lessons and redefine priorities for action within this substantive theme.



## Reinforcing the role of governments in affordable and inclusive housing provision

The GHS's call for a review and/or redefinition of the role of governments in housing provision comes at an opportune moment, almost thirty years since the 'enabling agenda' has taken hold in development discourse referring to states as having important overall roles in policy-making, but leaving the provision of shelter to the market, NGOs, CBOs and household self-help in various forms of partnership.

Significant shifts in policies and approaches were influenced by the 'enabling agenda', and a consequent wide range of practical applications of the principles and commitments set out in the agenda took place in different countries with mixed results. Efforts to ensure that 'enabling' works for the poor have been important as they contributed to acknowledge and promote local initiatives and innovations led by organizations formed and run by the urban poor or homeless and responses more focused on local needs and problems, taking account of local ideas and based on local understanding, such as incremental approaches to housing, microfinance, and informal land and housing markets.

There are also compelling arguments that decentralisation and strengthened local roles have contributed in many ways to enhancing participation and citizens' engagement in locally designed and delivered services.

However, the question of how to move from small-scale initiatives and innovations to whole systems change remains. While the past decade has witnessed notable improvements in the reach and depth of

housing finance in developing countries, the vast majority of households do not yet have access to formal finance, whether through mortgages, housing micro-loans or cooperative finance.

In addition, the role of the private sector is far less clear, and some narratives depict it as being unable to deliver the social outcomes sought.

Local and national governments in their role of facilitators have faced challenges to influence private entrepreneurs and mortgage companies to lend to the poor, to finance slum upgrading as well as to promote community-approaches and self-management. Access to credit is limited, expensive, and housing markets have failed to adequately respond to the demands of the most poor and those living in slums.

Various housing financing mechanisms, such as microfinance are still at an experimental status, context specific, expensive and vulnerable to economic shocks.

In the absence of affordable formal financing options, the majority of the urban poor continue to address their housing needs informally.

In 2013, over 860 million people were living in slums, up from 725 million in 2000. In the aggregate, constraints for finance sector development and inclusion have important medium to long-term implications, not only for the performance of housing sectors, but for the development of well-planned, sustainable and inclusive cities and the wider economy.



### *Exploring ways forward to housing finance sector development and inclusion*

More concerted efforts are needed to establish affordable housing and slum upgrading finance at the scales needed. Given the importance of government intervention to develop and contribute to adequate, affordable and inclusive housing finance sector development, there continues to exist a need for UN-Habitat to fulfil its mandate through the Global Housing Strategy to work with member States and partners in this regard.

With that said, UN-Habitat in collaboration with Barcelona City Council, will organize an Expert Group Meeting (EGM) in order to review current practices, innovations, remaining gaps and explore ways forward for UN-Habitat to enhance its impact on promoting housing sector finance development and housing finance inclusion.

In addition, and mostly important as UN-Habitat is now in the process of implementing the GHS at national level, this EGM will offer the opportunity to review and assess elements and practices that need to be promoted, instituted and avoided by countries while elaborating their national housing policies, strategies and programmes. In particular, the EGM will offer the opportunity to inquire and redefine the role of governments beyond enablement, and what is needed to enhance or 'rebuild' the capacity of the state to ensure viability to the markets while also being responsive to the housing needs of the poor majority.

Ultimately, this EGM will be an important step to reposition housing finance as a thematic and priority focus area within the UN-Habitat's sub-programme 5, Housing and Slum Upgrading, and in its medium-term strategic plan for the period 2014-2019.



# OBJECTIVES AND STRATEGY

## OBJECTIVES

The EGM aims to review and capitalize the main outcomes and lessons learnt from more than thirty years of the enabling approach to housing provision with a view to redefine UN-Habitat's role and enhance its impact on promoting affordable and inclusive housing sector finance development

Specific **objectives** of this EGM include:

1. To assess with partners what is needed to enhance or 'rebuild' the capacity of the state to promote adequate housing provision for all; in particular, what is lacking in terms of a public narrative, an overarching vision, for what could be different if the 'enabling' states were attuned to the social responsibilities of housing the poor majority whilst remaining responsive to the demands of 'positioning' national economies in a rapidly changing global political economy.
2. To provide an "all-in-one" synthesis of trends, principles, guidelines, tools, innovations and practices in housing and slum upgrading finance and housing finance inclusion for low income households that should be promoted by UN-Habitat and development organizations, and instituted by governments, including through the implementation of the New Urban Agenda and UN-Habitat's Global Housing Strategy.

## STRATEGY

The following **activities** will be undertaken in preparation and in continuation of the EGM:

### 1. Preparatory Thematic Papers:

International housing experts will be commissioned to prepare concise reflective reviews on the topics of the EGM. The preliminary findings of the thematic papers will be presented in the meeting and underlie the structuring of presentations, discussions and outcomes. The papers will focus on the following themes:

- **A. Beyond the "enabling approach": rebuilding the capacity of the state to promote adequate housing provision for all:** Review how the enabling agenda has evolved in different cases, point to good practices in national action plans and identify the prerequisites needed to improve the success of the state in achieving adequate housing provision for all, and particularly to the poor majority. "Beyond enablement" should not conceive of states and markets as a zero-sum game or suggest that 'more state' necessarily means the elimination of market mechanisms; nor assume that 'more state' always leads to better governance.



Rather, this paper should explore both the strengths and the weaknesses of the ways in which the state-market nexus is being recast in the provision of housing for the most poor. Ultimately, it should attempt to develop ways forward for states to be attuned to the social responsibilities of housing the poor whilst remaining responsive to the demands of ‘positioning’ national economies in a rapidly changing global political economy.

- **B. Affordable housing innovations, guidelines and principles to promote and advocate for:** Identify principles and guidelines, trends and good examples, review the principal instruments, innovations to inform policy design for housing finance sector development and inclusion from government-led to market driven initiatives; from specialized housing finance institutions to community-based financing initiatives; from mainstream to non-conventional finance mechanisms; from mortgage finance to housing microfinance; from subsidies to reimbursable loans; from financing to owner-builders to social and rental housing; from self-build to cooperative approaches; from revolving funds to credit enhancements; from specific instruments and methods to the improvement of systems.

The EGM will offer an opportunity for preliminary findings and ideas from the papers to be discussed and consensus understanding to be achieved with regards to the topics and recommendations for future work.

In addition, findings of the papers and inputs from participants during the EGM will point to ways forward to reinforcing UN-Habitat’s advisory role to governments in promoting affordable and inclusive housing finance, and recommend areas where focus should be, which niche could be explored in view of remaining gaps and the work of other partners in international development cooperation.

## 2. Final Report and Global Housing Strategic Programmatic Paper:

The findings from the thematic papers and the outcomes of the EGM will be organized in a final report summarizing the main innovations, opportunities to be harnessed, principles, guidelines and recommendations for UN-Habitat overall work in the area of adequate provision and housing finance inclusion, specifically in the formulation of urban and national housing policies and strategies through the GHS.

Concurrently, on the strategic level, the EGM and its outcomes are aimed at repositioning the topic as thematic and priority focus area within UN-Habitat’s work and supporting the Habitat III Conference preparatory process. In this sense, the findings of the EGM will form part of a proposed UN-Habitat position paper and corresponding guidelines on promoting affordable and inclusive housing finance sector development and support the elaboration of a framework document to be approved by the Governing Council for reinforcing the UN-Habitat’s advisory role in housing sector development and housing finance inclusion.

In a subsequent phase, subject to review and availability of funds, the final report will support the elaboration of project proposals in the area of housing finance drawing on the experience of previous projects.



## METHODOLOGY

The EGM will bring together external expertise to discuss and help UN-Habitat to define principles, guidelines and policy recommendations for effective development of affordable and inclusive housing finance sector.

Different sessions will be organized to discuss the following topics:

- **Beyond the “enabling approach”: rebuilding the capacity of the state to promote adequate housing provision for all**
- **Innovations in affordable and inclusive housing finance**
- **UN-Habitat and partners’ work on promoting affordable and inclusive housing finance sector development**
- **Remaining gaps and ways forward to reinforcing UN-Habitat’s advisory role in low income housing finance and inclusion.**

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The proposed structure of sessions is the following:

- A. State-of-the-art background:** Keynote presentations outline the main background information, main challenges, innovations and paradigm changes needed.
- B. Discussants react and add to the keynote presentations:** Discussants will pose questions, comments and share their experience, challenges and progress in different areas related to affordable and inclusive housing finance development.
- C. Roundtable debate** - all participants react and input to the discussion; a consensus-based understanding is expected with regards to the main topics of the session.

All participants are expected to contribute to the debate and help to identify ways forward for reinforcing UN-Habitat’s advisory role in low income housing finance and inclusion.

## OTHERS

### PARTICIPANTS

The EGM will bring together individual experts from a variety of fields, including academia and international housing/finance experts, International Development and Inter-governmental Organizations, Development Finance Institutions, and other Habitat Agenda Partners namely government, local authorities, the private sector and representatives of civil society who play an active role in affordable housing finance. The expected number of participants is 25-30 people.

### LANGUAGE

The meeting will be conducted in English and simultaneous interpretation in Spanish. All documentation and presentations will be in English.

