# Is affordable housing a pipedream for most of Dhaka's residents?

With a burgeoning urban population, Dhaka's residents are finding it increasingly difficult to afford housing and the demand for low-cost housing is soaring. Irteza A Khan, Managing Director, Meridien Finance & Investment Ltd, talks to Syed Mansur Hashim, Assistant Editor, The Daily Star, about why lower and lower-middle income groups in the country do not have access to permanent housing and why non-bank financial institutions are focusing on dormitory style housing for industrial workers.

What is the current scenario of low-cost housing finance market in Bangladesh? What growth projections are you estimating on a year-to-year basis for the foreseeable future?

The scarcity and cost of urban land for housing are major problems in our country. We know that the urban population is growing at a rate of about 4.4 percent and currently a third of the population lives in urban areas. If we look at the cities, residents are suffering from deteriorating infrastructure in the form of poor housing. The bulk of our urban population is dominated by lowermiddle and low-income population and a majority of them are employed in the informal sector. In the current housing market, it is considered impossible for these low-income segments to own affordable

Among various impediments that the housing and housing finance sectors are facing is the inefficiency of the regulatory regime, including land administration frameworks, poor legal infrastructure, deficient financial systems, a dearth of longterm funding and limited avenues for developer finance. Insufficient developed land, inappropriate land planning and urban development policies are driving up real estate prices. Registration procedures and costs, and a poor regulatory framework for real estate stifle the market, as does the lack of an organised database and key information on the housing sector.

Bangladesh has the highest level of gap between demand and supply for housing solutions. According to a study by the International Finance Corporation (IFC), approximately 8.5 million new housing facilities need to be constructed between 2017 and 2020 to overcome the existing shortage and meet the future demands of housing.

Against this massive demand, Real Estate and Housing Association of Bangladesh (REHAB) estimates that around 25,000 units—mostly above 1,000 sq ft-are supplied each year, of which formal real-estate developers cater around 60 percent and the rest are developed individually. Interestingly, only two percent of these newly constructed apartments fall under "low-cost housing solutions." In fact, the bottom of the pyramid of low-cost housing finance demand is not being served yet.

Given all these limitations, how are you approaching the problems of financing the low-cost housing segment, particularly to house industrial workers?

Besides providing housing finance for regular client segments, we have been successfully financing landlords to construct low-cost commercial dormitories with shared facilities adjacent to readymade garments factories and industrial zones for low-income group workers who spend as high as 55 percent of their disposable income on accommodation. These are basic single-storied concrete house construction projects with shared facilities like gas, electricity, running water, toilets, and kitchens. Nuclear families are now a growing trend and due to the high cost of living, these families are opting for smallsized apartments. To cater to their needs, we are offering small-sized apartment construction and purchase loan to these nuclear families in the outskirts of metropolitan cities and at district levels.

Demand for accommodation is increasing rapidly in labour-intensive areas around Dhaka. Is this why non-bank financial institutions (NBFIs) are putting their money in small-sized housing? How secure is their investment?



Irteza A Khan

In the RMG belts and other industrial zones around Dhaka, the workers need accommodation as workplace productivity is directly linked to conveniently placed housing. The landowners of these areas have come forward with dormitory facilities for groups of the low-income segment. Because of the single-storied semi-pucca structure of these dormitories, they do not require large investments. Such dormitories generally consist of several rooms, shared common toilets and kitchens to accommodate a number of families. The financing is anywhere between Tk 1.5 million and Tk 15 million. Secured financing in this segment makes sense because lead time to rent out space is extremely short. Moreover, portfolio performance is highly satisfactory which is attracting NBFIs towards this segment for investment.

How many NBFIs are involved in the financing of this particular housing segment? There are about 34 NBFIs in the financial system but only 8 to 10 are actively involved in the housing segment. Among these, very few are focused on extending low-cost housing finance. The irony is that most NBFIs, owing to their legal form and smaller balance sheets, have limited capacity for long-term fundraising for housing finance and thus can build only smaller portfolios. Despite huge demand, there are many

limitations which prevent low-cost housing finance from flourishing. Bringing the lowincome segment under the purview of financial inclusion and government allocation of low-cost, long-term funds for NBFIs are some of the major prerequisites for housing finance solutions to emerge.

What are the problems you faced in pitching the dormitory concept? Because it is a fact that wherever a factory is set up, landowners in the area set up accommodation (mess) for workers which is to be rented out. So, how did you overcome the opposition from property owners?

It's unrealistic to expect factory owners to set up housing for workers because it is not feasible. We have, in Bangladesh, some RMG groups that employ 18,000-20,000 workers in their factories. How will these factories provide housing for so many workers? Rather it makes sense for local landowners to construct accommodation for factory workers as the demand is huge and rental return is very stable to serve debt borrowed from financial institutions.

What policy suggestions do you have regarding where to build these housing projects?

The present regulatory, legal and funding environment is not quite supportive and

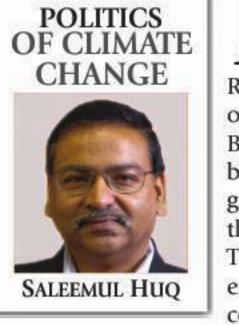
requires review and adjustment. The country still lacks a comprehensive policy framework on housing and housing finance, apex national housing finance bank, an Act on real estate regulation (similar to the new law in India), publicprivate partnership for housing projects, collateral registry for mortgage, enforcement of mortgage rights of financial institutions, regulatory authority for national housing finance, and a tax structure for supply and usage of land.

The government should progressively modernise the legal and regulatory framework and computerise the land record system so as to encourage and support land markets that can respond to the variety of demands from individuals, households, enterprises and investors. The public-private partnership (PPP) approach for housing projects should be the way forward. The local authority/pourashava (municipality) should consider zoning specific land areas for lowincome settlements and allow for regularisation of tenable informal settlements.

Development of mass rental housing, which caters to the needs of the majority of low-income households, should be encouraged. Basic leases should be used along with group tenure arrangements, whereby a block is registered under a lease agreement to the group or a local authority. Private landowners should be encouraged to set up lease contracts with occupiers which protect the interest of all parties. It is necessary to undertake programmes for physical improvement of the slum/informal settlements and provision of basic services through a participatory community action plan. This will facilitate the integration of these settlements with the wider urban area and also improve their quality of life.

### ROHINGYA CRISIS

## Environmental challenges that can't be ignored



T is now well over a year since nearly 700,000 Rohingyas were forced out of Myanmar and Bangladesh opened its borders to them and gave them shelter in the Cox's Bazar region. The immediate emergency period is

coming to an end and the government of Bangladesh as well as all the international and national agencies involved in providing humanitarian assistance need to start thinking about longer term aspects of the problems of the ecosystems and people (both the locals and

the Rohingyas) living next to each other. The issue is a very complex one and has no easy solutions as every potential solution has its own drawbacks. Nevertheless, an effort to take us forward is essential.

The first point is that even though the Rohingyas are not climate migrants, their camps and the surrounding ecosystems have become one of the most climate-vulnerable parts of the country. Hence the future climate change adaptation strategies for Bangladesh need to have a strategy for the Cox's Bazar region, including the Rohingya camps and their surrounding areas and populations. This region has now emerged as one of the country's major climate-vulnerable "hotspots".

The second point is the need to focus on the loss of forests and biodiversity associated



This picture taken on December 4, 2017, shows a young Rohingya refugee carrying firewood as he walks through the Kutupalong refugee camp.

with providing space for Rohingya camps and firewood collection by the refugees. Even though the Rohingyas are now being provided with liquefied petroleum gas (LPG) canisters for cooking, this is not without its own problems (including its high costs). A longer term solution will be needed which may include more environment-friendly options such as solar energy for lighting at

night and improved stoves for cooking. All this is being done but needs to be scaled up considerably to cover more of the population-both inside and outside the

Another problem that will need to have longer term solutions is waste management, both for faecal sludge and other solid wastes such as plastics. They are being managed in

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an ad hoc manner for now but long-term strategies need to be developed.

The situation regarding water and sanitation has largely been dealt with adequately but the way it is being managed cannot go on in the long run. This is true both inside and outside the camps.

Finally, housing for the Rohingyas is of course another major dilemma. Will they

return to Myanmar (the ideal solution but it does not look very feasible in the shortterm), get relocated within Bangladesh (quite likely), or remain where they are for the foreseeable future? All three of these scenarios are fraught with their own problems but will have to be considered whether we like it or not.

In my own view, an almost unique aspect of the Rohingyas, compared to many other refugees around the world, is the overwhelming number and proportion of young girls and boys in the camps. The Bangladesh government, international bodies and local NGOs have done an outstanding job in taking care of their immediate humanitarian needs, but this is no longer enough and we need to think hard about things like education for them in the longterm. It is up to Bangladesh to invest in their education, even if they are not our own citizens, as we are now their de facto guardians. If we fail to do so, then they are more likely to grow up to become anti-social and will possibly turn to criminal acts in the

So while every effort must be made at the international level to persuade the government of Myanmar to take back their own citizens and protect their rights, we must also face the reality on the ground as we did when we took them in. This means we also have to think about their future, as much for them as for ourselves.

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Former Australian PM Kevin Rudd, left, signs an autograph for an Aboriginal woman after delivering a speech where he apologised to indigenous people for past treatment.

February 13, 2008 AUSTRALIAN PM KEVIN RUDD APOLOGISES TO INDIGENOUS AUSTRALIANS FOR THE STOLEN GENERATIONS.

Between 10 and 30 percent of Aboriginal and Torres Islander children were removed from their families until the 1960s.

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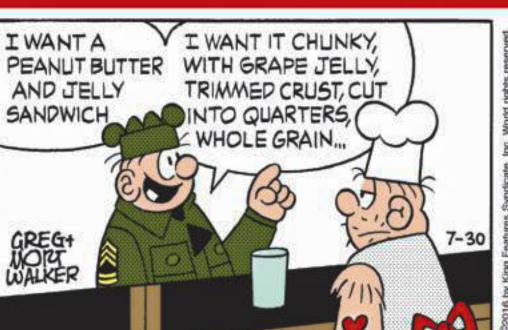
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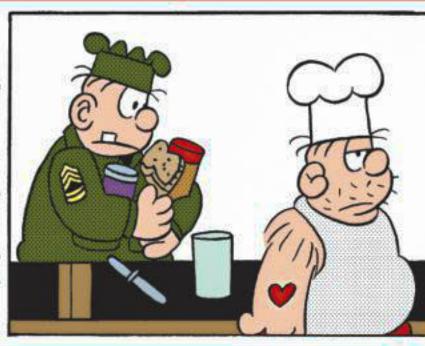
7 New York lake 8 Digitise for computer use 9 Sober 11 Rink patron 14 Road sign 19 Trifling

20 Bit of history 24 "Lord Jim" author 25 "Help me out here" 26 Last 27 Arthurian island 29 Set straight 30 Soprano Scotto 33 Rear -- (accident) 35 Towel word 38 Young fellow 39 Possesses Write for us. Send us your opinion pieces to

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## BEETLE BAILEY





**BABY BLUES** 

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