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Crisis? What crisis? The World Bank and Housing Finance for the Poor

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Crisis? What crisis? The World Bank and Housing Finance for the Poor

Elisa Van Waeyenberge

Abstract

This paper provides a critical assessment of the Bank's housing policies, against the backdrop of far-reaching transformations of the financial sector across the world and a persistently dire shelter situation in developing countries. It situates the Bank's housing stance historically since its initial involvement in the sector in the early 1970s. This allows to shed light on systemic and analytical tendencies bearing on Bank housing policy with significant implications for the Bank's current policy stance, including its response (or lack thereof) to the dramatic experience with housing finance laid bare through the global financial and economic crisis.

Keywords: finance, financialisation, housing, shelter, post-Washington Consensus World Bank.

JEL classification: 010, 018, 019, 029, R31

> "The success of microfinance in emerging markets has demonstrated that low-income households can manage debt, and that lending to low-income households can be profitable" (Chiquier and Lea 2009: 213).

Introduction

When the World Bank reviewed its experience with 30 years of shelter lending in 2006,[1] the main message was one of enthusiasm regarding the capacity and superiority of a "market-oriented" approach to housing policy. Market provisioning was celebrated as the efficient and effective mechanism through which massive shelter inadequacies across the developing world could be addressed. Emblematically summed up in an earlier strategy document, Housing. Enabling Markets to Work (World Bank 1993), the emphasis was on the incentive structure that would enable the private sector to fulfil its role in financing and delivering affordable housing, with the state cast in an "enabling" rather than provider role. At the heart of this approach sat a celebration of the possibilities of housing finance. Enabling Markets to Work (World Bank 1993) asserted that the overall performance of the housing sector in developing countries would be more affected through "the broad instrument of housing finance system development" (p. 56), and, since the early 1980s, Bank shelter lending had seen a dramatic shift towards lending for housing finance. This shift to housing finance operations allegedly reflected a recognition of the failure of the earlier Bank approach to shelter, based on sites-and-services and upgrading projects, in that the latter approach "could not by itself address the growing shelter needs of poor urban dwellers, because of its generally limited scope" (World Bank 1993: 56). Further, while it was recognised that in many countries housing finance remained a distant reality, it would be the Bank's role, together with the broader international donor community, to disseminate the lessons of "how to develop sustainable housing finance, as well as [to] foster housing microcredit institutions which could bring banking services and forms of consumers finance to millions of underserved poor people around the world" (World Bank 2006: 6).

At the time of the publication of the 2006 review, a fast increase in the rate of foreclosures in low-income areas threatened large numbers of poor people's access to shelter across various US cities not too far from the Bank's headquarters. This had followed a phenomenal expansion of housing finance in subprime US housing markets, where loan volumes had exploded during the period between 2004 and 2006 (see Gotham 2009: 365). People who had previously been considered as insufficiently creditworthy had suddenly and aggressively been targeted as potential mortgagees for homes that were often in poor condition (Dimsky 2012). By the end of 2007 (and several increases in the US Fed interest rate later), nearly 2 million people in the USA had lost their homes and it was estimated that between another 4 to 6 million could be set to suffer a similar fate (Harvey 2009: 1270).[2] By mid-2008, a full-blown global financial and economic crisis had been unleashed, triggered by the failure of these low-income households to keep up with the payments on their debt-financed homes. Through securitisation of residential mortgages and the fast take-up of these financial

[1] World Bank (2006) Thirty Years of World Bank Shelter Lending. What Have We Learned?

[2] Bratt (2012: 146) cites estimates of between 8 and 13 million foreclosures by 2014.

instruments by various financial and non-financial institutions across the world,[3] these defaults provoked a global financial crisis, and, as the latter transformed into the Great Recession, caused enormous losses in the real economy across the world.[4] Further, the subsequent dramatic rescue efforts of the financial institutions by the public sector caused a fiscal crisis of the state in a number of countries, which led to drastic spending cuts being implemented through austerity packages, with strongly negative implications (see Hall 2013, Ortiz and Cummings 2013).[5] This effect was perhaps most acute across the southern countries of the Eurozone, where a fiscal crisis rapidly transformed into a sovereign debt crisis (see Lapavitsas et al. 2012). At the heart of this threat to the world financial system and of the consequent implosion generated by the Great Recession stood the failure to provide decent and affordable housing for low-income households in the USA *outside* of a framework of mortgage finance for homeownership (see Bratt 2012). This had combined, in dramatic fashion, with specific transformations of the banking system, against the backdrop of the role of the USA in absorbing excess liquidity in the global economy (see Dimsky 2012; Lapavitsas 2013).

Moving our gaze to the more Southern parts of the globe, in 2012, 863 million people were estimated to live in slums, while 2.5 billion people were estimated to lack access to basic sanitation facilities.[6] In Africa, the number of urban dwellers is projected to increase from 400 million to 1.26 billion between 2010 and 2050 (UN Habitat 2014: 23).[7] However, as the ability of African cities to cope with these increases is questionable, it remains likely that a large part of these new urban dwellers will reside in slums and/or informal settlements (p. 25). Slums already absorb about three-quarters of population growth in African cities, or 190,000 new-born babies and migrants each week (UN Habitat 2005: 4), with one of every two or three African city-dweller living in life-threatening conditions (UN Habitat 2005: 2). The urban population living in slums in Africa was estimated to be in excess of 70 percent in 2001- the highest in the world (UN Habitat 2005: 5). The urban population without adequate access to sanitation, in 2001, reached nearly 60 percent compared to just over 20 percent for the world. For 43 African cities, 83 percent of the population lacks toilets connected to sewers. An enormous shelter challenge remains, despite (or because of?) widespread enthusiasm for "market-oriented" approaches to shelter over the last few decades (see Rolnik 2013).

This paper sets out to investigate whether the dramatic experience with housing finance (for the poor) in subprime markets (not only in the USA, but also in various European countries), and with market provisioning for shelter, more generally, has had implications for the way in which the World Bank – as an international intellectual and policy leader on housing – conceptualises and advocates

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[3] Between 2002 and 2006, securitisation of sub-prime mortgages increased from 52 to 80 percent (Gotham 2009: 365), and, in 2007, foreign holdings of Government Sponsored Enterprise (GSE) Residential Mortgage Backed Securities (RMBS) exceeded $ 1 trillion (Schwartz 2012: 60).

[4] In 2009, global output fell by over 2 percent in 2009, global trade contracted by 12 percent, and the number of jobless worldwide increased by 34 million (as compared to 2007).

[5] See FEPS (2013) and Euromemorandum (2013) for proposals for alternative policy responses to the crisis in Europe beyond austerity.

[6] This is despite the achievement of MDG targets 7c and 7d ahead of the 2020 deadline. These sought, respectively, to halve the proportion of people without sustainable access to safe drinking water and basic sanitation, and to achieve a significant improvement in the lives of least 200 million slum dwellers, see http://www.un.org/millenniumgoals/environ.shtml (accessed 13th of June).

[7] While, in absolute terms, Asian cities still remain the world's fastest growing, the global share of African urban dwellers is projected to rise from 11.3 percent in 2010 to over 20 percent by 2050, with a quarter of the 100 fastest growing cities in the world now in Africa (UN Habitat 2014: 23).

housing policy across the developing world. An initial glance at recent Bank housing initiatives reveals continuity in its focus on housing finance, including for the poor, with only sparse acknowledgement of the broad failures of finance- or private-sector led housing provisioning that have been so dramatically exposed recently.[8] This paper takes that apparent dissonance as its point of departure and seeks to elucidate the possible reasons driving the Bank's largely undisturbed policy stance. To that purpose, it situates the Bank's housing stance historically, which allows light to be shed on systemic tendencies bearing on the Bank, the appreciation of which assists in rendering the Bank's current housing stance more intelligible. In this context, the paper starts by taking a closer look at the way in which Bank housing policy has come to be defined since its initial involvement in the sector in the early 1970s. Such an exercise exposes how the Bank's original involvement in housing during the McNamara Presidency was heavily imbued by what would later become common neoliberal principles of welfare provisioning: commodification and the withdrawal of collectivity in favour of individual forms of provisioning, well ahead of the Bank's subsequent general turn to neoliberalism.

The housing agenda as promoted by the Bank was thus subservient, from its inception, to an agenda that sought to expand the realm of markets in general, and, subsequently, of finance more particularly, to resolve an urgent issue of deficient provisioning of a core service (or an essential item in reproduction). The particular way in which this neoliberal agenda was implemented, through its emphasis on user charges and cost recovery, replicability by the private sector, and low standards to allow for "affordability", would subsequently become transposed to other fields of social policy including health and education. It would itself also become transformed as Bank practices shifted to reflect a greater focus on finance.

While others (Alexander 2012, Hammam 2014, Ward and Jones 1994; Harris and Giles 2003) have recognised the initial neoliberal bias characterising early Bank housing interventions, with its core practice of self-help housing acting as a conduit for the imperatives of cost recovery, etc., this paper seeks to take this observation further by exploring the context within which Bank shelter policies took this particular form, and, crucially, to examine its implications for <u>current</u> conceptualisations of the analytical and policy realm bearing on housing. This includes drawing attention to the work of other international agencies active in international housing policy during the 1950s and 1960s, in particular the US Agency for International Development (USAID), and exploring their implications for the nature of the Bank's (original) housing interventions. Such a contextualisation illuminates <u>systemic or structural</u> features underlying or driving Bank housing policies, which have manifested themselves, in particular, through the USA-WB interface. Also, it assists in understanding trends in the Bank's housing approach in the context of transformations of the world economy, in particular those often captured through recourse to the notion of "financialisation". To gain insight in the particularities of its housing interventions, a historically-grounded perspective on Bank interventions which situates the Bank within the broader dynamics of global capitalism then needs to be adopted (see also Taylor 2005).

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[8] See e.g. the Sixth Global Housing Finance Conference organised by the WBG, May 28-29 2014, http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/2014_Global_Housing_Finance_Conference_Agenda_5.24.14.pdf

Further, an appreciation of the origins of the longstanding (and congenital) neoliberal bias in Bank-promoted housing policy helps lay bare fundamental inadequacies of Bank-promoted scholarly or analytical arguments, which came to prevail after particular policy imperatives had been asserted and which emerged to support these (pre-existing) policy commitments.[9] Shedding light on the relationship between policy and scholarship, or in the case of housing, the subservience of the latter to the former, is important for attempts to create or contribute to an alternative framework within which to conceptualise issues bearing on housing. It also allows critical assessment of alleged shifts from Washington to post-Washington Consensus in Bank housing policy, where the latter has mainly subsisted in embracing the partnership discourse across the non-market-non-state realm, combined with an emphasis on "urban governance", without imperilling the core logic of commodified housing provisioning abetted by the development of housing finance.

A need emerges for a fundamental reconsideration of how housing is understood (away from its "naturally constructed" commodified form) and for an assessment of how this involves possibilities for decoupling shelter provisioning (or "housing") from finance, in both analytical and policy terms (see also Harvey 2009). This necessitates the deconstruction of the building blocks of current approaches in housing, which include the original neo-liberal bias in Bank housing policy, through its celebration of self-help and the design of policy around that particular preferred mode of provisioning over other (read collective or public) modes of provisioning, and the way in which these initial neo-liberal tendencies in housing policy became smooth conduits for increasingly financialised housing relations (and the export of such models across the South) – against the backdrop of rapid transformations of the financial sector across the world (including through financial sector liberalisation, capital account deregulation, removal of restrictions on foreign bank entry, etc.) and the (re-)internationalisation of the banking sector of a core set of OECD economies (see Christophers 2013).[10]

My interest in the World Bank and housing policy is informed by a longer standing interest in the nature of the interactions between the World Bank, developing countries, and the scholarly community. In this work, I have, first, had a particular interest in the way the Bank exercises its intellectual and policy roles across the development community, especially since its celebration as a Knowledge Bank from the late 1990s onwards (see Van Waeyenberge and Fine 2011). Second, I have adopted the prism of scholarship-advocacy-policy, which can be attributed to Ben Fine (various), in recognising that the relationship between these three dimensions of Bank interventions (intellectual, ideological and material) tends to be uneven across topic and to change over time. More particularly, I have explored the nature of this relationship in the context of the alleged shifts from Washington to post-Washington Consensus in aid policy (see Van Waeyenberge 2009). And, third, I have had an interest in the relative changes within the World Bank Group across its different affiliates, namely the rapid rise, since the 1980s, of the private sector affiliates, in particular the International Finance Corporation (IFC), over the public sector arms of the Bank, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) – against the backdrop of the rapid rise of private international capital flows (see Van

[9] A recent example is the unfortunate contribution by Collier and Venables (2014) where a dramatic historical revisionism is invoked in an attempt to render analytical arguments wedded to World Bank housing policies plausible.

[10] See also Gruffydd Jones (2012) who undertakes an analysis along similar lines for a particular slum upgrading initiative (the Slum Upgrading Facility) launched by a set of development agencies in 2004 (see also below).

Waeyenberge et al. 2011).[11] These various themes or interests coalesce in the current study of the World Bank and housing, where the Bank has been an important intellectual leader since it entered the field in the early 1970s; the relationship between ideology, scholarship and practice in the realm of housing has been particularly one-sided with detrimental implications for the analytical and policy realm; and the rapid rise of the IFC has been propelled forward by the particular role housing finance can play in the development of capital markets – as Bank housing policy interventions reveal themselves to be as much (or more?) about financial sector development as about shelter, and as a paradigm of private-sector led housing provisioning increases the scope for the widespread promotion of public-private partnerships (PPPs) in "affordable housing" delivery.

This paper proceeds as follows. Section two contextualises the origin of Bank interventions in housing. It illustrates how the Bank entered a field in which interventions by other agencies already prevailed and had taken a particular form for a set of geo-political, financial and economic reasons. This affected the parameters of the framework within which the Bank developed its own housing policy, with its interventions characterised from the beginning by a focus on markets and private sector housebuilding. Section three sketches the continuities from these early interventions to what became officially referred to as the "market-enabling approach", summed up in the 1993 strategic document, and how the original bias in favour of private housebuilding ("the market") was re-oriented to become strongly focused on housing finance. Section four investigates how the Bank's housing approach was affected by the Bank's broader shift towards the Comprehensive Development Framework or the post-Washington Consensus, and illustrates how the finance-led approach was further propelled forward, now coloured by the putative attempt to include the poor. Section five considers the response of the Bank to the dramatic events unleashed by the 2006-2007 foreclosures in the USA. Section six, finally, concludes by teasing out a set of imperatives urgently bearing on how housing issues are understood and which emerge out of the dramatic inadequacies of the current paradigm promoted by the Bank.

This paper is based on consultation of various types of material. It includes a comprehensive review of World Bank documents bearing on shelter or housing policy, including its major strategic documents and various other Bank (-related) publications (including working papers, published articles, websites, conference presentations, etc.). This was complemented by an elaborate mapping of all World Bank Group shelter/housing projects since 1972, in both quantitative and qualitative terms. Such involved extensive consultation of a host of World Bank (housing/shelter) project documents as well as a full reconstruction of the World Bank housing/shelter project portfolio.[12] Further, the scholarly literature commenting on World Bank housing policy was extensively consulted, together with contributions on broader issues pertaining to urban development.

Public assistance for private housing provision: celebrating self-help at the Bank

[11] The former are the Bank's public sector arms (lending to governments or under government guarantee on near-market and concessional terms respectively), while the latter deals exclusively with the private sector (by extending credit, taking equity positions, or guaranteeing against non-commercial risks).

[12] This enterprise was greatly facilitated by the work of Ms. Christina Wolf who constructed the dataset. We were also kindly provided access to the World Bank database that was used for the Bank's 2006 review of its shelter portfolio. This allowed completing the housing project series for the IFC.

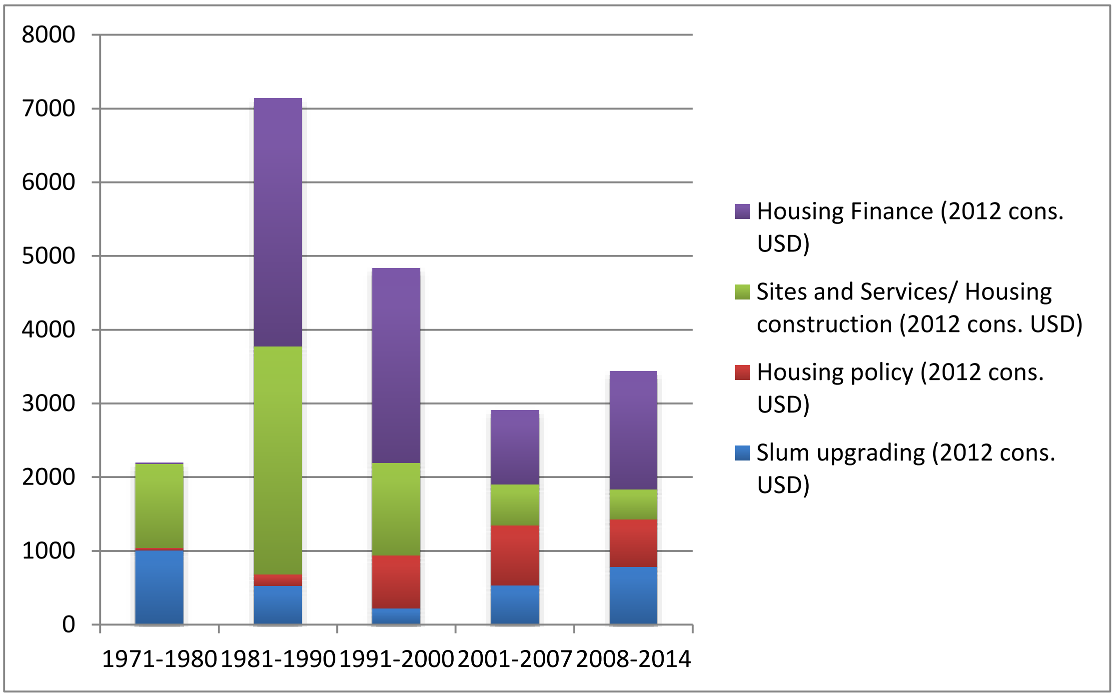
The Bank entered the field of housing and urban development in the early 1970s as part of then-President, Robert McNamara's drive to broaden the Bank's realm of interventions to include social lending, over and above its traditional focus on infrastructure (mainly transport and power), industry and agriculture. And, while the Bank was keen to maintain its conservative image as a bank and to counter accusations that social lending operations risked turning the institution into a social welfare organisation (see Alacevich 2009), it was:

"against the background of the Cold War, the formation of the IDA [International Development Association] and changing intellectual currents in development studies that Robert McNamara began to shift the focus of the Bank's lending program in the late 1960s" (Ramsamy 2006: 54).

Bank lending increased rapidly as well as diversified to encompass anti-poverty social lending including for education, health and nutrition programmes, rural poverty programmes and low-income urban housing.

From its first involvement in the sector, Bank discourse on housing was characterised by a focus on markets and a strong commitment to private house-building. Sites and services and slum upgrading programmes, which dominated the Bank's initial housing interventions (see Figure 1), were explicit in their aim to provide <u>public assistance</u> for <u>private housing construction</u> through its sites-and-services and slum upgrading projects initiated in 1972 (see World Bank 1972a, 1974, 1975). These interventions were to trigger private investment through dwellers' "self-help" efforts and dominated Bank involvement in housing during the 1970s (see Figure 1). Slum upgrading projects sought to improve existing housing "by providing residents with secure land tenure and better access to credit for construction and by upgrading infrastructure such as water supply, sewerage, electricity, roads and sidewalks" (Ramsamy 2006: 196). Sites-and-services sought to provide land on which individuals would then construct their own homes. These projects often included the provision of basic infrastructure (such as transport, water and power), creation of property rights ("titling"), credit (for the purchase of the serviced land, building materials and labour), the construction of schools and health centres, etc. Crucially, the interventions were guided by three primary objectives: to provide low-cost and hence "affordable" housing for low-income families; to recover costs from beneficiaries and eliminate public subsidies in housing provisioning; and, to create replicability of these projects by the private sector, where cost recovery would demonstrate profitability in moving downmarket in housing provisioning (see World Bank 1993: 54).

<u>Figure 1</u>: World Bank (IBRD and IDA) (public sector) shelter portfolio in constant million 2012 US$, 1971-2014 (July)



Source: World Bank Project Database.

The first housing loan disbursed by the Bank was for a sites-and-services project in Senegal (World Bank 1972b). Acting as a template for subsequent such loans, it sought to provide urban building lots together with facilities and services in the cities of Dakar and Thies. Funds were to cover for the provision and preparation of land for housing construction (draining, grading and plotting of land); equipping the project areas with "low-cost" public facilities (vehicular and pedestrian roads, power distribution network, and water and sanitation systems); the construction and equipping of schools and health centres; and areas for community development (such as recreational, cultural and commercial facilities). The idea was that prospective tenants of the project sites would buy their lots by instalments covering the cost of site preparation, interest, management and water service charges. Payments would be spread over 15 years at an interest rate of 7 percent and be paid to the official entity responsible for low-income housing, where repayments would be used to create an investment fund for the continuation of a national sites and services programme after the completion of the Bank project (p. 20 paragraph 5.11). A differential pricing structure prevailed allowing those with higher capacity to pay to access private electricity and water connections (piped water and septic tanks instead of public fountains and pit privies) (World Bank 1972b: iii). Those with incomes too low to afford a serviced lot were to benefit from the project as prospective renters from resident plot purchasers (p. 7 paragraph 3.11). By accepting the funds for the sites-and-services project, the Senegalese government also pledged to reduce public sector construction of social housing as well as its general budgetary expenditures on housing – with the new sites-and-services strategy aiming to be self-financing (World Bank 1972b: 7 paragraph 3.09).[13] Finally, standards in the design of the project would be an improvement on those in existing and very low-income residential

[13] See also Kumar (2011: 667) who highlights how the Bank's support for a large upgrading and sites-and-services project in Madras (India, 1977) was dependent on the scaling down of conventional public housing approaches.

districts while "keeping costs low enough to enable a large section of low-income families to pay for … the serviced sites" (p. 12 paragrah 4.13). Budgetary limits rather than professionally designed housing standards were to determine methods of construction and housing standards (see Ramsamy 2006).[14]

Underlying this type of housing intervention was a proposition that attributed a set of strengths to informal sector housing and which advocated use of public assistance to build on these alleged strengths rather than to attempt "replac[ing] the informal sector or seeing the sector as a 'problem'" (see World Bank 1975 quoted in World Bank 2006: 15). This echoed earlier celebrations of "self-help" housing that had been strongly represented across a set of international institutions intervening in housing policy from the early 1950s onwards.[15] Harris (1998), Harris and Giles (2003) and Ramsamy (2006) extensively comment on the role played by Charles Abrams, Jacob Crane and John Turner during the 1950s-1960 at the United Nations (UN), US Public Housing Department and USAID, respectively, in advocating "aided self-help" approaches to housing which "extolled the capabilities of low-income people to build their own housing and procure basic services despite neglect and opposition from national and local governments" (Ramsamy 2006: 88).[16] Harris and Giles (2003: 168) add that, across the major organisations intervening in international housing policy during the 1950s and 1960s, there never was a consensus in favour of public housing, but a persistent preference for aided self-help and state support for the private sector, and that the USA played a leading part in articulating this position.[17] An important role was hence ascribed to both homeownership and private provisioning, i.e. private provisioning was favoured over collective provisioning, and this had strong ideological appeal in the Cold War context (and accommodated incipient US financial developments).[18] World Bank housing policy, further, took shape as important changes were taking place in US domestic housing policy. These included the creation of a programme in 1965 that enabled public housing tenants to purchase the units they occupied, and the introduction in 1966 of Section 221(h) which provided low-income households with the

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[14] It should be noted that national governments often resisted this logic which implied their renunciation of direct responsibility in shelter provisioning: governments were not keen to be seen to be building slums (see Ramsamy 2006: 92).

[15] This joined a longstanding debate on self-help housing that had been conducted since the 19th century, if mainly in national housing policy contexts. See Harms (1982) for a historical perspective on the advocacy and practice of self-help housing, and Engels (1887) for a critical intervention.

[16] See Keivani and Werna (2001: 198) and Jones and Ward (1994: 36) on the difference between the self-help approach promoted by John Turner as compared to the Bank's adoption of the practice. For Keivani and Werna, Turner's approach celebrated solutions "from below" as "testimony to the creative energies of individuals in crisis situations", while the Bank's agenda was driven by the imperatives of cost-recovery, affordability and replicability, "marginalising the creative emphasis of Turner's approach".

[17] The authors conclude (p. 183): "By the early 1950s, the international agencies all argued that government should help households build their own homes. They continued to do so until the World Bank threw its weight behind this type of scheme in the 1970s" (my emphasis).

[18] The first World Bank Working Paper on urbanisation (World Bank 1972a) highlighted how the USAID's Housing Investment Guarantee programme – created in 1961 – accounted for most of US government commitment to housing assistance. According to the Bank, the main purpose of the programme was "to support local institutions which mobilize local savings, specialise in providing long-term housing credit and to stimulate housing demonstration projects" (p. 106). To this purpose, the US Congress had authorised the use of $780 US millions to guarantee the housing investments in developing countries of US private lending institutions, such as insurance companies, commercial banks and savings and loans associations (p. 107) (see also below).

opportunity to buy "previously substandard houses from non-profit sponsors after they had been purchased and rehabilitated by these entities" (Bratt 2012: 217 ftn 3). Subsequently, in 1968, Section 235 was enacted which was the first major federal homeownership programme for the non-rural poor and which sought to expand the number of poor homeowners by subsidising interest rates on mortgage loans (see Bratt 2012). Harris (1998: vi-vii) adds that by the late 1960s, urban renewal and public housing in the USA had acquired a negative image and as "experts ceased to regard them as the solution for poor housing conditions at home, their scepticism coloured the search for alternatives abroad".

The Bank's initial housing interventions then emerged out of the confluence of a set of elements. This included an initial hostility from within the institution towards social policy lending originating in the Bank's traditionally conservative fiscal stance. Housing interventions would need to promote the private sector and hence individually funded (or privatised) provisioning over collective and publicly funded schemes. This position smoothly combined with a pre-existing celebration of self-help housing across international organisations intervening in housing, and in particular advocated by the USA, in combination with a celebration of the possibilities of housing finance.[19] As a result, Bank interventions in housing, from their inception, steered <u>away</u> from direct lending for housing construction (or "bricks and mortar"). Funds were lent to support private housebuilding and also aimed to stimulate the emergence of a private housing finance sector – much in line with what was by then common practice in US international housing interventions. The first urbanisation working paper accompanying the Bank's incursion into housing lending, indeed, explicitly stipulated that:[20]

"[w]hile direct lending for housing construction is not at present contemplated, indirect Bank assistance through the stimulation of <u>housing finance institutions</u> more clearly fits the general considerations outlined" (World Bank 1972a: 66, original emphasis).

It continued to highlight the particular relevance of the Bank's private sector affiliate, the IFC, in this context:[21]

"The IFC is prepared to consider 'seed capital' for independent housing finance associations and similar institutions providing mortgage facilities where such projects form part of a program to stimulate savings and develop the capital market and where subsidization of housing for relatively richer groups of the population is not involved."

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[19] See Harris and Giles (2003: 179) on how background papers for a Senate housing subcommittee had identified mortgage finance (or the lack thereof) as the major housing problem in the developing world; and, p. 182, on how a catalogue of US international housing interventions in 1958 revealed two main preoccupations: self-help and market enabling, in particular of finance.

[20] These "general considerations" were mainly of a fiscal nature (the limited resources available to governments as well as to the Bank), combined with the concern that foreign funds would be lent (by the Bank) to fund an activity, housing, that did not generate foreign income – with fears over foreign debt servicing capacity in such a context. "Less direct methods to stimulate housing construction" – through sites and services or slum upgrading combined with self-help – were deemed preferable (World Bank 1972a: 64).

[21] Although initially on a small scale, the IFC did undertake a few housing finance operations during the 1970s, mainly through equity positions in private banks. This included an equity position in the Bank of the Near East in Lebanon (1974); an equity position in the Corporacion Colombiana de Ahorro y Vivienda (1974); a stake in the Banco Hipotecario Nacional (BNH) in Boliva (1976); and an equity stake and a loan to the HDFC in India (1978) (Carlson 1987: 33).

As such, "sites-and-services" and "slum upgrading" – both in the service of "homeownership" – appealed to fiscal and political concerns bearing upon the Bank (apart from creating opportunities for foreign financial institutions). The projects, financed by foreign borrowing but often to be repaid through individual mortgage instalments or user contributions, promoted private over collective provisioning, while self-help assistance for housing allegedly provided a means of "appeasing the restless urban poor"(1962 US Senate sub-committee report on housing quoted in Ramsamy 2006: 73).

In sum, with its first housing loans, the Bank had entered a field that was already occupied by other agencies and in which particular policy interventions were favoured. These were heavily imbued with US influence favouring home ownership and housing finance, i.e. private over collective provision, which were promoted though a set of US institutions intervening in international housing policy (including the US Housing and Home Finance Agency, HHFA, and USAID – as well as the Inter American Development Bank, IADB). Once the Bank had entered the housing field, self-help became entrenched as the orthodoxy of international housing interventions, and the Bank's housing projects celebrated the principles of cost recovery through user pay, lowering standards to create "affordability" and replicability of public (demonstration) projects in the private sector. With this it facilitated, within the broader realm of social policy, a move away from publicly funded provisioning to a model of provisioning determined by individual capacity to pay (through user charges – here, paid in instalments).[22] The pre-existing celebration of self-help or informal housing provisioning across a set of international organisations intervening in housing policy had combined with the Bank's fiscal conservatism to create the scope to experiment with alternative funding models of public services, away from publically funded provisioning to individual provisioning determined by capacity to pay. [23] With time, this model would come to prevail across social policy more broadly, as the latter became refashioned along neoliberal lines promoting user charges and private provisioning (or broadly, "the market"). The underlying (neoliberal) principles driving the Bank's aided self-help policies also provided the backbone around which the housing and urbanisation agenda was subsequently extended to encompass broader, sector-wide, interventions, including those increasingly focused on housing finance and which would come to <u>dominate</u> housing interventions from the 1980s onwards (see below and Figure 1). Thus, while the manner in which Bank housing interventions were operationalised changed subsequently (from projects, to housing finance loans, to sector-wide interventions, to development policy loans), the original conceptualisation of preferred modes of housing provisioning - individualised provisioning through the market – which had characterised Bank housing interventions from their inception, would

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[22] As was clear from the Senegal project, this funding model and the attendant provisioning according to capacity to pay, was not limited to the housing interventions, but also encompassed other urban services, including, in the Senegalese case, access to water and sanitation services.

[23] Note that the argument that housing provided the first area of welfare or social policy in which neoliberal reform was promoted by the Bank, and then emulated across the other realms of social policy (including health, education, pensions), has been made by others in the context of welfare reform in OECD countries. See e.g. Roland and Elsinga (2012: 9) who observe that "[h]ome ownership has been at the forefront of neo-liberal experiments in regulatory restructuring." And Doling (2012: 31), following Malpass (2006: 109) on how housing "has been at the leading edge of [welfare] reform" – away from a system of universal services funded through taxation.

remain solidly at the centre of Bank housing policy (see also Jones and Ward 1994).[24] From their inception, Bank interventions in housing then embryonically represented what would become common practice across more comprehensive sectoral housing/shelter interventions, as well as across social policy lending programmes more broadly.

The turn to finance (1982-1999)

As part of a set of critical contributions assessing the Bank's first decade of housing interventions, Peattie (1982: 136 my emphasis) observed how a sites-and-services project could not be "adequately understood as another kind of housing project … [rather] it is in its essence a <u>structure of rules and incentives for channelling private investment</u>". Over the subsequent decade, the material interventions that the initial sites-and-services or slum-upgrading projects had implied (lending for physical assets) became less important, in favour of an enhanced focus on incentive-related interventions, crucially through <u>finance</u>. The 2000 Bank Urban Strategy Document (World Bank 2000: 123) highlighted how Bank housing assistance during the 1980s had shifted "from shelter investment to the reform of housing finance policies and restructuring or dismantling of housing banks and public housing agencies". A former lead housing economist at the Bank explained (Buckley 1999: 50):

"The lesson learned from the Bank's sites and services projects is that the production of low-cost affordable housing is possible. If the right housing standards are in place, it is access to finance, rather than concessional lending terms that can best improve housing conditions".

By the early 1980s, important shifts hence took place in Bank housing policy and practice as shelter lending expanded rapidly, with this increase dominated by the fast expansion of lending for housing finance. Figure 1 above indicates how housing finance rapidly rose to prominence, accounting for just under half of Bank (IBRD/IDA) shelter lending between 1982-1991, up from a negligible share (of less than 2 percent) during the previous decade. Buckley (1999: 46) observed how:

"[w]ithin 6 years of the first housing finance loan the volume of Bank lending for housing finance had already exceeded the total 16 year volume of sites-and-services lending since the first such project in 1972".

Further, over 80 percent of housing finance projects were channelled to financial intermediaries rather than to non-financial public sector housing authorities. In the cases were projects relied on government housing programmes (such as in Korea, Thailand, Chile and Mexico), a central objective of Bank lending was to refocus the activities of public-sector housing authorities so that space would be created for the financial sector to participate more actively in the mortgage market (Buckley 1999). Bank housing finance projects aimed to replace public with private sector finance for low-income housing by incorporating local (market-based) financial institutions (mutual credit associations, building societies, commercial banks) in the provision of housing finance and by "discouraging" the use of subsidized and directed credit towards housing (World Bank 1993: 45).

[24] Jones and Ward (1994: 35) add: "Our view contradicts much of the received wisdom that in terms of urban policy the Bank has moved from a Redistribution with Growth, conventionally attributed to the Bank Presidency of Robert McNamara … to one of more overt neo-liberal policy options and objective".

The idea was that affordable low-income housing would be supplied on a full cost-recovery basis and that long-term, sustainable, finance for low-income housing would be secured from the private sector. For this, the Bank sought to promote "self-supporting financial intermediaries capable of making long-term mortgage loans to low-and moderate-income households" (World Bank 1993: 52). The Bank advocated this to be accompanied by a reform of the subsidy regime, away from interest rate subsidies towards one-off capital grant transfers.

These changes in the Bank shelter portfolio took place while far-reaching reforms were being introduced across large numbers of countries through various structural adjustment and stabilisation programmes. These reforms sought to liberalise economies (domestically and internationally, in goods markets, finance and capital markets), reform tax regimes (reducing income, corporate and trade taxes in favour of VAT), privatise public enterprises, cut public expenditures and restructure labour markets. They were typically summed up as reflecting a Washington Consensus across the IMF, the World Bank and the US Treasury and were inspired by an economic model celebrating "perfectly-working" markets with a concomitant projected need for a withdrawal of the state from economic activity.

The shift towards housing finance at the Bank followed active USAID promotion of domestic (i.e. local) private housing finance institutions, in particular, through the Housing Guaranty Program, inaugurated in 1961 (see also Pugh 1995). The programme provided access to US capital markets for developing country housing finance institutions covered by a 100 percent guarantee of the US government.[25] The original aim of the Guaranty programme was to increase shelter for low-income families in developing countries by stimulating local credit institutions to provide the necessary investment capital and other resources (i.e. it sought to mobilize private sector lending to low-income groups). The projects funded by the loans were intended to develop the countries' construction capabilities and encourage the countries' credit institutions to make domestic capital and other resources available for low-cost shelter programmes (GAO 1995: 14). Through the programme, USAID sought to promote what it considered to be the twin pillars of a market-led housing framework: homeownership and mortgage financing and, by the mid-1980s, the Housing Guaranty Program constituted "by far the largest source of housing assistance to developing countries" (Buckley et al. 1985: ii). USAID's promotion of housing finance mirrored the fast (re-)internationalisation of Northern, and in particular, US banking business (see Christophers 2013: 160), and, where USAID led, the Bank followed.[26] As such, the promotion of 'self-help' in international housing policy combined with particular financial practices that were to gain traction as the internationalisation of Northern and, in particular, US banks accelerated. This happened in conjunction with a set of financial sector reforms in developing country, including financial sector

[25] The US government provides a 100 percent guarantee on long-term loans from US lenders to borrowers in developing countries to finance housing and shelter-related projects. If a borrower defaults on a loan payment, the US government pays any principal, interest, and fees due to the lender. USAID then attempts to collect these funds from the defaulted borrower (GAO 1995: 14).

[26] See also Gilbert (2002) on the role of the USA in promoting the model of finance-led housing provisioning for the poor, in combination with capital grant subsidies, in South Africa in the early 1990s. USAID provided assistance to various private banks through its guarantee programme. This happened at the same time as the South African subsidy programme was introduced. This allowed borrowers to use the subsidy as collateral for loans from banks that had often had access to the US capital markets through the Housing Guaranty programme. Gilbert (2002: 1928) observed how, "after 1994, USAID appears to have become quite influential and several South African housing finance projects have been influenced strongly by the US experience".

deregulation, privatisation of financial institutions, the removal of obstacles to foreign bank entry, and capital account liberalisation.

The first Bank housing finance loan was disbursed to Zimbabwe in the early 1980s (World Bank 2006: 15). It complemented earlier shelter involvement in Zimbabwe by USAID, which had sought to encourage private sector involvement in satisfying Zimbabwe's low-income housing needs by encouraging home ownership and the involvement of local building societies (with government guarantee) (Ramsamy 2006: 138). The Bank project followed suit and promoted a strategy that:

"entailed increasing home ownership and utilizing the private sector to expand market-oriented housing delivery. The Bank's core programs in Zimbabwe thus revolved around creating 'an enabling environment' for the private sector to finance housing projects".

Specifically, the loans (Urban I and Urban II) sought to address what were perceived to be excessively high standards for low-income housing, the absence of private sector involvement in low-income housing supply, and the absence of linkages between the public sector housing programme and private sources of finance (Ramsamy 2006: 141). Taking forward the original principles of cost recovery, "affordability" to low-income target groups, and replicability, the Bank's urban programme for Zimbabwe sought to broaden the remit of its interventions, with a greater focus on the financing of low-income housing, in particular by the private sector. Ramsamy (2006: 143) comments how:

"in concert with the government's call for more public-private partnerships, the World Bank … looked to the private sector for alternative funding for low-income housing and expanded the role of private building societies in its projects".

As part of the projects, local building societies were expected to provide the necessary finance for the purchase of plots as well as for the construction of dwellings. For the Bank, the involvement of these societies was important as it projected that building societies would ultimately "restructure the financing of low-cost housing so that government funds are replaced by private sector resources" (from interview with Bank official as quoted in Ramsamy 2006: 150).[27] The primary objective of the projects was to encourage private sector financing for low-income housing in the long term.[28] For the Bank, the Zimbabwean urban projects (I and II) then provided an excellent example: [29]

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[27] See Ramsamy (2006: 146-7) on how the building societies requested particular financial incentives (here a grant to computerize and streamline operations and the right to issue tax-free shares) as part of the attempt to incite them to move downmarket. The Bank, however, could not lend directly to the private sector, because of its Articles of Agreement, and the Zimbabwean government refused to borrow from the World Bank to subsidize the computerization of private building societies. Finally, the British Commonwealth Development Corporation funded the computerization of the building societies, and the government was cajoled into allowing the building societies to issue tax-free "permanent paid-up shares".

[28] Ramsamy (2006: 154) quotes a Bank official asserting that: "The private sector will provide all financing for low-income housing. Broader-based investment in building societies will occur through the creation of several new mechanisms to raise long-term housing finance. The result is that the societies' low-cost mortgage portfolio will expand and the governments' long-term portfolio will correspondingly diminish".

[29] See Ramsamy (2006: 153-70) for an elaborate critique of the Bank's assessment, and, in particular, on how the Bank's projects failed to address the scope of low-income housing problems in urban Zimbabwe as the poorest segments of the urban population were bypassed by the projects, and how, a decade after the start of

"of a case where the traditional public sector role in housing is reduced from that of total provision to the more limited one of servicing residential land, leaving the financial and actual contraction of the dwelling units to the private sector. The projects demonstrate how low-income households can have access to finance by providing an enabling environment for the housing sector" (World Bank Implementation Report quoted in Ramsamy 2006: 152).

Following its first housing finance loan, the Bank's housing finance portfolio expanded rapidly during the rest of the 1980s, with the Bank's (IBRD/IDA) housing finance operations increasing by a factor of 240 (in constant terms) between the 1970s and the late 1980s. The Bank argued that this rapid rise of housing finance sought to address two objectives (World Bank 1993: 55). First, it provided opportunities for the Bank to address broader economic issues: a well-functioning housing finance system would contribute to financial sector objectives through improved domestic resource mobilisation and to fiscal objectives by increasing the transparency and effective targeting of subsidy regimes. Second, a shift towards housing finance would address broader sectoral issues bearing on shelter provision (or "housing sector performance" in Bank parlance). For the Bank (World Bank 1993: 55):

"the shift to housing finance operations was a recognition that the previous approach, which emphasised individual sites-and-services and upgrading projects, could not by itself address the growing shelter needs of poor urban dwellers, because of its generally limited scope".

With this turn to finance, the Bank expanded its programmes to include support for domestic housing finance companies. A good example was the US$ 250 million loan in 1988 to the Housing Development Finance Corporation (HDFC) in India, guaranteed by the Indian government.[30] The HDFC had been set up in 1977 as a private financial institution to provide retail mortgage lending. As such, it acted as an important "market-oriented" (private sector) housing finance institution in India and a counterpoint to a system where directed credit dominated (World Bank 1992). The Bank's loan to the HDFC came at a crucial moment in the development of the housing finance landscape of India as, by the mid-1980s, the government had indicated its desire to establish a National Housing Bank, NHB, to lead an alternative system of housing finance (through directed credit) (World Bank 1992: 2). A Bank document appraising the HDFC loan observed (World Bank 1992: 1-2):

"While HDFC' s success, which was encouraging several new institutions to enter the market, clearly influenced the policy deliberation, considerable support remained for consolidating and expanding the directed credit system. The debates continued during the project preparation and the NHB bill, which passed the parliament in late 1987 left room for NHB to take either direction. Although NHB's status as a subsidiary of the Reserve Bank of India indicated an emphasis on regulatory role, NHB's staffing and direction were still unspecified by the time the Board approved the project … the

the Bank projects, private sector institutions had withdrawn from low-income housing finance and with it, the Bank's "solution" to low-income housing finance and delivery had evaporated (p. 168).

[30] The loan to the HDFC was one amongst a set of loans seeking to support housing finance companies in developing countries. During the 1980s, the World Bank further provided assistance in setting up housing finance companies in Bolivia, Botswana, Columbia, Indonesia, Lebanon, and Senegal (World Bank 1993: 56). See also Acquaah-Harrison (2004: 33) on the creation of the Home Finance Company in Ghana (in 1991) under the Bank loan Urban II, which aimed, "to implement and manage the housing finance sub-component of the Housing Sector Reform. The objective of the HFC is to access long-term funds required for mortgage lending and to channel the proceeds through primary lending institutions for housing finance purposes".

uncertainty about the direction of NHB and the housing finance sector in general at the time presented the Bank a good opportunity to promote development of market-oriented housing finance."

Prior to this loan, the Bank's involvement in the housing sector in India had focused on urban development through projects concentrated on public sector development of urban land, infrastructure development and provision of municipal services, in particular to lower-income groups (World Bank 1992: 9). But, now, the Bank sought to consolidate the role of the HDFC at the centre of private housing finance and promote its role as an apex institution that would encourage entry of other similar private institutions (project objectives, World Bank 1992: 2). For the Bank, the loan served as an "ideal vehicle" for discussions with the Indian government on policy issues bearing on the housing and housing finance sector. The disbursement of the second tranche of the loan was conditional upon the NHB implementing prudential regulation for housing finance institutions and promoting "resource mobilization instruments to enhance market-oriented intermediation in the housing finance sector" (World Bank 1988 – original loan document: 8). As, up to 1988, the HDFC was nearly the only market-oriented housing finance institution in India, "supporting HDFC was virtually synonymous with supporting market-oriented housing finance, as opposed to old directed credit system. The project was heavily underpinned by this perception" (p. 3).

The trend towards what the Bank discerned as a more "comprehensive" approach to the housing sector, through its shift towards housing finance, was consolidated during the 1990s as housing policy loans joined housing finance loans in the Bank's shelter portfolio. Housing policy loans increased fourfold (in constant terms) between the 1980s and the 1990s, to account for 15 percent of the Bank's (IBRD/IDA) housing portfolio during the 1990s – up from a negligible 2 percent during the previous decade. This accompanied the continued expansion of the share of housing finance in the Bank's shelter portfolio, to reach 55 percent of Bank (IBRD/IDA) total shelter lending, and compared to the near-halving of the combined share of the slum upgrading and sites-and-services projects during the same time span (1991-2000) (see Figure1). A housing policy loan would typically seek to strengthen the institutional, regulatory and fiscal environment for a "well-functioning" housing market and to increase access for low-income and severely disadvantaged households to "more affordable and higher quality housing" (World Bank 2010: 12). Often, such a loan would promote mortgage lending through the provision of loan guarantees with the aim of attracting banks to lower-income households and it would seek to restructure existing subsidy programmes, away from interest rate subsidies towards capital grant subsidies (or cash transfers), which would facilitate access to finance.[31]

Despite the apparent broadening of Bank housing policy during the 1980s and 1990s, the realm of interventions promoted through the Bank programmes narrowed with the enhanced (and near-exclusive) focus on the incentive structure for private sector participation in the housing market ("overcoming market failure"). The role of the state was explicitly relegated to that of a facilitator. In particular, the state was to limit its attention to the following interventions (see World Bank 1993: 5). On the demand side, the state was: to develop property rights, to develop mortgage finance

[31] Gilbert (2002), for example, illustrates how the housing subsidy programme in South Africa came into effect (in 1994) in conjunction with Housing Guaranty Program interventions by USAID through which South African banks gained access to funds in US capital markets in return for lending to lower-income groups for housing. The up-front capital subsidy could then be used as collateral for the housing loans issued by the banks.

(including fostering “innovative arrangements for providing greater access to housing finance by the poor”) and to rationalise subsidies (by reducing them, improving their targeting, and shifting from financial to fiscal subsidies). On the supply side, it was: to provide infrastructure for residential land development, undertake regulatory reform of the land market (by removing regulations “which unnecessarily hinder housing supply”), and to organise the building industry by creating greater competition and reducing trade barriers applying to housing inputs. Finally, the state needed, in general, to develop an “appropriate” policy and institutional framework (through coordination with macro-policy; the strengthening of regulatory institutions; the promotion of partnership across the organisations participating in shelter provision including public agencies, private sector and NGOs; and the fostering of participation of the poor).

The emphasis was on creating the regulatory environment and institutional capacity for the expansion of private sector activity, to the detriment of direct involvement of the state in housing provision. Governments were explicitly advised “to abandon their earlier role as producers of housing and to adopt an enabling role of managing the housing sector as a whole” (p. 1).[32] And, while the “enabling” approach, as summarised in World Bank (1993), endorsed many of the policies that were embodied in the first two decades of Bank-financed housing projects, “especially the necessity of adopting appropriate standards for housing and residential infrastructure and appropriate pricing and cost recovery”, it suggested that “these past policies by themselves” were no longer enough (p. 51). Particular emphasis was now placed, p. 51:

“on treating the housing sector as a whole and on complementing past policies which have emphasised investments in residential infrastructure and housing finance with policies that stress the need to rationalize the broad regulatory framework within which the sector operates”.

The Bank sought, p. 62, to redirect governments from engaging in building, marketing, financing and maintenance of housing units “toward facilitating the expansion of the private sector in such activities.” For the Bank, this extended to government involvement in the production of apartment units, as well as in sites-and-services projects, which was to be discouraged in favour of private sector involvement (p. 66). The private sector was to be involved in all aspects of materials production, residential land development and housing construction. This was to be accompanied by the expansion of private-sector financial institutions (p. 62).

In sum, the formalisation of the enablement paradigm sought to combine a move away from fiscal commitments in housing, towards enablement of individuals or communities “to help themselves”, with subsidies, preferably as one-off cash transfers. The idea of up-front housing subsidies targeted at the poor would combine with private-sector suppliers delivering housing through the market, offering “a counterpoint to the old model of supplying mass-produced subsidised units through state or state-controlled companies” (Gilbert 2004: 197-8).[33] This joined (and propelled forward) a general trend in welfare reform, with the rapid rise of cash transfers, and the proposition that such transfers

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[32] See also, World Bank (1993: 4): “Housing policymaking must move away from its previously narrow focus on a limited engagement of government in the direct production of low-cost housing. It must now guide the performance of the housing sector as a whole, including that of the formal and informal private sector, with a stronger emphasis on its overall role in national economic development”.

[33] Or, as put by Rolnik (2013: 1064): “Public or semi-public banks across the world slowly diverted their public funds from *aide-a-la pierre* (financing public or semi-public social housing builders) to *aide-a-la-personne* (subsidizing the consumption of market-produced houses).”

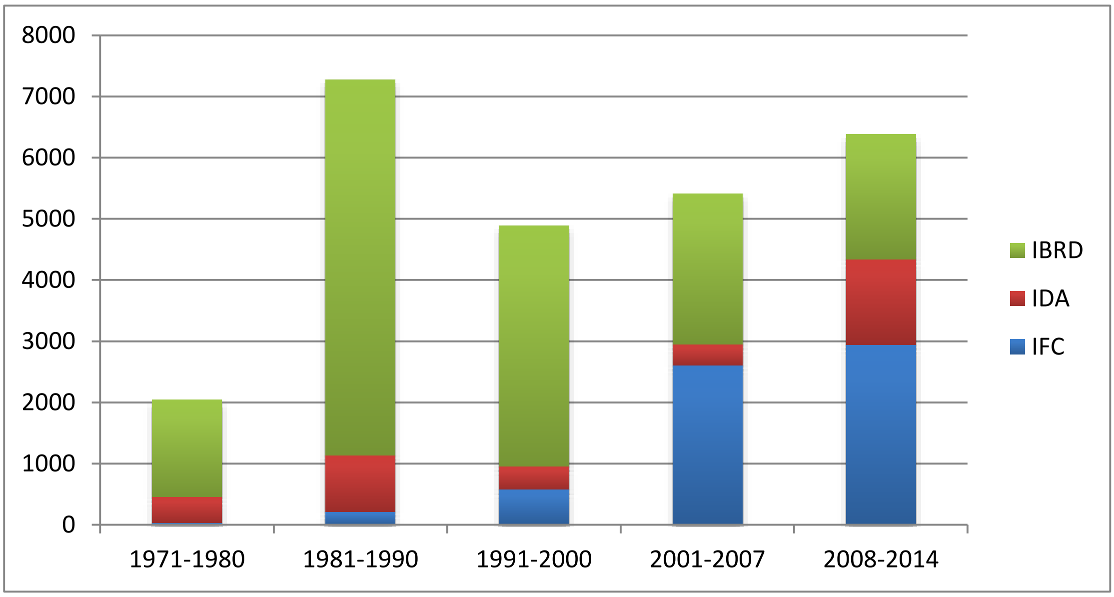
would overcome inadequate provisioning by enabling the purchase of privately-delivered services (see Levinas 2013).[34] The aim was for the private sector to produce social housing "under competitive conditions" as well as to finance home purchase by extending credit to the poor (see Gilbert 2004: 205).

As the Bank moved into housing finance, and housing became a "growing line of business for private sector development" (World Bank 2006: 67), a stronger role started to emerge for its private sector affiliates, in particular, the IFC. From a very low base during the 1970s, the IFC's housing finance portfolio started to expand during the 1980s, with further rapid increases in its operations to come during the subsequent decades. A significant change was taking place in World Bank Group shelter operations, with the IFC set to become the dominant World Bank Group housing player (as compared individually to the IBRD and the IDA) (see Figure 2 below). World Bank (1993: 5) observed:

"A significant shift in Bank practice occurred during the early 1980s, as lending moved away from sites-and-services and upgrading projects into lending to housing finance institutions. This shift supported expanded housing finance operations by both public and private institutions, with the IFC also playing a … important role with regard to the latter."

The focus of IFC operations was to promote private institutions operating in housing finance and to reform the regulatory environment for primary and secondary mortgage markets (p. 56). Its operations sought to support private over public sector provisioning and initially focused on founding or supporting (private) housing finance companies.

Figure 2: Total World Bank Group shelter portfolio, in constant million 2012 US$, 1971-2014 (July)



[34] Levinas (2013: 6) sums up: "Whereas one function of the post-war welfare state had been to remove core provision of health, education, housing and social insurance from the buffetings of the market, the role of the new-model 'enabling state' is to facilitate the play of market forces – providing public support for private responsibility".

Source: World Bank Project Database and, for IFC projects prior to 1995, the database underlying World Bank (2006) which was made available by the authors upon request.

As the finance emphasis took over the Bank's shelter portfolio, larger loans became the norm, the client base shifted from low- to middle-income countries,[35] and the target population from low- to middle-income households (World Bank 2006).[36] World Bank (1993: 57) adds how this change in the composition of countries receiving Bank shelter loans was reflected in a shift in the issues addressed by these projects towards financial sector development, a concern characterising middle- rather than low-income countries. This had regional implications and Bank shelter lending to Sub-Saharan Africa fell rapidly (World Bank 2006). Within countries, the finance emphasis in shelter programmes implied a move away from low-income households, for whom finance for their own home remained persistently out of reach. World Bank (2006: 67-8) conceded that:

"while the nature of lending has evolved and has embraced the private sector, it has also moved away from the poverty orientation that was for many years the core focus. A much smaller share of lending … goes to support low-income housing (10 percent of total shelter lending since the mid-1990s versus more than 90 percent from the mid-1980s to the mid-1990s) and to support low-income countries".

By the late 1990s, the Bank's shelter portfolio was then characterised by relatively large loans often to middle-income clients, seeking to promote housing finance institutions and to alter the policy environment bearing on shelter provision. The scene was set for the IFC to become an important player in the World Bank Group's involvement in housing, with its promotion of housing finance as part of a general ambition to promote capital market development. Indeed, Figure 2 indicates how the activities of the IFC in housing finance were rapidly expanding, having trebled during the 1990s as compared to the 1980s (when they had accelerated very rapidly from a low base during in the 1970s) – with their share in total World Bank Group shelter operations falling just short of 10 percent (8 percent) during the 1990s. This accelerating trend was to consolidate during the 2000s when IFC operations (now recorded both in housing finance and housing construction) further increased fivefold (with the bulk of the increase taking place in housing finance) – and its share in World Bank Group shelter operations increased to over 40 percent (42) during that same period (see Figure 2).

In general, World Bank Group housing interventions during the 1990s remained steered by private sector development concerns, in finance and more broadly, across other sectors bearing on housing provision, including land markets (where programmes sought to encourage land titling, the sale of public land, and changes in zoning laws), the construction industry (where competition was to be fostered and trade barriers eliminated and where standards were lowered to increase "affordability"

[35] Mexico, for instance, as a middle-income country received a series of four housing loans between 1986 and 1992, which totalled over US$ 1 billion. Through these programmes (Housing Development Project FY86; Housing Finance Project FY88, Low-Income Housing II FY90, and Housing Market Development FY92), the Bank sought to encourage commercial banks to lend to home-buyers, including low-income households. The projects encouraged deregulation in the housing sector, dismantling of state housing agencies and the restructuring of housing subsidies (World Bank 2000: 107).

[36] See also the assessment of the Housing Guaranty Program operated by USAID, GAO (1995: 6), where it is highlighted that although the programme contributed to shelter sector reform in developing countries, it did not increase the availability of domestic resources to finance shelter projects benefiting poor families.

of houses), and subsidy programmes (which were to serve as a buffer in access to privately-provided finance).

A post-Washington Consensus for shelter?

The 1990s, however, were tumultuous for the Bank, with strong campaigns denouncing its failure to address global poverty and various coalitions emerging to advocate its abolition. In response to these challenges, Bank President James Wolfensohn, appointed in 1995, sought to revive a strategic vision of the Bank around poverty reduction, placing it squarely at the heart of the Bank's proclaimed agenda ("our dream is a world free of poverty").[37] The Comprehensive Development Framework, CDF, was launched a few years later (Wolfensohn 1999), while the Bank's Vice-President issued a strong call for the Bank to move beyond its ways of the past and towards a post-Washington Consensus, PWC (Stiglitz 1998a). Where the Washington Consensus had celebrated "perfect markets", their imperfections now needed to be given ontological status and policy practices were to reflect the widespread prevalence of market failure –particularly in the context of development.[38]

In the context of shelter specifically, the Bank sought to bring poverty reduction back to the fore.[39] To this purpose, it launched the Cities Alliance in 1999, in concert with the UN-Habitat (UN Human Settlements Programme), as a multi-donor partnership "with cities and their development partners to make unprecedented improvements in the living conditions of the urban poor" (World Bank/UNCHS DATE: 12).[40] Nelson Mandela was invited to be its patron and the Alliance, officially, focused on two key priorities: to mobilize resources for slum upgrading programmes; and to facilitate participatory processes so that poor slum-dwellers, now stakeholders, would contribute to designing City Development Strategies (World Bank/UNCHS DATE: 12). As part of its launch, Cities Alliance proposed an action plan that sought to scale up slum upgrading programmes, which were projected to play a central role in the Bank's urban development translation of its newly rediscovered poverty-reducing mission. The Cities without Slums Action Plan (or Slum Upgrading Action Plan) would seek "to improve the lives of 100 million slum dwellers by 2020" (p. 1). It would build on community-based upgrading programmes, while considering broader policy and institutional issues that may previously have constrained these. Twenty-five years of experience within a broad coalition of partners, including the Bank, the UN agencies, bilateral donors and numerous NGOs allowed the identification of a broader set of issues that needed to be tackled "head on". These were summed up as follows. First was good governance, in that local governments needed the capacity to carry out their tasks – and in particular "to rid corruption from land markets".

[37] This has now become "Working for a World Free of Poverty".
[38] See Van Waeyenberge (2006) for a critical appraisal of the PWC and the CDF.
[39] This highly visible rhetorical shift happened at the same time that the location of the Urban Development Division in the Bank's organisation was moved out of the Environmentally and Socially Sustainable Network and was incorporated under the Finance, Private Sector and Infrastructure Network (see World Bank 2003: 7).
[40] The Alliance does not have separate implementation capacity, but rather draws upon the existing capacity of its partners. In-country work is managed through the regional operational units of the Bank, Habitat, and other bilateral and multilateral partners, as well as through existing global and regional partnership programs (World Bank/UNCHS 1999: 12).

Second, legal systems protecting property rights and security of tenure are "critical to sustainable approaches to upgrading". Third, financial systems need developing, as:

"coupled with security of tenure, access to credit is key to unleashing the vast potential of the urban poor to improve their living and working environments and livelihoods. Micro-credit and other facilities to expand access to credit to the poor can provide critical elements of institutional support in creating financially self-supporting and sustainable urban upgrading programs" (p. 9).

Finally, community participation at all stages of the upgrading effort is necessary for sustainability of projects.

Further, the PWC/CDF discourse had invited a reconsideration of the state-society relationship beyond the state-market dichotomy, which was now conceptualised around a broader partnership including the state, the market, but crucially also non-state, non-market institutions. In general, the more widespread prevalence of market failure necessitated "innovative" solutions through broad partnership across the state, market, non-market spectrum, rather than calling for more extensive state intervention. An "interactive partnership" between government and the private sector was proposed (Stiglitz 1998a: 4). Crucially, the state was to ensure that market failures were overcome without imposing "unnecessary" costs on society. In order to achieve this, the state was to rely as much as possible – and in particular when its capability was low – on the relative strengths of the private sector, the community, the family and the individual (Stiglitz 1998b). These ideas translated as follows in the Cities Alliance launch document (p. 5):

"Consistent with global trends of democratization and decentralization, local governments worldwide are now more directly accountable for the quality of life in cities. At the same time, with the rise of a dynamic private sector, government is no longer seen as the sole or even main provider of services. These developments, and the rise of democracy and civil society, have led to a dramatic shift in the ability of the urban poor to influence political action. The turn of the century therefore represents a moment of opportunity for the World Bank and the United Nations to challenge the international development community to create a new coherence of effort with central and local governments, the private sector and slum communities themselves— to enable the urban poor to realize their true potential".

In the context of shelter, the celebration of broad partnerships to remedy persistent market failures implied a strong emphasis on the role that NGOs or CBOs could play in facilitating the inclusion of the poor in the finance-led model of housing provisioning, rather than entailing any fundamental challenge of the latter (see e.g. Otiso 2003). Under the ideological banner of "financial inclusion", it was argued that private financial institutions needed to move downmarket and avenues were to be explored to integrate formal and informal finance through "third way" approaches involving NGOs, community banks and public partnerships (Datta and Jones 2001: 334).[41] Mitlin (1997) takes the central importance of housing finance to shelter provisioning as her point of departure to explore "innovative" housing finance that seeks to extend housing finance to low-income households. This includes NGO strategies to facilitate the integration of low-income groups in the formal sector, such

[41] See Jones and Datta (2000) for an explicit argument in favour of a greater role of NGOs in housing policy in South Africa, in particular in their role as facilitators of housing finance schemes; and Jones and Mitlin (1999) for an overview of the role of NGOs in housing finance in developing countries. See also See e.g. Solo (2009) and Gwinner, Goldberg, Solo and Didoni (2005) for advocacy of financial inclusion in urban contexts.

as, for instance, through the establishment by the NGO of loan guarantee schemes by providing the collateral needed by low-income households to access formal credit (p. 31). These arguments combined with a celebration of housing microfinance (see below).[42] In a contribution to the World Bank Research Observer, Buckley and Kalarickal (2005: 247) highlighted how:

"[t]he real promise for assisting low-income families with housing finance is emerging slowly through one of the most promising financial innovations of recent years: the success of microfinance institutions, which offer the possibility of finance for poor people and are increasingly being used to improve housing conditions of poor people … This financial innovation offers the possibility of sustainable, leveraged finance in ways not possible a decade ago".

So, as part of a more "comprehensive" approach in shelter provisioning, plurality across a spectrum of institutions, including formal, informal, for-profit, non-and profit was promoted, in combination with the need for "innovative" finance schemes to allow the poor "to unleash their creative capacities" (Yeboah 2005: 158). This stance combined with arguments in favour of government subsidies, preferably as up-front targeted grants. An illustration embodying the main principles of this allegedly "comprehensive" approach in shelter provisioning promoted by the Bank, and exposing quite blatantly its subservience to finance-led shelter provisioning, is provided by the Slum Upgrading Facility (see also Gruffydd Jones 2012). The Slum Upgrading Facility emerged from within the Cities Alliance, and is formally located within the United Nations Settlements Programme (UN-Habitat). It has the aim of providing technical assistance:[43]

"to help cities and countries develop bankable housing projects for low-income households, the upgrading of slums, and for the provision of urban infrastructure" (my emphasis).

The central objective of the initiative is:

"to make slum upgrading projects bankable – that is attractive to retail banks, property developers, housing finance institutions, service providers, micro-finance institutions and utility companies" (McLeod 2008:1).

Key clients of the Facility include municipal authorities, NGOs, governmental department, as well as the private sector, including retail banks, property developers, housing finance institutions, service providers, micro-finance institutions, and utility companies. The facility is partners with the World Bank Group, international NGOs, the Private Sector Infrastructure Development Group, etc.[44] A key element of the facility is to establish local finance facilities "with a specific remit to support slum upgrading". These local finance facilities "are designed to improve access to credit for slum dwellers".[45]

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[42] Housing microfinance loans are not necessarily mortgages but often consist of smaller loans with the aim of financing incremental improvements of housing conditions. See Nilsson (2008) for an overview of various housing microfinance schemes. See also Sole and Moser (2006), Merill (2009), Rust (2007), Ferguson and Haider (2000), Merill and Mesarina (2008) for arguments in favour of housing microfinance for slum upgrading. See Gruffydd Jones (2011, 2012) for a critical discussion.
[43] http://www.citiesalliance.org/SUF accessed on 2nd of July 2014.
[44] http://ww2.unhabitat.org/suf/default.asp accessed on 2nd of July 2014.
[45] McLeod (2008: 1) explains: "A local finance facility is an institution set up to help community groups access credit from local commercial banks. In the case of SUF, the

On the eve of the eruption of the global financial crisis, a High Level Peer Exchange on Government Enablement of Private Sector Lending for Affordable Housing, organised by UN-Habitat in cooperation with the Government of Ghana, USAID, the US Department of Housing and Urban Development (HUD), and the (US) Overseas Private Investment Cooperation (OPIC), took place in Accra as part of efforts to promote the Upgrading Facility. Participants in the Exchange included senior government officials, private sector finance lenders and "development practitioners" from Ghana, Nigeria, Senegal and the US, and representatives from the World Bank, the IFC, CHF International and Wharton Business School.[46] The objective was to provide a platform where participants could share experiences on "how best governments can support the private sector and domestic financial services industry to invest in affordable housing" (UN-Habitat 2006a). In the opening speech of the event, then Under-Secretary General of the United Nations and Executive Director of UN-Habitat, Mrs. Anna Kajumolo Tibaijuka, asserts that "pro-poor mortgage finance is economically viable". She continues (UN-Habitat 2006b):

"We know this because most slum dwellers are already paying exorbitant rents for the shacks in which they live. They also pay up to twenty times more for water than those better off whose homes are often connected to subsidised municipal supplies. The urban poor do not need cheaper or free housing and utility services. They only require decent, affordable services. And for this we need the Slum Upgrading Facility to show how it can be organised and brought to scale".

The facility is projected to help these poor people to find money to invest in their own housing and utility services, by borrowing from the private sector. This includes housing loan guarantee schemes operated by municipalities. The model promoted explicitly seeks to draw lessons from the experience of the US housing finance system (UN-Habitat 2006a: 6):[47]

"The present U.S. housing finance system is the result of over 180 years of evolution from an informal communal institutional arrangement to one of the most well-functioning and extensive financial intermediation system in the world. The way this system evolved and types of instruments that have been used to accelerate it may offer some insights … on ways to enhance private sector lending for affordable housing."

The post-Washington Consensus Bank shelter portfolio strongly reflected these preoccupations with finance (now also for the poor) and continued endeavours to promote private-sector led housing provisioning. While the share of slum upgrading in Bank (IBRD/IDA combined) lending increased during the 2000s (2001-2007) compared to the previous two decades (see Figure 1), the bulk of the shelter portfolio remained concerned with housing finance and various reforms promoting private-led housing provisioning. The latter were facilitated both through housing policy reform programmes as well as through the particular way in which slum upgrading and sites-and-services projects were implemented. Close inspection of project appraisal documents of all Bank (IBRD/IDA) projects with a shelter component committed between 2000 and 2007, indeed, revealed how these continue to be

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facilities take the form of independent not-for-profit companies that are hosted by existing local financial bodies, such as a local bank."

[46] The Slum Upgrading Facility works with HFC Bank and CHF International "to kick-start housing loans for the poor". CHF International became Global Communities in 2012 and is an international non-profit organisation that was founded in 1952 to provide affordable housing for low-income countries in rural and urban USA. In the 1960s, the organisation started operations outside of the USA, initially in Latin America, see http://www.globalcommunities.org/aboutus

[47] See Gryffudd Jones (2012: 781-782) for further documentation of the various ways in which the US government has sought to shape Africa's housing agenda during the 2000s.

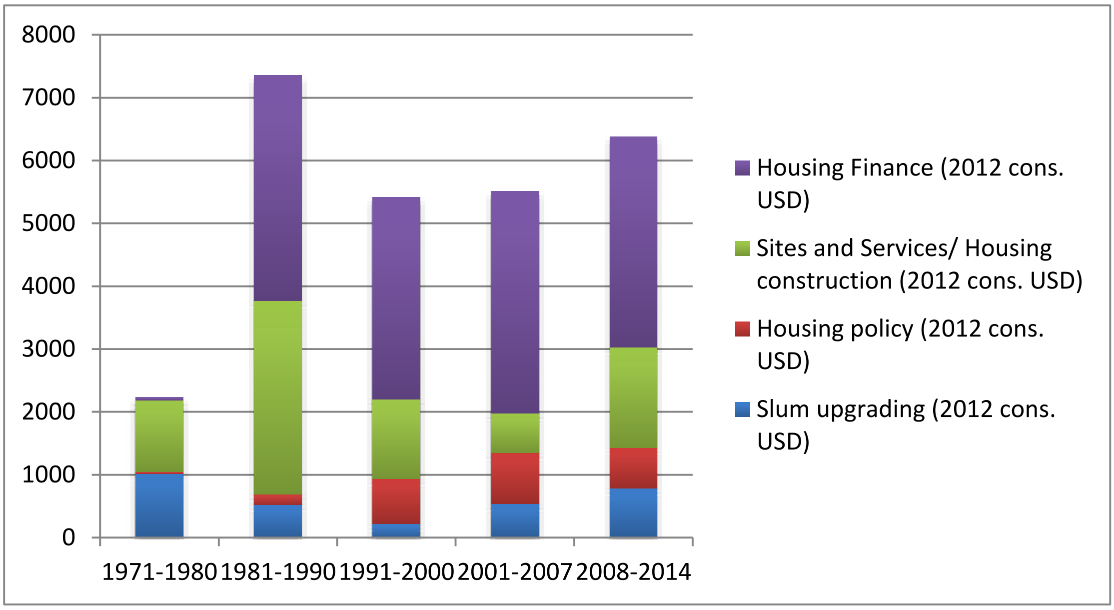
dominated by: the imperatives of titling ("land tenure regularization") and the fostering of "efficient" land markets; access to housing finance, including for low-income households, either by fostering micro-credit schemes or by incentivizing mortgage providers to move down-market (e.g. through guarantee schemes); expanding the role of the private sector in the delivery of affordable housing;[48] and, subsidy reform, seeking to integrate one-off capital grant subsidies in finance-led housing provision for the poor.[49]

Further, the picture becomes starker, once the IFC is included in the analysis of World Bank Group shelter activities, as the Bank's private sector affiliate rapidly came to play a major role in Bank Group shelter activities. Figure 3 reveals how, as a share of World Bank Group activities, which now include IFC operations, housing finance grew to represent over 60 percent of all Bank Group shelter activities during the 2001-2007 period, while the combined share of slum upgrading and sites and services fell to 22 percent over the same period (down from 27 percent in the previous decade). This trend reflects the rapid rise of the IFC in total World Bank Group shelter activities, with its share reaching nearly 50 percent during 2001-2007 (and reflecting a similar share if we extend the period to 2001-2014): while the combined shelter portfolio of the IBRD/IDA, the public sector arms of the Bank, nearly halved (in real terms) between the 1990s and 2000s (see Figure 1), the portfolio of its private sector affiliate, the IFC, increased fourfold (see Figure 2). Gwinner (2012) highlights how the nature of IFC activities includes guidance to governments on legal and regulatory changes that enable increased housing finance and investments in local banks and specialized mortgage finance companies. As such, the IFC is active in a range of housing finance activities or products, including the development of primary mortgage markets, securitisation, mortgage insurance, and offers a host of advisory services including through a Global Mortgage Toolkit and a Housing Microfinance Toolkit (see also below).

Figure 3: World Bank Group (IBRD, IDA and IFC) shelter portfolio across different types of intervention, in constant million 2012 US$, 1971-2014 (July)

[48] See also Baker and McClain (2009), in a WB Urban Sector Board Paper, for an extensive discussion of how the private for-profit sector can assist in slum upgrading: "The unmet needs for basic services and housing in rapidly growing slums presents an enormous development challenge. Yet it also presents a significant market opportunity for private entrepreneurs" (p. vii). From expressions of despair to opportunities for profit!

[49] See also Gruffydd Jones (2011: 15) who keenly teases out how four core principles have dominated slum upgrading projects recently. These include: promoting the role of the private sector in slum improvement schemes; promoting home ownership for poor urban residents; promoting housing microcredit or financial extension to the poor; and regularisation of tenure in slums to enshrine private property.



Source: World Bank Project Database and, for IFC projects prior to 1995, the database underlying World Bank (2006) which was made available by the authors upon request.

So, reflecting broader discursive shifts taking place at the Bank, towards a (more) comprehensive framework and a post-Washington Consensus, Bank shelter policy sought to project a discourse that re-focused on the poor, who had become marginalised during the fast rise to prominence of housing finance in Bank shelter programmes over the two preceding decades. This attempt included high-profile initiatives such as Cities Alliance, as well as a celebration of partnership across a broad spectrum of state, non-profit and for-profit private sector institutions (through e.g. the Slum Upgrading Facility). In effect, where the poor had initially been excluded from the finance-focused shelter approach, various ways were now explored, in practice, to include them in such a model, with non-profit and/or community-based organizations drawn upon to facilitate the integration of the previously financially unserved into the realms of finance-led shelter provisioning. Within Bank shelter interventions, the private sector (with now also an explicit role assigned in slum-upgrading activities) and finance (including both housing finance and microfinance) remained central. The ambition was for the poor to be re-integrated into a (pre-existing) shelter-paradigm, solidly anchored or organized around housing finance. This was reflected in the evolution of the Bank Group's shelter portfolio, in which IFC activities rapidly came to account for a large share, and in which housing finance continued to dominate.

While the Bank promoted housing finance, including for the poor, developed countries witnessed the fast expansion of mortgages for vulnerable segments of society, as mortgage markets were rapidly restructured and liberalised.[50] The Bank's Thirty Year Shelter Lending review remarked on the

[50] See Lopez and Rodriguez (2011) on the fast expansion of credit for real estate during the "boom decade" of 1997-2007 in Spain. According to the authors, at least a million mortgages had been extended to vulnerable members of society (the Spanish subprime market) between 2003 and 2007, and, by 2007, the ratio of indebtedness to available income stood at the highest level of any OECD country, with the risks heavily concentrated in households with lower incomes and fewer assets (p. 20). The following years would see: the massive implosion of the "cajas" which had constituted the country's main mortgage lenders (and were semi-

way in which "competitive and affordable housing finance [had been] growing rapidly in both developed and developing countries" (2006: 41). The "speed at which market-based housing finance has spread throughout the world" astonished the authors (p. xii), who continued by observing that, since the turn of the millennium,

"the world changed from one in which most of the world's population did not have access to mortgage finance to one in which most of the world's population now lives in countries with a market-based mortgage finance system with generally affordable terms. Only a few years ago, most citizens of most countries could not borrow to finance housing".

For World Bank (2006: 42), these trends in housing finance were responsible for

"the high economic growth rates observed in a number of EU countries, particularly Ireland, Portugal, and Spain, which have recently liberalized their financial system".

The Review continued to concede that, World Bank (2006: xii):

"While market-based housing finance is now available to most middle-income people in the world, it is still not available in most countries or for the poorest people."

And here a role for the Bank emerged:

"These underserved people in countries where formal housing finance is in a nascent stage represent an enormous potential audience for Bank assistance".

Bank shelter policy in the wake of the GFC

This section explores whether, and if so how, the Bank's housing/shelter approach has been affected by the global financial crisis, with its origins in the US subprime mortgage market. It argues that while minimal attention has been given to the dramatic events provoked by the collapse of the US sub-prime market in Bank discourse bearing on Bank housing/shelter, Bank housing/shelter policies <u>in practice</u> display even less of a tendency for a fundamental rethink. On the contrary, the trends of housing finance, including for the poor, and the promotion of private-sector led provisioning documented above have become further consolidated in the aftermath of the crisis.

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public savings-and loans banks administered by depositors, employees and local political representatives, p. 17) and fast acceleration of unemployment to reach nearly 20 percent by 2009 (and over 40 percent for the under-25s) – with the destruction of jobs taking place in construction as well as consumer-goods industries and market services (p. 21). Government revenues collapsed as GDP contracted and the previous fiscal surplus (in 2006) was turned into a deficit of over 11 percent of GDP by 2009. Drastic austerity measures ensued as public-sector wages, pensions and benefits were cut, investment projects were cancelled, the retirement age was raised, wage bargaining restricted and sackings made easier (p. 24). See Finn (2011) on how, in Ireland, by the time an EU-IMF package had been agreed in December 2010 in response to the dramatic crisis facing the country, unemployment stood at 13 percent and GDP had registered its largest fall ever recorded (7 percent in 2009 alone). This followed the rapid expansion of construction and finance, creating a massive property bubble, during the 2000s (p. 9). See also Lapavitsas et al. (2012) on the crisis in the Eurozone following the fast expansion of credit (by both private and public sector) in peripheral euro-countries during the 2000s. See Robertson (2014) on the financialisation of British housing; and Dimsky (2012) on the expansion of sub-prime mortgage lending in the USA. See also Aalbers (2012) for general considerations.

As the global financial and economic crisis took full course, the Bank issued its new urban strategy document, Systems of Cities. Harnessing Urbanisation for Growth and Poverty Alleviation (World Bank 2010). This followed the publication of the 2009 World Development Report entitled Reshaping Economic Geography (World Bank 2009). Both documents bear on shelter policy, with “housing” at the centre of urban issues as well as much-commented upon from within economic geography. If, however, we are looking for significant departures from previous positions on housing in response to the dramatic implosion of the sub-prime mortgage markets (and the broader failures of market-led shelter provisioning), we have to brace ourselves for disappointment. While World Bank (2010: 16) concedes that:

“the enabling market approach was far too sanguine about the difficulties in creating well functioning housing markets where everyone is adequately housed for a reasonable share of income on residential land at a reasonable price”,

the text continues to assure its readers that the “general principles of enabling markets” remain valid. These must, however, be combined with “sensible policies and pragmatic approaches to urban planning and targeted subsidies for the urban poor”. Where the Bank and other donors have contributed to the reform and expansion of mortgage credit across the world, affordability problems persist together with widespread informality in housing and land sectors (p. 16). For the Bank, the key areas bearing on housing that continue to pose the greatest challenge, then, consist of the following: planning for markets, public land management, property rights and housing finance (p. 16). Policies are needed to deal with these challenges and which will “push formal housing and land systems down market, while creating and sustaining more bottom-up approaches that serve the poorest”. These include the need to eliminate what are considered “regressive” land policies and regulations;[51] advice on the design and execution of market-based auctions of public land assets (p. 17); a continued role for sites-and-services projects (accommodating the “dominant incremental construction patterns of the urban poor”, p. 18); the development of primary mortgage markets (p. 18); the promotion of microfinance for housing (p. 18);[52] and “support” for rental markets – including the elimination of rent control (p. 19).

More generally, the strategy document sees the market failures characterising land markets as most important, where these are to be overcome through land registration and the allocation and protection of property rights (p. 5). Pro-poor policies require partnerships with NGOs, CBOs and the private sector (p. 10). And where slum upgrading remains significant, the private sector has a role to play because

[51] Apparently only a few regulations are “critical”. These include: “minimum plot sizes and minimum apartment sizes, limitations on floor area ratios, zoning plans that limit the type of use and the intensity of use of urban land, and land subdivision ratios of developable and saleable land in new greenfield developments” (p. 16). The Bank is developing a global knowledge product for cities to assess systematically urban planning regulations and guidelines and their potential distortionary effects.

[52] “Housing microfinance holds promise as a way to reach individuals or families who build incrementally or who are too poor to qualify for conventional loans. Most housing micro- finance experts believe there is vast potential demand for their products. Experience suggests that housing microfinance products have served the low-income salaried poor, and even those with irregular incomes, with encouraging results” (p. 18)

"businesses realise the potential purchasing power at the base of the economic pyramid. An enabling environment for small private service providers can help to facilitate private sector investment in slums" (p. 10).

Microfinance is important in this regard, as it is a "powerful instrument for poverty reduction that enables the poor to build assets, increase incomes, and reduce their vulnerability to economic stress". The Report also praises a recent innovation, the "hybrid value chain", in which "private sector companies (such as cement or floor tiles companies) team with microfinance provider and citizen groups to lower the cost of producing housing" (p. 18). Changes in subsidy regimes, further, can play a strong complementary role to these mechanisms. "Enabling land and housing markets" then remains "a cornerstone of the urban policy framework" (p. 16). Throughout the entire document we find only one (and inconsequential) explicit reference to the global financial and economic crisis (on p. 24). The reference occurs when the report discusses financing strategies for urban development, where it is argued that these will depend on a range of circumstances including the impact of the global economic and financial crisis. This combines with an indirect reference to the crisis, where countries are cautioned regarding "the recent experience of lax underwriting and weak oversight" when seeking to develop secondary markets for housing finance – as recommended by the Bank (p. 18).

Turning to the 2009 WDR, a general framework advocating the need for "efficient well-regulated" markets (for land, labour, goods and finance) continues to prevail and various commentators have picked up on its flagrant failure to engage with the realities driving the global financial crisis (see e.g. Fine 2010; Harvey 2009 and 2013). In the context of housing finance, the following unfortunate passage has often been quoted:

"Since the deregulation of financial systems in the second half of the 1980s, market-based housing financing has expanded rapidly. Residential mortgage markets are now equivalent to more than 40 percent of gross domestic product (GDP) in developed countries, but those in developing countries are much smaller, averaging less than 10 percent of GDP. The public role should be to stimulate well-regulated private involvement … Establishing the legal foundations for simple, enforceable, and prudent mortgage contracts is a good start. When a country's system is more developed and mature, the public sector can encourage a secondary mortgage market, develop financial innovations, and expand the securitization of mortgages. Occupant-owned housing, usually a household's largest single asset by far, is important in wealth creation, social security and politics. People who own their house or who have secure tenure have a larger stake in their community and thus are more likely to lobby for less crime, stronger governance, and better environmental conditions" (World Bank 2009: 206).

Plus ça change, toujours la même chose, and Harvey (2009: 1272) scathingly observes:

"The authors … naively believe that the spread of homeownership, mortgage finance and securitization is by definition a healthy thing – even as it is currently leading to massive dispossessions and loss of asset wealth for the most vulnerable populations … in the United States and creating a whole series of 'financial Katrinas' of neighbourhood destruction in many cities".

More specifically, focusing on housing provisioning, the World Bank published a volume entitled Housing Finance Policy in Emerging Markets in 2009 (Chiquier and Lea 2009).[53] The publication provides a comprehensive overview of whole set of issues that bear on housing finance, ranging over: the nature of different mortgage instruments, the workings of a primary mortgage market, the enforcement of mortgage rights, consumer information and protection, construction finance, risk management and regulation of housing finance, contractual savings for housing, state housing banks, housing provident funds, mortgage securities, mortgage insurance, residential rental housing finance, housing microfinance and housing finance subsidies. The volume is the result of a collaborative exercise between leading participants in the debates and practice of housing finance in developing countries (see pp. 485-492 for a list of contributors). As such, it seeks to provide a state-of-the-art compendium on housing finance.

Chiquier and Lea (2009) builds on the 1993 World Bank strategy document with the aim of highlighting key housing finance challenges that continue to face developing countries seeking to foster efficient housing markets. The book, in its own words, is “focused on solutions”, which, in particular, pertain to the role of government and the ways in which access to housing finance can be increased for lower and “informal income households” (p. xxx). The Introduction insists how, p. xxxiv:

“Housing finance has become an area of increasing importance for many institutions …. including liquid banks and finance and specialist mortgage companies. Their access to private bond markets is a key ingredient, inextricably linked to other reforms (public debt management, development of capital markets, pension funds, and insurance). The growth of the financial sector has led to lower operational costs, improved information technology, and better risk-management tools”.

The report adds how the development of housing finance is often understood to be critical not only for the housing sector, but also for the development of the financial sector itself (with capital markets developing as mortgage debt is refinanced) (p. xxxiv).

Being published in 2009, Housing Finance Policy in Emerging Markets could not proceed without mentioning the US subprime crisis. Yet, this is done in less than a page-and-a-half in the Introduction, to be then ignored in the rest of the text. Indeed, the subprime crisis “does not contradict the goal of expanding access to housing finance” to the poorer segments of the population (p. xxxviii), but lays bare what happens when this is pursued without a “sound regulatory regime supported by the necessary risk-management infrastructure”. [54] To be fair, the US subprime crisis gets another mention, in Chapter 8, as a case study on risk management and regulation in housing finance. The chapter, however, emphasises that (pp. 212-3):

[53] In various Bank publications this edited volume is referred to as a 2006 Bank publication, which possibly was the initial timeframe for its scheduled release. We can only speculate whether early signs of the subprime mortgage implosion in the US had anything to do with its delayed publication.

[54] There are a few gems, on p. 16, for instance, we read how: “it is conceivable that the increased ability of households to become indebted can have some undesirable side macroeconomic effects. But it is also important to keep in mind that the instruments used to offset or discourage this sort of behaviour have usually had much worse effects on savings, investment, and economic growth”. On p. 18, the authors assert: “Mortgage-backed securities have been developed in many countries not only to improve the housing finance system, but also to help develop resilient private bond markets for institutional investors”.

"the problems with low-income subprime mortgage borrowers resulted primarily from failures by lenders and investors, and not from low borrower income … The success of microfinance in emerging markets has demonstrated that low-income households can manage debt, and that lending to low-income households can be profitable".

Developing country policy-makers can avoid the subprime mortgage mistakes by good prudential risk management. In similar fashion, in Chapter 1, entitled Housing Finance and the Economy, the main text is concerned with promoting the benefits of housing finance, while text boxes provide examples of excesses that have occurred in lending for real estate across different countries. These text boxes are, however, little integrated with the rest of the text – the main text does not refer to them – and their presence does not detract from the general message of the need to promote housing finance. To the contrary, they seem to operate as examples of the proverbial exceptions that prove the rule: there is nothing systemically dubious about promoting housing finance to resolve shelter inadequacies.

So, not only are no fundamental lessons to be drawn from the subprime crisis and the light it sheds on the flawed integration of financial and property markets, where all can proceed as before as long as some regulatory reforms address excessive risk-taking in the financial sector (i.e. finance-led and market provisioning are to remain at the core of housing paradigms), but, and moreover, where public circuits for housing finance still exist, these have mostly been plagued – without intention of hyperbole or parody – by "high levels of defaults, non-targeted lending crowding out private sector competitors, ineffective and regressive subsidies, inefficiency, and politically motivated lending" (p. xliii). Unsurprisingly, then, the role of the state remains one of enabling the development of housing finance or mortgage markets "through the creation of the lending infrastructure and elimination of barriers to lending" (p. xliv). Chapter 10 of Chiquier and Lea (2009) deals explicitly with State Housing Banks, and while the market-induced failures, exemplified with the GFC, receive only cursory treatment across the entire book, a full chapter is dedicated to the alleged failures of state housing banks and recommendations of how these can be overcome through increased private sector participation.

A separate chapter (Daphnis 2009), authored, albeit with contributions from staff members of the World Bank Housing Finance Group, by the CEO of a private international firm,[55] is dedicated to housing microfinance or housing finance for the poor. The interest in housing microfinance emerges from the recognition that mortgage finance in developing countries currently reaches only upper- and middle-income layers of the population (i.e. those "with steady and verifiable incomes", p. 395) (see also Walley 2011; Kryck 2011; FinMark Trust 2007; UN Habitat 2005).[56] Housing microfinance tends to offer smaller, short-term loans, that are used mainly for renovation and incremental

[55] The Development Innovations Group, which seeks to foster innovations in financial services for the poor.
[56] The interest in microfinance for housing purposes, or housing finance for the poor, resonates across a broader set of organisations. A report commissioned for the Centre for Affordable Housing Finance in Africa, which is a division of FinMark, a non-profit independent trust, funded primarily by the UK's Department for International Development (DFID) and established in March 2002 in South Africa with the purpose of "making financial markets work for the poor by promoting financial inclusion and regional financial integration" (http://www.finmark.org.za/ accessed on 10th of July 2014), provides an overview of the state of housing microfinance in Africa (Kihato 2013). The report maps the various organisations and initiatives active in housing microfinance in Africa in an attempt to chart ways forward for the industry. See also UN-Habitat (2011) for a quick guide for policymakers on how to make housing finance "work" for the poor.

construction purposes and that are often not collateralised (Daphnis 2009: 396). When formal title is missing, and hence access to formal finance precluded, these housing microfinance loans are projected to fill the gap in funding shelter needs. The short maturity of the loan accommodates the informal and unsteady nature of the borrower's income, as well as seeks to serve as an incentive – where repayment qualifies the borrower for a new credit. Housing micro finance credit rates tend to exceed mortgage rates and easily range between 25 and 40 percent (p. 410).[57] And, while Daphnis (2009: 411) concedes that such high rates raise issues of consumer protection and in some countries may fall foul of usury laws, this can be overcome by increasing competition and improving risk-management, rather than through the introduction or the tightening of regulatory limits on interest rates. Crucially, housing microfinance loans introduce finance in housing provisioning where mortgage lending is restricted, and, in that sense, are complementary to mortgage loans while fulfilling a "market development" role. Further, housing microfinance loans are not a substitute for "affordable" long-term mortgages, but provide gap funding for reducing qualitative housing shortages (i.e. for upgrading and improvements of existing dwellings) rather than to address quantitative deficits (p. 415).

Across these various high-profile reports published by the Bank as the GFC was unfolding, we then find little appetite for a critical reappraisal of the model of shelter provisioning that constituted an underlying cause of the crisis and which had been strongly favoured by the Bank over the last decades. Moving on to Bank shelter lending in practice, it appears that, for the period between 2008 and 2014, shelter projects (commitments) with a housing finance component continue to represent the largest category across the Bank (Group) shelter portfolio. Furthermore, its share has *increased* significantly in the Bank (IBRD/IDA) (public sector) portfolio during the crisis period (2008-2014) to nearly half of all Bank (IBRD/IDA) (public sector) shelter lending, as compared to previous period (2001-2007) – when it had dipped to account for one-third of combined IBRD/IDA shelter lending (see Figure 1). In addition, of the 11 Bank (IBRD/IDA) shelter projects with a finance component committed during the crisis period, no less than seven had a significant micro (housing) finance component. Table 1 lists all housing finance projects committed by the Bank (IBRD/IDA) between 2008 and 2014 and reveals the pervasiveness of the micro housing finance component across these projects. The purpose of these operations ranges from support for capacity building in micro lending, to provision of funds to refinance microfinance institutions, to development of new products, to strengthening regulation and supervision in the sector, etc.

<u>Table 1</u>: Prevalence of housing micro finance in IBRD/IDA projects with housing finance component, 2008-2014

[57] Daphnis (2009: 402) indicates how housing microfinance lenders in Peru and Bolivia stated that rates of return on these loans are on par or higher than in the traditional banking sector: "The Banco Credito in Peru stated that its microfinance portfolio was the most profitable in the bank, along with the credit card business". See also Walley (2012) on how expanding access to "affordable" housing finance in SSA presents a global business opportunity: "Top 16 markets account for 35 million units in shortages or approximately 600 to 700 US$ billion in value" (slide 5).
See also Awanyo et al. (2014) who quote from field research in Ghana that interest rates on housing microfinance loans in Ghana range from 22 to 48 per cent per annum. The authors add, however, that "annual percentage rates comprising interests, fees, and insurance can be as high as 50-100 per cent" (p. 8).

Country	Project Title	Year	Housing Micro Finance Component
India	India Low-Income Housing Finance	2013	Capacity building (development of new financial products, loan standards, risk management tools and financial literacy and consumer protection) and refinancing (by the NHB) of qualified primary lending institutions that provide low-income housing loans. These include microfinance institutions.
Nigeria	Housing Finance Development Program	2013	Housing micro finance component "which aims to support the development and piloting of new and emerging formal HMF products and demonstrate a sustainable business case for these activities".
Columbia	CO-National Macroproyectos Social Interest Program Project	2011	NONE
Uganda	Uganda - Financial Sector DPL 1	2011	General development of housing finance market, including for micro loans.
Morocco	Morocco - Sustainable Access to Finance DPL	2010	General aim: to expand further access to financial services to underserved sectors "while preserving financial stability"[58], this included improving regulation and supervision in the microfinance sector (p.2). The loan included funds for a new housing guarantee fund, Damane Asskane, covering guarantees for housing loans for applicants with low, irregular or informal source of income.[59] [extension of microfinance lending for housing]

[58] http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/10/16/000333037_20121016232915/Rendered/PDF/ICR23100P1172000disclosed0100150120.pdf, p. 1

[59] "poor people are expected to remain the main beneficiaries of this scheme, including slum households for which a specific guarantee scheme has been designed (FOGARIM-VSB). Ftn 24 Launched in July 2004, the national Moroccan program VSB evolves from the wide-sweeping goal of eradicating all slums by 2012 through

Tanzania	Tanzania - Housing Finance Project	2010	Component 2 of the loan focuses on the development of housing microfinance.
Egypt	Affordable Mortgage Finance DPL	2009	Includes addressing the regulatory framework for micro (housing) finance[60]
Latvia	Financial Sector DPL	2009	NONE
Mexico	Private Housing Finance Markets Strengthening Project (loan to the Sociedad Hipotecaria Federal, with guarantee from Mexican government)	2008	To expand access to lower-income groups, including through housing micro-credits[61]
Montenegro	Land Administration and Management Project	2008	NONE (titling project)
Kyrgyz Republic	Second Land and Real Estate Registration Project	2008	NONE (titling project)

Source: World Bank Project Database, Project Appraisal Documents (various)

Notes: This table lists all IBRD/IDA projects with a housing finance component committed between 2008-2014 (and which exceeded US$1 million in commitment).

Further, while "housing finance" strongly dominates Bank (IBRD/IDA) ("public sector") shelter lending during the crisis period, a closer look at the content of the remaining projects classified as "housing policy", "slum upgrading" and "sites-and-services/housing construction", reveals how these type of shelter projects remain characterised by a pervasive emphasis on markets and private sector provisioning – in construction and upgrading, as well as in the provision of trunk infrastructure.[62] Table 2 indicates how 19 projects with such components (out of a total of 30)[63] committed between 2008 and 2014, had explicit elements of private sector provisioning – either in housing construction/slum upgrading or in infrastructure delivery.

Table 5: Private sector involvement in IBRD/IDA housing projects except for housing finance, 2008-2014

making home ownership affordable for the urban poor". (paragraph 48 World Bank 2012 Implementation Completion Report)

[60] http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/09/03/000334955_20090903014626/Rendered/PDF/483050PGD0P1121e0only10R20091021411.pdf

[61] http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/07/12/000356161_20130712120425/Rendered/PDF/ICR28030ICR0Me0Box377377b00PUBLIC00.pdf

[62] Trunk infrastructure in water provisioning, sewage, roads, etc.

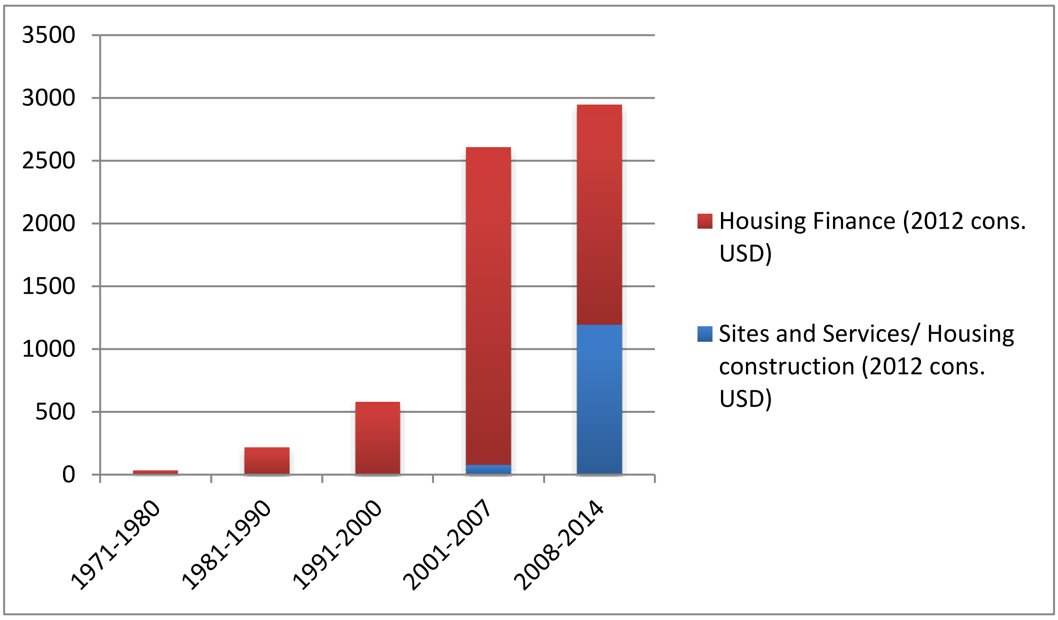
[63] This total project count excludes disaster relief-related projects as well as additional financing on previous projects.

Housing construction and slum upgrading	Provision of trunk infrastructure
PPP model for low-income housing in Productive and Sustainable Cities Development Policy Loan, Columbia 2012	Ghana GAMA project 2013, PPP in sanitation
PPP for land and housing development in National Macroproyectos Social Interest Program Project Columbia 2011	PPP in PE Optimization of Lima Water and Sewerage Systems 2011
Private sector participation in low-income housing production, Brasil Rio de Janeiro Metropolitan Urban and Housing Development 2011	Benin Cities Support Project 2013
PPP for delivery of serviced land and housing in Kenya Informal Settlements Improvement Project (KISIP) 2011	PPP in urban water services, Urban and Water Development Support Project, Cameroon 2010
Jamaica Integrated Community Development Project 2014	PPP in infrastructure and public service provision, Maputo Municipal Development Program II (MMDP II), 2010
MEDEC Low-Carbon DPL Loan, Mexico 2010, subsidy to low-income HHs to allow purchase of house from private providers	PPP in urban water supply, Rep. of Congo - Water; Electricity & Urban Development SIL, 2010
Integrated Urban Development Project (IUDP), Yenen 2010	Promotion of private sector participation in urban public works, Local Urban Infrastructure Development Project, Niger 2008
Promotion of private sector participation in housing and municipal services, Housing and Communal Services Project, Russia 2008	
Involvement of private sector in housing regularisation in slum and other low-income housing areas, and BR Municipal APL: Teresina Enhancing Municipal Governance and Quality of Life Project, 2008	
Promotion of private sector involvement in housing for the poor, Priority Infrastructure Investment Project, Vietnam 2008	
Promotion of private sector (and international tendering) in real estate cadastre development, Montenegro 2008	
Promotion of land and real estate markets, Kyrgyz Republic 2008	

Source: World Bank Project Appraisal Documents (various)

Finally, while the expansion of IFC housing activities (or the Bank Group private sector housing/shelter operations) has slowed down after their very fast expansion over the previous period (having quadrupled over 2001-2007) (see Figure 4), they continue to account for a significant share of total World Bank Group shelter activities, standing at just under half (46 percent) for the 2008-2014 period (see Figure 2).

Figure 4: IFC Housing/Shelter Portfolio, 1971-2014 (July) in constant million 2012 US$.



Source: IFC Project Database and, for IFC projects prior to 1995, database underlying World Bank (2006) which was made available by the authors upon request.

In the wake of the financial crisis, the IFC has sought explicitly "to help resuscitate an important asset class that has fallen out of favour with some investors" (IFC 2013: 2). The IFC pledges to apply lessons learned from the financial crisis and to focus on increasing the supply of mortgage finance (along "international best practice") through its investments.[64] Through its leadership role it seeks to bring investors back to the housing markets.[65] Figure 4 further indicates how the involvement of the IFC in housing construction projects has continued to grow. The latter include two types of activities. On the one hand, the IFC extends loans to, or equity stakes in, private real estate developers that often have been tasked by government with the development of affordable housing through public-

[64] Kihato (2013) also points to the role of the private sector affiliates of various donor organisations, including the IFC, in stimulating investor in microfinance "by taking first lost risk positions or easing the risk burden in some other way for commercial investors".
[65] See, e.g., IFC (2013: 1) on how the IFC's investment in an Indian housing finance company, Aadhar Housing Finance Pvt Ltd., in 2011, serves as an illustration of how "the low-income demographic can be a profitable segment for mortgages".

private partnership.[66] On the other, IFC involvement in housing construction includes its investments in the private production of building materials (in particular cement).[67]

Apart from its various lending programmes, the World Bank Group, finally, plays an important "knowledge" role in international housing policy. Across such various knowledge activities, there is little, if any, acknowledgement of, or constructive engagement with, the dramatic realities unleashed by the global financial crisis, originating in the tight integration of finance and housing circuits – promoted through the Bank's various knowledge fora. The IFC, for instance, offers a host of advisory services products, which include a Global Mortgage Toolkit, a Housing Microfinance Toolkit, and other advisory services on how to create an enabling environment for housing finance (Gwinner 2012: 11). Various Economic and Sector Work is undertaken with the aim of taking forward the Bank's enabling and finance-led housing framework in specific country contexts.[68] And, the World Bank Group organises a bi-annual Global Housing Finance Conference, which saw its 6th staging in 2014. The latest edition, in 2014, #housing4all, continued to explore "innovative" ways in which housing finance can be structured to meet housing needs across societies, including for the poor.[69] The conference brought together more than 300 government and private sector representatives, and key "takeaways" deriving from the conference were identified as follows. First, public-private partnerships play a critical role in helping to deliver affordable housing. Second, funds from institutional investors should be mobilised to address the housing gap. The aim is to connect "long-term resources (accumulated savings, pension funds, investment funds)" to long-term investments, and "this is where capital markets can help intermediate through instruments such as covered mortgage bonds [and] mortgage-backed securities". Third, there is need for a holistic approach to affordable housing, where all the building blocks in a housing finance system are integrated – from raw materials, to skills, to finance. And, fourth, as formal mortgages are not always "the most

[66] Nam Long Housing Vietnam 2014; Value and Budget Housing India 2013; Smart Value Homes Ltd India 2013; SB Real Estate Georgia 2013; Triada LIC Columbia 2012; Urbi Verde I Mexico 2012; MCS Property Mongolia 2012; Alpha Geo Mexico 2011; Artha Capital Mexico 2011; Canopus Brasil 2011; Brookfield Resid Brasil 2010; Solida Mexico 2010; Vinte PCG Mexico 2010; Titan Egypt Egypt 2009; Mixta Africa Morocco 2008.

[67] PPC Barnet DRC 2014 (cement); Nyumba Ya Akiba DRC 2014 (cement); Roofings Rolling Milling Uganda 2010 (steel); ASEC Algeria, SPA Algeria (cement); Vicat Sagar Cement India 2009; Secil Lobito Angolo 2008 (cement); Derba Midroc Cement Ethiopia 2008; Assan Aluminum Turkey 2008; Jambyl Cement LLP Kazakhstan 2008; Ynna Asment Morroco 2008 (cement).

[68] See e.g. Walley (2011) for an in-depth account of necessary actions to develop further Kenya's mortgage market. Recommendations include improved risk management and the development of a secondary mortgage market – with the concomitant recommendation that investment rules of pension funds and insurance companies are reviewed so that these institutions can participate in the market for mortgage-covered bonds, once developed. Chapter 5 of Walley (2011), which focuses on the need to develop a secondary mortgage market in Kenya, mentions the global financial crisis once, and this is in a footnote (13 on p. 42). See also Buckley and Mathema (2007) for a study of housing conditions in Accra as part of an appraisal of MIGA-sponsored residential real estate development in Accra.

[69] See http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:23142505~menuPK:34482~pagePK:2524753~piPK:51421526~theSitePK:4607,00.html, for details of the 5th Global Housing Finance Conference (2012). And http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/0,,contentMDK:22603419~menuPK:6018850~pagePK:210058~piPK:210062~theSitePK:282885~isCURL:Y,00.html, for the 4th Global Housing Finance Conference (2010).

appropriate financial instrument for every borrower", housing micro-finance or rental housing may offer affordable solutions.[70] In sum:

"Providing housing for 3 billion people by 2030 is both a challenge and an opportunity. It is not an impossible feat, but one that can be overcome if we work together to develop financial systems that will increase access to sustainable housing finance in the developing world, and create opportunities for affordable housing for all".

Since the implosion of the subprime mortgage market in the USA, the Bank has then remained remarkably unfazed in its projection of a market- and finance-led housing paradigm. As illustrated above, in Bank practice and discourse, the main challenge to be overcome in addressing dramatic shelter deficiencies continues to be understood in terms of finance (if not exclusively housing finance), while supply-side inadequacies necessitate further promotion of private sector provisioning. Indeed, the paradigm, with its embedded emphasis on finance, has not suffered any fallout from the crisis and its brutal unveiling of the hazards of increasingly financialised housing relations. Perhaps this is not entirely surprising given the policy response we have witnessed in developed countries. Ball (2010: 933) observes:

"The policy focus has been towards rescuing the financial system, reviving economies and attempts to put in place hoped-for better financial regulation … Reform is … narrowly focused. In particular, although mortgage and housing markets were at the forefront of the financial system's loss of faith in counterparties and the decline in economic activity, reform there is currently limited to fire-fighting decline rather than a fundamental consideration of many distortions that exist. An opportunity is being lost".

Things are probably worst in the developing countries as no substantive lessons are drawn from the crisis and the role of housing finance and the attendant promotion of particular forms of housing provision (individual, private, commodified, and often incremental) continue their unabated advance in less advanced economies at the expense of much necessary alternatives that create possibilities for <u>large-scale</u> improvements in shelter conditions. Finally, as the hazards of finance-led housing provision remain starkly ignored, financial "innovation" continues apace. This can be illustrated with reference to the introduction of pension-backed housing loans, for instance, in Kenya in 2009. The scheme allows pension savers to use up to 60 percent of their accumulated pension savings as collateral guaranteeing a housing loan. A number of lenders have launched the product and one (foreign) bank offers up to 105 percent loan to property value backed by pensions. Pension-backed loans are banned in developed countries. A senior housing finance specialist at the Bank observes (Walley 2011):

"The risk of a borrower losing both home and retirement benefits are too great … and outweigh any benefits from increased access to housing finance. In emerging economies, these products are seen as providing an additional safeguard on top of the housing collateral".

At least the collateral of the loan is guaranteed, even at the risk of the mortgagee losing <u>both</u> home and pension!

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[70]http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/0,,contentMDK:23527595~pagePK:210058~piPK:210062~theSitePK:282885,00.html

Conclusion

This paper has sought to situate historically the Bank's position on housing (discursively and in practice). It illustrated how the housing agenda as promoted by the Bank became from early on subservient to an agenda that sought to expand the realm of markets in general, and subsequently of finance more particularly, to resolve an urgent issue of deficient provisioning of a core service (shelter). This reflects a neoliberal approach to development in general, and to housing in particular, with the origins of neoliberal features of World Bank interventions in housing to be traced to its first interventions in housing in the early 1970s. The neoliberal character of the Bank's housing advocacy, further, became increasingly infused with a focus on housing finance, as financialisation proceeded apace across the (housing) sector in major OECD economies.

The finance-led housing paradigm promoted by the Bank has suffered little setback in the wake of the global financial and economic crises. This is despite the dramatic failure of the finance-cum-private provisioning paradigm to deliver in terms of the persistent deficit in large-scale shelter needs in large parts of the developing world and the dramatic exposure of large numbers of people to the vagaries of the (financial) markets in developed countries.

A particular set of analytical arguments drives the commitment to commodified provisioning and housing finance characterising Bank's discourse and practices (and beyond). These need careful scrutiny in terms of their adequacy in capturing the realities governing housing/shelter in developing countries. Such an investigation would assist in providing building blocks for an alternative framework to conceptualise housing provision in a particular setting, hopefully leading to more appropriate policy recommendations over and beyond the persistent emphasis on "titling" (or private property), "home" ownership, housing finance, land deregulation, etc. As such, a general critique of the analytical propositions driving the Bank's policy stance needs to be combined with a concrete understanding of the various structures and mechanisms governing housing supply in particular settings. This necessitates a method of analysis or an analytical framework that can accommodate the different actors and factors bearing on housing provisioning, which operate across (or bear upon) the various elements of a specific system of housing provision, and which straddle the national and international spheres. Such an approach can benefit from the recent revival of the "systems of provision" framework in the context of housing (see Bayliss et al 2013; Robertson 2014). It would also need to incorporate explicit attention to international factors bearing on a particular system of shelter/housing provision in a specific developing country. Pugh (2001: 399-400), indeed, observes how:

"housing sector development in developing countries has taken a different course and been subject to far greater internationalisation than was the case for developed countries in the past … internationalisation has been having widely pervasive influences. Although individual nations develop their housing and urban policies within their own political, economic and cultural conditions, the World Bank and other international aid agencies have had powerful impacts in promoting and applying their favoured (and changing) theories and practices of housing … broader international economic processes and reforms … will … influence conditions in the housing sectors, including flows of finance, cost of credit, public finance and the affordabilities among households and within the construction industry".

This is echoed in Owusu (2011) who deplores how “the influence of factors at the international/global level … is rarely considered” when trying to understand national housing policy. Murray and Myers (2006: 3) make a similar (if vaguer) point in the broader context of urban development arguing that when:

“seeking to grasp the complexities of the urban experience in Africa, it is necessary to connect ongoing processes of urbanisation with the current phase of globalisation”.

Such an approach would reveal the “variegated” nature of neoliberalism and/or financialisation in housing in specific settings (see also Peck et al. 2013), and to assess its implications for shelter provision in a specific context. This paper then provides the beginning of a longer work programme, and I want to close (and at the same time provide openings to what is to come) with the following observations provoked by my reading of an article published in the early 1990s with the title: “The need for new urban housing in sub-Saharan Africa: problem or opportunity?” (Tipple 1994). Echoing World Bank (1993: 4 and 11), the article aims to put housing squarely back amidst other productive investment (rather than that it be exclusively understood as part of social welfare), and hence at the heart of a country’s development strategy, and seeks to examine the various employment, linkage, income effects that such a strategy could entail. As the author situates the issues bearing housing in sub-Saharan Africa, he cogently asserts how (p. 593):

“the poorest people cannot really afford to spend anything on housing, and that the ability to pay the magic 25 percent of income so hallowed by many policy-makers only begins fairly well-up the income scale”.

Indeed! He continues, however, as follows (my emphasis):

“In this context of great need and very limited personal resources policy-makers might be lured into regarding housing as such a necessity that it must be treated as a social good; something to be provided along with medical care and education as a right. However, <u>to regard it thus can be damaging to the future of housing</u>”.

The idea for Tipple (1994) is that if housing is not commodified, or provided through the market, it will be perceived as outside the productive realm (or it will be perceived “not as a useful economic commodity”, p. 593), and suffer from insufficient resource allocation (investment). This biased understanding of what constitutes “the wealth of a nation” and which sectors attract investment and why, then combines with specific charges levelled at various public housing initiatives in sub-Saharan Africa (“unrealistically high standards”, expensive, necessitating fiscal resources, etc). Tipple continues by observing that large-scale developers of low cost housing are mainly absent in sub-Saharan Africa: there is no “well developed system of formal, private sector housing supply … The speculative builder, constructing housing ahead of demand, is largely absent”. Supply then becomes a matter of individual initiative and the author continues to assemble arguments in favour of the self-build shelter industry (in terms of employment, linkages, etc.). Much like in the World Bank approach, the crisis-response of the poorest individuals through slum building is taken to represent the building block for a conceptualisation of housing policy, where such forms of provision (individual self-help) are to be built upon and form the basis for the rejection of collective forms of provisioning through state-funded interventions. There is little recognition of self-help for the crisis response it is, generating dramatically ill-suited housing outcomes, which cry out for alternatives where standards can be upheld, where supply can proceed in an orderly manner, where scale economies can be realised, formal employment generated, land used efficiently, etc.

There is an urgent need to open the proverbial policy space around housing in developing countries, to locate housing strategically at the heart of a country's development strategy, and to explore the implications of particular forms of housing provision for broader issues of employment, income, demand generation, work conditions, etc. In 1961, the Singaporean government created the Housing and Development Board to produce the first high-rise flats "which became the mainstay of Singaporean housing" (Ronald and Doling 2012: 242). By 1970, the Board had created 118,544 dwellings, housing 700,000 people (which at the time was 35 percent of the total population) (Yeung 1973). By 2012, 80 percent of the housing stock was constituted of publicly-provided owner-occupied flats, and the state played a central role in the housing market: "controlling the flow of stock, the price of new units and who is eligible to buy at subsidised rates (Ronald and Doling 2010: 242). Crucially, from its inception the Singaporean Housing and Development Board did not borrow from outside sources like the World Bank. All its loans came from the Singaporean government – together with a transfer of funds between Central Provident Fund accounts and the Board, to which, from 1955 onwards, Singaporean workers contributed a monthly proportion of their wages – matched by employers and saved in a central government fund for retirement (Doling 2012). Crucially, by the early 1970s, the Singaporean Republic claimed to be producing multi-storeyed public housing at the lowest cost in the world (Yeung 1973: 50 ftn 2). Five factors were highlighted as accounting for this. First, economies of scale were realised. Second, economies were made on design costs through the concentration on fewer practical and standardised designs. Third, a streamlined system of selecting contractors was devised where a large circle of contractors was incorporated so that costs could be controlled. Fourth, due to standardisation, the period of construction for similar projects shortened significantly. And, fifth, new building methods that sought to economise costs were complemented by the development and supply of basic building materials by the Board itself (Yeung 1973: 50). So much for the axiomatic failures of the public sector! What this reference to the Singaporean success of public housing seeks to do is to highlight the possibilities of successful intervention in housing provision on behalf of the state in developing countries, rather than that the standard mantra of public housing failures is elevated to canonical status. Creative solutions to the dire shelter situation in large parts of the developing world necessitate a return to engage with the realities governing the possibilities of large-scale housing expansion, rather than being continuously stunted by an all-pervasive ideological commitment in favour of individual, commodified and, increasingly, financialised shelter provision.

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