

OXFAM AMERICA
RESEARCH BACKGROUNDER

Housing Delivery and Housing Finance in Haiti

Operationalizing the national
housing policy

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Author information and acknowledgments

This paper was researched and written by the Affordable Housing Institute. Founded in 2000 as a US §501(c)(3) public charity, AHI is a global leader in pro-poor affordable housing development and finance, especially in rapidly growing cities that include semi-formal and informal areas. AHI works in many different countries for entities that are seeking to maximize the public good by leveraging public and private resources in innovation partnerships. The AHI team on this assignment consisted of:

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ACRONYMS AND ABBREVIATIONS

* proposed entities

ACME	<i>Association pour la Coopération avec la Micro Entreprise</i> (Association for Micro-enterprise Cooperation)
*AF	<i>Agence Foncière: Direction du Développement Foncier</i>
ATL	<i>Agences Techniques Locales</i> (Local Technical Agencies)
BNC	<i>Banque Nationale de Crédit</i> (National Credit Bank)
BMPAD	<i>Bureau de Monétisation des Programmes d'Aide au Développement</i> (Office of Development Assistance)
*BNH	<i>Banque Nationale de l'Habitat</i>
BPH	<i>Banque Populaire Haïtienne</i> (Haitian People's Bank)
BRH	<i>Banque de la République d'Haïti</i> (Central Bank of Haiti)
CASECs	<i>Conseils d'Administration des Sections Communales</i> (Administrative Councils of the Communal Sections)
*CENH	<i>Caisse d'Épargne Nationale de l'Habitat</i>
CIAT	<i>Comité Interministériel d'Aménagement du Territoire</i> (Inter-Ministerial Committee for Land Management)
CNIGS	<i>Centre National de l'Information Geospatiale</i> (National Center for Geospatial Information)
CRV	<i>Cellule de Réduction de la Vulnérabilité</i> (Department of Vulnerability Reduction)
DCPJ	<i>Direction de Contrôle des Professions Judiciaires</i> (Contrôle Directorate of Judicial Professions)
DCT	<i>Direction des Collectivités Territoriales</i> (Management of Territorial Communities)
*DDF	<i>Direction du Développement Foncier</i>
DGI	<i>Direction Générale des Impôts</i> (General Direction of Taxes)
DINEPA	<i>Direction Nationale d'Eau Potable et d'Assainissement</i> (National Agency for Water and Sanitation)
DPC	<i>Direction de la Protection Civile</i> (Directorate of Civil Protection)
*DRF	<i>Direction de la Régularisation Foncière</i>
DTM	Displacement Tracking Matrix
DTP	<i>Direction des Travaux Publics</i> (Direction of Public Works)
*DUH	Department of Urban Homesteading
*DUP	Department of Urban Planning

EDH	<i>Electricité d’Haïti</i> (Electricity of Haiti)
*EPAGI	<i>Établissement Public d’Aménagement et de Gestion Immobilière</i>
EPPLS	<i>Éntreprise Publique de Promotion de Logements Sociaux</i> (Public Agency for Social Housing)
FAES	<i>Fonds d’Assistance Économique et Sociale</i> (Fund for Economic and Social Assistance)
FHA	Federal Housing Administration (US)
GHB	Government Housing Bank (Thailand)
GoH	Government of Haiti
HH	Households
IDP	Internally Displaced Person
IFC	International Financial Corporation
IFI	International Finance Institution
IHRC	Interim Haiti Recovery Commission
IHSI	<i>Institut Haïtien de Statistique et d’Informatique</i> (Haitian Institute of Statistics and Information)
INARA	<i>Institut National de la Réforme Agraire</i> (National Agrarian Reform Institute)
INGO	International Non-Governmental Organization
IOM	International Organization for Migration
MARNDR	<i>Ministère de l’Agriculture, de Ressources Naturelles et du Développement Rural</i> (Ministry of Agriculture and Rural Development)
MAST	<i>Ministère des Affaires Sociales et du Travail</i> (Ministry of Social Affairs and Labor)
MDE	<i>Ministère de l’Environnement</i> (Ministry of the Environment)
MEF	<i>Ministère de l’Économie et des Finances</i> (Ministry of Economy and Finance)
MICT	<i>Ministère de l’Intérieur, des Collectivités Territoriales et de la Défense Nationale</i> (Ministry of the Interior, Territories and National Defence)
MJSP	<i>Ministère de la Justice et de la Sécurité Publique</i> (Ministry of Justice and Public Security)
MPCE	<i>Ministère de Planification et Coopération Externe</i> (Ministry of Planning and External Cooperation)
MTPTC	<i>Ministère des Travaux Publics, Transport, et Communications</i> (Ministry of Public Works, Transportation, and Communications)
*MVH	<i>Ministère de la Ville et de l’Habitat</i>
ONA	<i>Office d’Assurance Veillesse</i> (National Social Security Agency)
ONACA	<i>Office Nationale du Cadastre</i> (National Cadaster Agency)

OPIC	Overseas Private Investment Corporation
OREPA	<i>Offices Regionaux de l'Eau Potable et de l'Assainissement</i> (Regional Office of Drinkable Water and Sanitation)
PNL	<i>Politique Nationale du Logement</i>
PNUD (UNDP)	<i>Programme des Nations Unies pour le Développement</i> (United Nations Development Program)
SEEUR	<i>Service d'Entretien des Équipements Urbains et Ruraux</i> (Services in Urban and Rural Equipment Maintenance)
SFH	<i>Sociedad Hipotecaria Federal</i> (Federal Mortgage Society; Mexico)
SGU	<i>Service de Génie Urbain</i> (Services in Urban Engineering)
SMEs	Small and Medium Enterprises
SOFIHDES	<i>Société Financière Haïtienne de Développement S.A</i> (Society for Haitian Financial Development)
SOGESOL	<i>Société Générale Haïtienne de Solidarité</i> (General Haitian Society for Solidarity)
SPU	<i>Service de Planification Urbaine</i> (Services in Urban Planning)
UAT	<i>Unité d'Aménagement du Territoire</i> (Regional Planning Unit)
UCAONG	<i>Unité de Coordination des Activités des Organisations Non-Gouvernementale</i> (Coordination Unit for NGO Activities)
UCLBP	<i>Unité de Construction du Logement et des Bâtiments Publics</i> (Unit for Construction, Housing and Public Buildings)
UNOPS	United Nations Operations
UN-HABITAT	UN Agency for Human Settlements

Executive summary

Although the 2010 earthquake destroyed much of Haiti's urban infrastructure, it is not the sole cause of the nation's distress today. Rather, the earthquake exposed weaknesses in Haiti's housing ecosystem—including delivery blockages and the absence of effective supply and demand value chains that must be addressed or the nation will never be able to build a successful society with quality affordable urban housing.

The challenges in Haiti's housing ecosystem today

To revitalize Haiti's economy, Haiti must rebuild and redevelop its cities. This requires not just implementation of the National Housing Policy (Politique Nationale du Logement), but also substantial commitment to change in Haitian governmental institutions and their procedures in order to simplify and enable housing's twin value chains – supply-side delivery of new or renovated housing, and demand-side delivery of finance to end users and developers.

Just over three years after the devastating earthquake, Port-au-Prince and other affected cities have not recovered, and as a result Haiti's economy is suffering as well. The country was poor before the earthquake, much poorer than neighboring countries in the region, with a housing system that did not work effectively. Since 2010, no structural advancements have been made to lessen Haiti's poverty, and the housing delivery system is even less effective, producing poor quality housing that causes ongoing loss of life and assets.

A “housing ecosystem”

A housing ecosystem is the totality of markets, laws, resources, participants, and inventory that make up housing delivery and housing finance. Housing is an output of the ecosystem, and some ecosystems are more effective than others at creating or improving housing.

Every nation's housing ecosystem is unique. It is rooted in geography, climate, history, culture, national government, legal structure (including original laws, if the country was colonized), economy, the macro-economy (including inflation and interest rates), taxation, and existing political and governmental systems.

In the housing ecosystem, as in other ecosystems, everything influences everything else, and everything evolves in relation to everything else. Therefore, new introductions, or changes imposed from outside, may work well in one ecosystem and badly in another.

Analysis of the current situation shows blockages in all stages of housing delivery, including land procurement, infrastructure provision, availability of quality building materials, capacity in the construction industry, and the availability of finance both for the development of housing and to enable end users to purchase housing or make home improvements. Meanwhile, permanent housing initiatives by the government and international actors do not respond to the needs of Haiti's poorest and often crowd out or provide deterrents to private sector or household investment.

The complementary roles of government and the private sector

In well-developed and fully functioning housing ecosystems, the private sector, including financial institutions, is the principal agent of delivery on both the supply side (new homes and home improvements) and the demand side (mortgage finance, home lending, and home improvement lending). However, even in a fully developed ecosystem, the private sector cannot reach all households; below some level of income, customers cannot afford market-quality housing, so the government plays a role in subsidizing these households or housing aimed at these households.

For these reasons, even the richest and most efficient countries need government involvement in the housing system. In fact, everywhere in the world, government is heavily involved in both the supply side and the demand side of housing delivery. In emerging countries, government faces a more difficult choice: a much larger percentage of the population requires affordable housing below market prices, yet the government's resources to provide that housing are proportionately less. As a result, in most emerging countries, government chooses which subgroups—by income, household, location, family status, employment, or other criteria—it will serve, and hence which groups it cannot help.

Haiti's situation is even more challenging than the typical emerging nation, first because of the 2010 earthquake, and second because even before the earthquake, Haiti's housing ecosystem did not deliver for most Haitians. Haiti has an even greater than normal need for the private sector, including financial institutions, to participate actively in national redevelopment and rebuilding.

Ultimately, there will never be longstanding and scalable change in the housing sector until the government develops:

- Means to clarify land title and provide security of tenure (for occupants) and collectability of collateral (for lenders).
- Mechanisms and markets for proper long-term mortgage finance.
- Established subsidy programs either for people or for affordable homes.

Revitalizing Haiti therefore requires changing governmental institutions so that they function effectively along both the supply side and demand side—otherwise

they will never be able to convert the goals set out in policy documents such as the proposed Politique National du Logement from a series of statements into working policies, programs, and functioning housing-delivery systems.

For this to occur, the government must work with the private sector to create an enabling environment in which:

- Private parties take commercial risks and government absorbs the non-commercial risks.
- Private parties deliver quality products and services at market-competitive prices and government provides subsidy 'at the margin' to make those products and services affordable to lower-income Haitians.

To achieve this requires the private sector to engage with government, in the process of creating the enabling environment, as an “optimistic counterparty”—willing to negotiate creatively and in good faith while recognizing and acknowledging the other party's objectives, imperatives, and limitations.

Core principles by which to implement the Politique National du Logement

At one level, implementation of the Politique National du Logement is a highly technical exercise, with many specific proposals and requirements to be specified. At a more fundamental level, however, its implementation must be guided by some core principles that can inform and shape the specifics. These are:

1. **Act as if Haiti has a national crisis, because it does.** No longer can anyone claim that the disruption in Haiti's cities is simply an aftermath of the earthquake: Chile, which had an earthquake of higher magnitude after Haiti's, has long since passed out of relief and recovery and into redevelopment. Even countries of similar GDP, such as Nicaragua in 1973, recovered and redeveloped faster than Haiti. Moreover, unsafe and overcrowded informal settlements existed long before the earthquake, and continue to be a public health and safety hazard. Haiti should be recognized as being in a national crisis and its laws and implementation measures, including that of expropriation, need to be implemented with commensurate urgency and speed.
2. **Simplify and consolidate.** Haiti's housing value chains, especially the supply side, cut across multiple entities within different ministries. Since each report upwards independently, it is impossible to execute a coordinated housing or urbanization strategy. Consolidating UCLBP, EPPLS and CIAT and the urban functions from other ministries into a single legal entity would reflect international best practices, and provide stakeholders, whether developers, lenders, or home owners and occupants, with visible points of contact and easy-to-understand

principles of development and financing. This could be the embryo of a future ministry.

3. **Elevate housing and urbanization to a national ministry**, with suitable agencies and directorates, and create complementary entities within that national ministry. As implied by the two previous points, housing and urbanization are national emergency priorities but are not treated as such. Making housing a ministerial-level priority creates an umbrella to bring in these activities and functions, and then to coordinate them because they will all be under one single minister. The first housing minister will have a huge job to undertake, and it's critical at inception to have the right governance with the right organizational platform.
4. **Operationalize a government housing entity**. Haiti's private sector is not tackling urban redevelopment at scale or speed matching the national emergency, and will not do so without support and risk mitigation from the government. Haiti needs government entities that develop and finance (or facilitate development and financing), and it lacks them. Ministries regulate and subsidize, they do not develop or finance. Hence, like most of the world's nations, Haiti needs a government entity that can act as a real estate developer or co-developer, and can also activate the government's inherent power to effect fairly compensated expropriation. Eminent domain will allow verification of land titles and acquisition by the state of spaces situated in priority investment zones and devastated neighborhoods.
5. **Create government-sponsored banking capacity on both the savings and lending sides**. By itself, commercial banking will not go down-market fast enough or innovatively enough. Nor will commercial banking take advantage of the Haitian diaspora and capture remittances, estimated at over \$1.2 billion annually, which are often directed by expatriate Haitians toward improving the quality of housing life for their relatives back home, and yet which cannot find expression in housing loans. Bank assets will be mobilized for lending through specialized institutions and subsidies put in place, on both the demand and supply side, to assist those who do not have the purchasing power.
6. **Make housing and urbanization national priorities**. Leadership starts at the top. The president and prime minister should empower the national ministry for housing and urbanization to launch and support the innovation and consolidation necessary to convert housing policies from ideas into programs.

Stakes, objectives, and challenges of Haitian habitat policy

The situation in urban Haiti and particularly Port-au-Prince is dire. Urban management and planning mechanisms are unstructured, dysfunctional, or non-existent. Three years after the January 12, 2010, earthquake, living conditions are as bad, if not worse, than in pre-disaster Haiti. The urban challenges faced by Port-au-Prince extend to the cities of other departments, and to the country as a whole. Profound reflection and a re-thinking of the roles and responsibilities of all stakeholders is necessary in order to determine how to overcome the consequences of deep-seated poverty, which has left the majority of Haitians living in insanitary and dangerous settlements today.

The objectives

In 2011, the formation of the Unit for Construction, Housing, and Public Building (UCLBP) introduced a new entity into the group of administering parties of the government of Haiti. Although not a formal legal entity, UCLBP has been supported by international bodies, particularly UN-HABITAT and UNDP in the development of a national housing policy, the Politique National du Logement (PNL). Released in 2012, the PNL lays the groundwork for the development of a long-term response to the challenge of poverty and inadequate housing in Haiti. It states:

"... it is necessary that the Government plays its role of regulator and promoter of the common good and define a program of reconstruction, renovation and construction of housing at prices affordable, safe and decent for the different categories of the population, based on a comprehensive knowledge of the growth of urban centers and a recognition of the current Haitian reality."

– Politique National du Logement, Government and UCLBP, April 2012.

The legal status of the Politique National du Logement

Although the PNL has yet to be adopted as a formal and legal policy document by the parliament of Haiti, it is a comprehensive and useful starting point from which to confront urban and housing issues in Haiti.

Although the findings and recommendations emanating from this paper are consistent with the PNL, they are not dependent on its adoption. Haiti can act on these recommendations now.

Since the PNL's release, UCLBP have convened a *table sectorielle* to discuss the operationalization of the housing policy. However, it will take significant work, political will, and leadership to develop and implement a sustainable housing

policy and create the institutional, legal, and financial structures required to support a functioning system that both maintains the delivery of adequate housing.

The PNL presents a comprehensive policy that is not limited to the issues of emergency and short-term earthquake reconstruction. There is a timeline aspect as well as geographic focus. The PNL emphasizes that a viable housing strategy not only includes housing improvements and the reconstruction of old quarters (and those on the outskirts) but also must involve the development of new subdivisions and economic activities in new areas, both in the city of Port-au-Prince, secondary cities, and in other regions in the Interior.

In addition, the PNL highlights the need for a diversity of housing stock and the accompaniment of basic site infrastructure in existing and new areas. Given the current state of affairs, such objectives call for a willing and determined political vision, where the government of Haiti and UCLBP will lead the way, in coordination with other government entities, along with private and international sector actors.

In the long term, the PNL will be realized in accordance with the housing, habitat, and urban development goals outlined in the *Strategic Development Plan of Haiti (PSDH)*. PNL will contribute to the objectives of implementation of the PSDH in relation to human settlements and urban planning. It will also mobilize public investment, attract private investment and leverage donor funds.

Widespread participation and the contribution of all stakeholders are essential. Our contribution, through this paper, attempts to provide illustrations matched to the principles of UCLBP's PNL and in response to the current Haitian context. However, ultimately the Haitian government must decide which arrangements and mechanisms best meet current housing demands and the needs of newly formed households.

The challenges

As outlined by the government of Haiti, the operationalization of the PNL will respond to the following key challenges:

- Integration of the PNL into a coherent development plan for the country, accounting for natural hazards, environmental management, as well as social and economic development.
- Insertion into a spatial planning framework that includes programming for the infrastructure and basic services necessary for development.
- Engagement of various levels of governance (state, departmental, communal, and urban), many of which exist today only on paper. This will involve the formation of entities for decision and control, as well as for technical and financial resources for de-concentrating authority across the

country.

- Mobilization of various forms of financing, both capital and subsidy, to move toward implementation objectives.
- Empowerment of developers and households to facilitate housing production.
- Promotion of private sector participation, providing incentives and support for the growth of private real estate developers and construction companies across the country.
- Provision of training to advance the construction industry and improve productive capacity, both in labor and material. For the artisans of the informal sector, support in training will increase the existing potential.
- Building capacities of families, communities, professionals, local authorities, and institutions through the implementation of the policy for long-term improvements in urban planning and safe housing.

Addressing these challenges will guarantee the effectiveness of the long-awaited national housing policy and strengthen the Haitian government's ability to respond to the critical needs of the Haitian population.

Challenges in affordable housing delivery in Haiti

Evidence of market failures in housing delivery

The 1987 Constitution gave all Haitians the right to adequate housing, yet it is far from the reality of most citizens today. Despite the large inflow of international aid money following the 2010 earthquake and substantial reconstruction efforts, approximately 350,000 Haitians continue to live in IDP camps and squatter communities. Indicators suggest that more than 52% of Haitians live in urban areas and that 85% of this urban population lives in precarious conditions in informal neighborhoods.¹ The overwhelming numbers of inadequate homes, which are over-crowded, lacking basic services, and at extreme exposure to risk, are the tangible and visible result of a severely dysfunctional housing system.

The Haitian government has acknowledged housing as a key driver of economic growth and social cohesion; however, in the post-disaster fervor, action and relief have overshadowed development. Three years after the earthquake, there has been little progress in addressing the structural issues that have long made affordable housing inaccessible to the majority of Haitians. These blockages include: extreme difficulty in securing land suitable for residential development; a lack of developer finance for the private sector to play a role in housing production; and a severely limited reach of loans and subsidy made available to low-income households to enable them to buy or build their own housing.

As a result, formal housing is only available to an elite minority, or in locations far from existing communities and employment opportunities. Meanwhile, affordable housing in urban areas continues to be produced by the informal sector, where it is built incrementally over time, usually in hazardous environments, and financed by family savings and remittances.

The reconstruction mentality, where the government and international relief organizations use donor funds to construct and distribute a large number of transitional shelters and small homes, is the enemy of long-term economic growth and quality housing development. Short-term solutions must set the stage for addressing deep-rooted structural issues, rather than be contradictory.

There are many drawbacks to continuing with this approach. On one hand, the public sector and relief agencies alone will never be able to respond fully to the housing needs of the Haitian population, which is expected to reach 60,000 units per year by 2025.² On the other, current interventions become regressive when they crowd out the private market and introduce price distortions. On the supply

¹ World Bank. *Interim Strategy Note for the Republic of Haiti*. Nov. 1 2011.

² Unité de Construction du Logement et des Bâtiments Publics estimations.

side, investors and developers are unwilling to engage in a market where homes of equal or greater quality are being given away for free or token amounts. On the demand side, the production of block housing does not necessarily respond to people's needs. Meanwhile, families still do not have the capacity to pay for housing and are unable to borrow to finance housing, which leaves them living in inadequate shelters.

Further problems arise when the quality and pricing of housing is entirely detached from the cost of construction and demand, as is the case in many permanent housing projects that have been undertaken in Haiti thus far. If there are no checks and balances or accountability for the quality of housing, homes may end up poorly finished, located remotely, and without access to basic services. This is likely to result in under-utilization of relief-built housing, rapid deterioration, and the emergence of a gap market, as has been the case in South Africa following the reconstruction and development program.

These characteristics of the current situation in Haiti render it *economically irrational* for the private sector and for poor Haitian households to invest in building quality low-cost housing. Bottlenecks and disincentives exist across the entire housing chain, including:

- extremely limited means of finance
- property that is difficult to formally sell or exchange
- housing at high risk of destruction caused by natural disasters or insecure tenure
- little hope of improvement or formalization of the surrounding environment.

As the Haitian population doubles in the next 40 years, and urban centers continue to grow, the government will need to lead the way to put in place systems to formalize the informal, promote private investment into affordable housing and neighborhoods, and enable financing mechanisms for low-income Haitians to access decent housing. Otherwise, slums are guaranteed to continue to expand and will be the source of further devastation and social unrest, as they have been in the past.

Value chains today: supply-side and demand-side

Adequate housing is not defined as a transitional shelter, or concrete box in a distant location. It is the result of a value chain of activities made up of discrete steps and the coordination of numerous actors (see Table 3.1). The supply-side chain leads to the production of physical homes, and the demand-side chain gives households access to the financing to be able to pay for housing. The realization of all the steps, on both the demand and supply sides, must be supported by the government to enable the prudent delivery of decent housing, at scale and over a sustained period of time.

The current challenges in the housing delivery system in Haiti have been analyzed using the housing value chains.

Supply-side gaps and blockages

Blockages on the supply side have prevented the formal production of affordable housing for ownership and rental.

Land. In Haiti, the primary blockage to housing development is the poor availability of land suitable for development into residential housing. Unclear ownership, conflicting title claims, and large sections of land under *affermage*, a longterm lease contract with the government, which makes it difficult to secure site control and risky to invest in developments on land in existing urban centers.

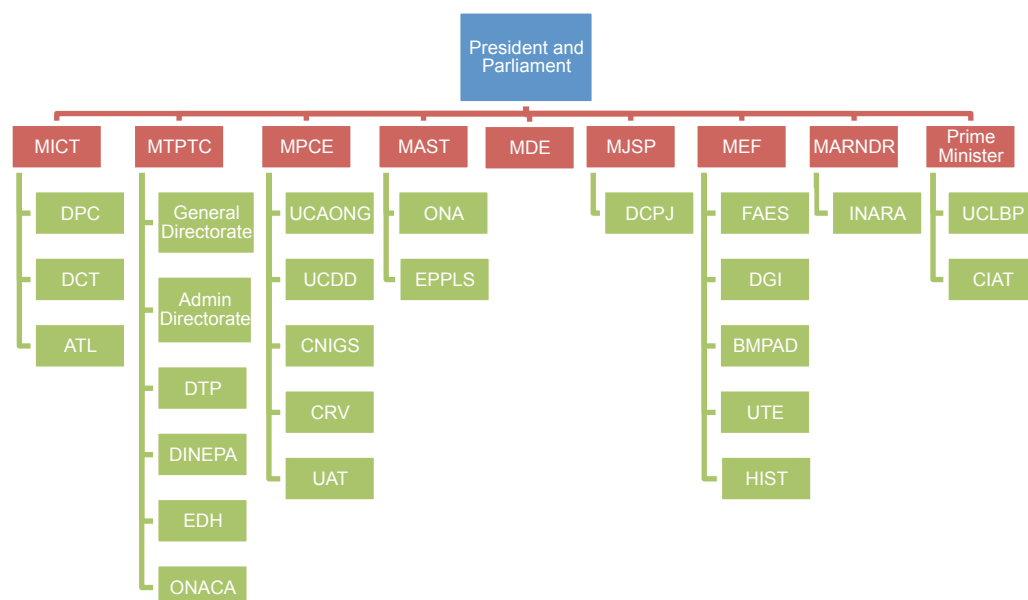
Although there are a plethora of governmental bodies and organizations (see Figure 3.3), no systematic procedures are in place to clarify title and facilitate land supply to private sector developers and households. The General Direction of Taxes (DGI) is responsible for the land registration records, and ONACA (under MTPTC) is responsible for maintaining the cadaster; both are dysfunctional. Notaries have a central role in giving property title, which leaves room for abuse, as detailed in Oxfam's 2012 paper, "Land Rights, Land Tenure, and Urban Recovery." Registering property takes on average 301 days and five procedures and costs 6% of the property value.³ Public land cannot be sold to private owners, because of an antiquated legal hurdle that requires the authorization of a non-existent municipal assembly. Without a supply of affordable land, low-income households are forced to build informally on increasingly precarious sites, and formal low-income developments only take place in distant locations where title is clean.

**Table 3.1 Housing value chains:
Supply and demand side: eight steps apiece**

	Supply side (homes)	Demand side (loans)
1	Land - Title, zoning?	Eligibility - Who can get a loan?
2	Trunk infrastructure - Connect to grids	Application - Who applies?
3	Site infrastructure - From lot line to home	Subsidy - For poor households
4	Design and layout - Where and what?	Credit underwriting - Is this a good loan?
5	Development - Uses and sources	Loan closing - Sign paper, disburse
6	Construction - Build the homes	Funding - Replenish liquidity
7	Sales/ offtake - Sign up buyers	Loan servicing - Collect loan payments
8	Operations - Where and what?	Enforcement - Act on delinquency

³ World Bank, *Doing Business 2012*. 2012.

Figure 3.3. Government entities and organizations involved in housing



Source: Adapted from work done by Frédérique Siegel, Architecture for Humanity.

DGI's current tax system does not charge tax on vacant land but does levy a tax on built properties. This system further incentivizes land speculation, unfinished housing, and informality.

Trunk Infrastructure. Another significant blockage on the production of housing is the very low provision of public infrastructure. MTPTC is the ministry responsible for infrastructure services, yet the statistics that exist are discouraging. Nationally, only 19% of the population has access to improved sanitation facilities, and 58% have access to water.⁴ Because of the failure of infrastructure delivery, relief agencies, and special government programs, such as the 16/6,⁵ have assumed responsibility for improving basic services in underserved neighborhoods, the pitfalls of these approaches have been elaborated in two previous Oxfam works, “The Slow Road to Reconstruction” and “Salt in the Wound.”⁶ This is not a permanent solution.

Site Infrastructure. Because of the lack of trunk infrastructure, site infrastructure is usually very costly and autonomous. Not many innovative and cost-effective

⁴ World Bank. *Interim Strategy Note for the Republic of Haiti*. Nov. 1, 2011.

⁵ The 16/6 was an initiative of “the Martelly administration, focused on moving 5,239 IDP families (30,000 people) out of six camps in public spaces. Most came from 16 poor neighborhoods in metropolitan Port-au-Prince. Another 28,000 families living in damaged houses in these communities will also benefit from this “16/6” initiative, which gives beneficiaries \$500 to rent existing homes and property owners up to \$3,500 to repair homes and provide them rent-free to returnees for two to five years. The government will assess the safety of repaired houses. So far, the government has secured only \$30m of 16/6’s \$78m budget, and overall, donors have disbursed less than half of the \$97m pledged for 2010–11 housing reconstruction” (M. Cohen, *The Slow Road to Reconstruction*, Oxfam America, January 2012).

⁶ M. Cohen, *The Slow Road to Reconstruction*. Oxfam America. January 2012. H. Toussaint, *Salt in the Wound*. Oxfam America. December 2012.

ecological solutions have been explored, which leaves most Haitians with substandard conditions.

Design and layout. Post-earthquake, there has also been significant attention pointed toward building standards and quality of materials and construction techniques. Many relief agencies incorporated training programs for masons within their relief activities, and certification for quality materials are being introduced by organizations like UNDP and BuildChange. However, building materials are expensive in Haiti, increasing at a cost of 10% per annum since 1990. Additionally, most of these materials need to be imported, even Haitian sand is too calcite, making it unsuitable for use in cement.⁷ Certified quality materials are even more expensive. The MTPTC will release the first ever Haiti-specific building standards in the coming months. However, enforcement will be difficult when most low-income homes are built informally and are unlikely to seek building permission.

Development. Development expertise and experience are scarce in Haiti, particularly in larger projects such as multi-family dwellings. In light of this, foreign relief agencies and government entities, such as the UCLBP, have taken the responsibility of real estate developer in larger-scale projects and brought in foreign firms, usually from the US and the Dominican Republic, to fill the experience gap. Providing opportunities for foreign sector participation in Haiti is positive yet should be connected with improving local skills and opportunities in housing development. Currently, expensive developer finance is a major deterrent for Haitian firms wishing to scale up or to take on the role of developer, particularly for low-margin affordable-housing projects.

Construction. Construction in Haiti is dominated by small-scale construction firms and masons, usually working directly with home-owners. Out of 400 registered firms, 75% had fewer than five employees, yet the bulk of housing production comes from unregistered builders. Owner-driven housing has been a popular post-earthquake measure by INGOs to assist owners to make improvements on their housing, usually financed with grants of \$1500 to \$3000.

Offtake. Finally, there is yet to be a coherent offtake strategy for newly-built housing or for their ongoing management. The new condominium law is a positive step in paving the way for alternative ownership models in the private market, however most new housing built by public and relief organizations is marked by a lack of financing instruments to pair with the housing product. This results in them giving it away for free or token amounts.

Operations: The public housing agency, EPPLS, is responsible for managing masses of new public rental housing stock, up to 5000 additional units in the coming years, as it has the existing legal framework and a policy to transfer property title to residents over 20 to 25 years (likely to reduce to five years). However, it is not clear how new housing will be allocated to beneficiaries and how it will be managed, nor how much new residents will end up paying for the

⁷ USAID. *Housing Demand in Port-Au-Prince, Haiti*. 1 Dec 2011.

housing. These questions are particularly worrying given the low level of cost recovery and poor condition of housing that EPPLS currently manages.

Demand-side gaps and blockages

Gaps on the demand side have meant that low-income Haitian households are unable to pay for decent houses.

The housing finance, and financial sector in general, is very under-developed in Haiti. At only 12%, Haiti has one of the lowest ratios of private sector credit to GDP in the world.⁸ As of June 2011, the banking system had the equivalent of \$3.7 billion in assets and \$833 million in loans, leaving as much as \$1 billion available to lend. However, there has been almost no bank-originated debt for affordable housing.

Haitian banks are exceptionally risk averse. There have been, and continue to be, mortgage products available for both construction financing to private developers and end users for mid to high-end housing. However, this debt is difficult to access by anyone except for large depositors. Housing finance requires cumbersome application procedures, often has high rates of interest - up to 18-30% per year - or requires substantial collateral, sometimes equal to the amount of the loan itself.

BRH has made multiple attempts to mobilize housing finance post-earthquake, including lowering the liquidity requirements on banks to 30% and setting up a 50% guarantee on reconstruction lending and a liquidity facility. However, banks have still not been willing to deliver many loans, and the liquidity facility has been left untouched.

Mortgage lending volume remains low for several reasons, including:

- Perceived high credit risk due to volatile political and economic conditions.
- Low income of borrowers
- Limited formal sector employment
- Lack of information to assess credit worthiness of borrowers
- Limited supply of affordable housing drives up property prices, resulting in housing that is too expensive for most consumers
- Banks are reluctant to lend to those without solid collateral, which is rare in Haiti due to the country's complicated title and lien registration process.

As a result, eligibility criteria exclude most households. Formal documentation usually includes proof of up to three years of formal employment, land title, and additional assets, which are impossible for most Haitians to provide. For this reason, the widely advertised Kay Pam mortgage program, launched in July

⁸ USAID. *Assessment of Options for Stimulating Housing Finance in Haiti*. August 2011.

2011 and offered through the public BNC and BPH banks, has managed to distribute only a few loans despite favorable terms.⁹

Housing microfinance is a new area of interest in Haiti, and it is fairly promising as a way to mobilize housing finance for poor people. OPIC has invested \$17 million to set up a housing finance facility in 2013, with the goal of introducing new housing finance products targeting low-income borrowers, through three Haitian institutions, including an association of credit unions. IFC is working with SOGESOL to launch a housing microfinance product in the coming months.

In terms of end-user subsidy, there has never been a comprehensive government-led subsidy program to help poor households to gain access to housing financing. After the earthquake, many relief organization offered grants (often \$1500- \$3000 for home improvement in owner-driven housing programs) whereby each developed their own criteria to qualify beneficiaries. Most were targeted at a specific neighborhood and used the structural classification given by the MTPTC (i.e., “Red,” “Yellow,” “Green” houses). There have also been programs targeted at camp residents, who when registered by the DTM are eligible for relief housing or for one-off rental subsidies of approximately \$500. Social protection is in its infancy in Haiti. The subsidy systems for poor people in Haiti are haphazard, discordant, and do not consider many families that are in great need of assistance if they were neither displaced nor own a house in a neighborhood targeted by a reconstruction program.

The final blockage on the demand-side is the lack of enforcement for non-repayment. The high cost of legal proceedings and administration required to foreclose means that banks are particularly unwilling to give small loans to poor households. Non-payment on loans or rental commitments in the past, through institutions such as Fonkoze, Habitat for Humanity, and EPPLS, have resulted in these entities simply writing off their losses. EPPLS has failed to evict households living in their units, even when they do not pay rent, or are subletting to others at a profit. There are not sufficient measures to protect lenders in the case of non-repayment, nor sufficient measures to create incentives to repay.

These key issues—inaccessible housing finance, inconsistent allocation of subsidy, and a lack of enforcement measures of non-payment—will all need to be addressed in order to give Haitians who need housing the capacity and incentive to pay for it, which will quickly mobilize the supply side to respond to effective demand.

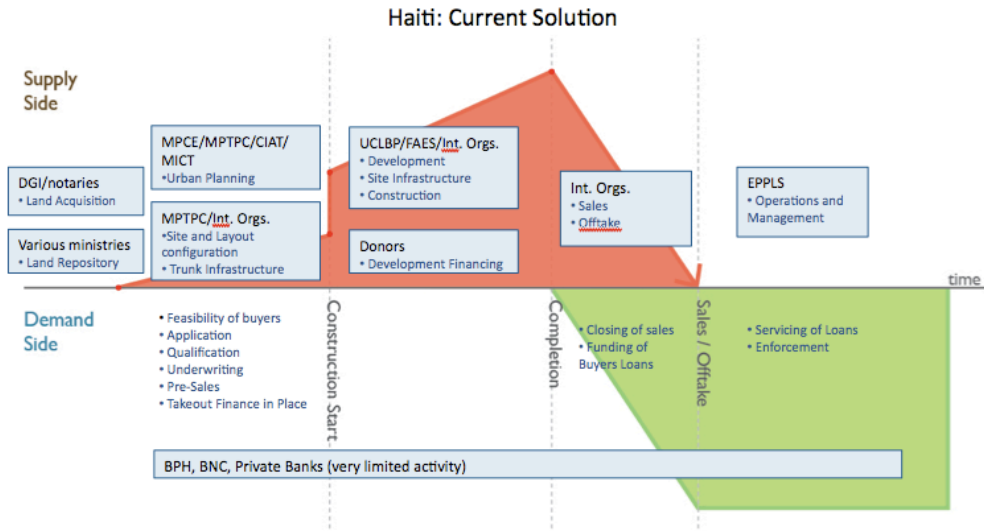
⁹ Kay Pam, offered through BPH and BNC, offers loans for purchase of land, new-build construction, housing improvement or purchase of a home. Finance is up to 90% loan-to-value ratio, for 30 years, at fixed interest of 8% per annum.

Existing institutional structure, roles in the housing value chain

The current solution in terms of where government institutions play a role to support housing production is summarized in Figure 3.5. This illustration shows five key insights:

1. There is no overarching entity that oversees and supports housing production from initiation to completion.
2. A number of disconnected entities (reporting to different ministries), with overlapping and sometimes ambiguous roles, particularly in urban planning, will make it very difficult to coordinate and implement policy.
3. International organizations (NGOs, relief agencies, and donors) fill many roles, such as development financing, development, and infrastructure provision; this is not a long-term solution for Haiti.
4. There is very limited ability for the government to acquire or regularize land, due to the complicated land transfer system with the DGI and notaries. And state land is divided among many Ministries.
5. On the demand side, very weak and ineffective institutional support to ensure effective demand for households to purchase housing; this includes the lack of a subsidy system.

Figure 3.5. Housing production value chains



The private sector's role in revitalizing Haiti's urban housing

As mentioned previously, the private sector plays a major role in any housing ecosystem. The private sector will so dominate the pure market environment that all stakeholders may forget that even private-sector housing delivery and housing finance depend on a successful enabling government for property and contractual rights which is created and maintained through government policy and especially the rule of law.

Meanwhile, the public sector generally cannot produce quality affordable housing at scale by itself¹⁰.

Beyond the pure-market private sector, however, any pro-poor or urban redevelopment housing ecosystem requires development work undertaken mutually by the government and the private sector. If they are working at cross-purposes, housing value chains are not delivered and the nation suffers. If, on the other hand, they are working in a complementary fashion, then both benefit: the nation's economy grows and its citizens prosper, and the private sector has greater sales and higher profitability.

It is therefore in the private sector's best interest to engage with government, provided that both sides recognize three core ideas that will govern private-public value chains:

- **Optimistic counterparty.** The private sector cannot insist that government invent an entirely new delivery system out of whole cloth; it must approach the development of pro-poor value chains in the same spirit of optimistic negotiation and good faith as two private-sector entities negotiate with each other on normal commercial transactions.
- **Commercial and non-commercial risk.** Every private-sector business accepts the risks associated with its pure-market commercial activities. For lower-income customers, government must absorb the non-commercial risks specific to these customers.
- **Subsidy at the margin and at the point of sale.** Most business-process activities are economic (profitable in the market context) because the revenue levels are large enough to cover the unit costs of the activity. When these same processes are applied to lower-income households or smaller loans or houses, they may become uneconomic, because unit fees are smaller even as the task is the same amount of work (or sometimes, more work). Hence, just as government must absorb the

¹⁰ When government creates a fully integrated value chain, one that has no contact with the private sector, the results are either poor-quality delivery (cf. English council housing or Egypt's ministry of housing) or a crowding-out of the private sector (cf. Turkey's TOKI). In addition, when the government is its own deliverer of housing, then it is not accountable for non-performance or shoddy workmanship, and it finds it almost impossible to enforce the same accountability on itself as it demands from others.

non-commercial risks peculiar to innovating down-pyramid, it must provide startup subsidy 'at the margin' (to remove the hidden penalty of going down-pyramid) and at the point of sale (when the extra cost is incurred).

Specifics of all three core principles are outlined below in this section.

The “optimistic counterparty”: Prepared to innovate collaboratively

Value chains are connections of entities that start at inception and end with a finished value-additive good or service. These almost always cross multiple entities, especially government to private sector and vice versa.

Essential policy choices versus technical decisions. In housing, the two principal value chains are:

- **Supply side.** This begins with vacant land (whether or not properly owned) and ends with a formal, durable house with formal title and a legally acknowledged tenure of that house (ownership, rental, co-operative or otherwise).
- **Demand side.** Begins with a person who needs money to buy a house and a capital source (e.g. bank) with money to lend, and ends with a formal instrument whereby the borrower has the cash and the lender has an enforceable commitment from the borrower to make payments that will eventually discharge the loan.

Both value chains involve multiple steps (eight in each¹¹), with various procedures in each stage and handoffs along the way. In the pure-private environment, each step is governed by a one-dimensional value function: maximize profit. That makes negotiating agreements fairly simple and straightforward because all parties use the same system of scoring.

From the government's perspective, affordable housing has a double bottom line—an economic goal (viable properties) and a social one (affordable homes and loans). Because of this, many steps in either value chain have two functions:

- **Governmental and policy.** Making decisions that may trade between economics and social impact.
- **Technical.** Simply executing as effectively as possible.

(As an illustration, the size or amenity configuration of a home for a particular beneficiary household is a policy decision; engineering its specifications consistent with the configuration is a technical decision.)

¹¹ Additional background information on this topic is available from AHI via the monograph “Supply-side and demand-side value chains: the eight steps and delivery options for each one.”

In general, within affordable housing value chains, technical functions should be outsourced to the private sector, and policy functions should be retained by government (and often specified in a policy memorandum, administrative guidance, or regulation). This implies that government needs to make the policy choices before it contracts with the private sector for the outsourced technical component.

Negotiation as an optimistic counterparty. In virtually every step in a value chain, some portion of the activity is purely technical in nature. In fact, in many value chains, *most* of the activity in *most* of the steps is technical. Government should want to outsource this—and conversely the private sector, as the preferred counterparty, should approach these activities as potential business lines that are both profitable for them and in the national interest.

As such, the private sector should start from the presumption that it will be possible to enter into a commercially feasible contract with the government, and that the government will be a viable negotiating partner. Each private-sector role should be aligned with the entity's technical expertise, and will be contingent on the government taking on the non-commercial risk and providing subsidy at the margin. (See next two subsections.)

The boundary between commercial and non-commercial risk

For any entity in business, the normal course of activity involves a set of commercial risks that the business comes to manage and handle, or it goes out of business. In handling these commercial risks, the business develops policies (e.g. credit requirements), contractual arrangements (e.g. insurance), protocols and procedures (e.g. underwriting reviews and documentary requirements), and risk management/ risk mitigation procedures (e.g. collateral escrows, balance-sheet reserves).

In housing, for example, commercial risks abound and are well understood and well managed.

- **Supply-side: Development.** A real-estate developer attempting to buy land will secure title insurance, will have its attorneys review the title record, and may take an indemnity or other warranty from the land seller. A building-materials provider will sell its goods to a developer only upon some cash payment down, then a letter or credit or other bank security for later payments.
- **Demand side: Lending.** A bank will only offer a mortgage loan on a property with good title, and where its appraiser can determine a reliable resale value. The bank will then want a first mortgage, will insist on a loan-to-value (LTV) ratio below 100% and may require a cash down payment from the borrower. It may insist on a real-estate tax escrow, mandatory insurance (with the bank as beneficiary), and so on.

All these commercial risks become familiar to the company, and the company becomes able to provide quantitative estimates of these risks.

Commercial and non-commercial risk

Risks involved in business can be divided into commercial and non-commercial.

Commercial risks are those that an entity takes when dealing with a normal “good” pure-market customer. These include non-payment of debts, non-delivery of goods, defective materials or workmanship, fraud or misrepresentation by agents of the counterparty, and so on. Companies always address commercial risks through their procedures, contracts, and most importantly, recourse to the courts for resolution of disputes and collection of remedies (including money damages).

Non-commercial risks are those peculiar to doing business with customers who are less than fully accountable under the judicial system. These can include judicial or practical unenforceability of contracts, failure to meet stated commitments and inability to compel specific performance, tortious interference in otherwise third-party arrangements, and intervention with rights and remedies, (e.g. when the state prevents a lender from evicting a homeowner).

In general, therefore, non-commercial risks are those where recourse to the courts is not certain to produce a satisfactory remedy, usually because the government as a litigant has extra-judicial advantages and can invalidate the process. This usually arises because of a weakness in a government process or the potential informality of a counterparty (e.g. an informal borrower) raises an information-uncertainty risk.

The picture changes dramatically for private business once non-commercial risks are introduced into the equation. Because the counterparty is unreliable (either unverifiable or unaccountable and uncollectable), the company's normal protocols do not work. Even more fundamentally, non-commercial risks are often unquantifiable. (For instance, nationalization without compensation is a classic example of an impossible-to-quantify risk. It is unthinkable in many countries, until a change of leadership renders it suddenly thinkable. In the real estate arena, expropriation without fair compensation is often seen as a non-commercial risk.)

Private-sector entities do not survive if they take large non-commercial risks. So if the government wants to induce the private sector into participating in these transactions, the government must absorb the non-commercial risk and offer a commercially reliable remedy.

A good example for this purpose would be title insurance for post-expropriated property. Government seeking to induce a developer to build affordable housing on a site taken through fairly compensated expropriation would also need to provide a full indemnity to the developer that if any claim arises after the fairly

compensated expropriation, the government will settle the claimant and the owner's title will not be disturbed.

The complexity of the situation increases one level if the government guarantor is itself unreliable (e.g. because it is quasi-independent, lacks collateral, or has proven to be uncollectible in the courts). This sometimes arises when the potentially unreliable government counterparty is a particular arm of government (e.g. a utility or authority rather than a ministry), or a subordinate level of government (e.g. a municipality instead of the national government). In such cases, it may be necessary to collateralize the guarantor's guarantee through a cash mechanism held outside the reach of the suspect governmental counterparty.

All these mechanisms are manageable and can be structured into a suitable operational plan for the *Politique National du Logement*, provided both government and the private sector accept the principle of government taking the non-commercial risk while the private sector takes the commercial risk.

As a final point: The boundary between commercial and non-commercial risk is constantly in flux. In an emerging country, it is normally the case that risks once thought to be non-commercial gradually become commercial and the government's role can diminish.¹²

Subsidy at the margin and at the point of sale

Just as a business divides its risks into commercial (which it will take when circumstances are right) and non-commercial ones (which it will not take under any circumstances), it also divides its products, services, and processes into those that are economic ("We can make money doing it") and non-economic ("We lose money even if things go well").

And just as a company goes swiftly out of business by taking non-commercial risks, it slowly goes out of business by taking a volume of non-economic products, services, and processes.

Further, businesses engineer the economic viability of products, services, and processes around the "typical market" unit transaction (particularly, size, and price point) and the "typical market" customer (particularly the difficulty of finding and selling to the customer, then servicing after the sale). These unit activity costs become hurdles of a sort; the enterprise literally cannot operate at lower price or customer points than are consistent with their unit activity costs.

For example, when it comes to, for instance, development, a formal developer must build a house of a certain minimal size because that size is at a price point

¹² Except in times of national catastrophe, insurrection, or war, when the risk boundary goes in the other direction—that is, formerly commercial risks have become non-commercial—it is most commonly because government took an action inconsistent with previous law and precedent. Such a move is also usually an indicator that the country is regressing rather than progressing.

high enough to pay for the ratable share of corporate overhead and per-transaction financial engineering. The developer could build smaller houses, of course, but given its organizational composition, business processes, and overhead requirements, it would lose money each time it did so.

In other words, the developer is not anti-poor, it is *anti-uneconomic business*.

If, on the other hand, a benefactor offered the same corporation or enterprise a per-unit *subsidy at the margin*—that is, subsidy equal to the difference between what could be charged to the lower-income 'uneconomic' client and the unit activity costs – then the corporation should be (and usually is) perfectly willing to enter the business space.

For optimal efficiency, subsidy should be delivered not in a lump sum for an entire process, but at each relevant step in the value chain ("point of sale"), because that way each bit of subsidy can be calibrated to the unit activity it is seeking to activate, and also because if the subsidies are connected to the particular value chain steps, then the corporation has no incentive to integrate vertically unless it is economic for the corporation to do so.

Subsidy at the margin and point of sale: A demand-side example

Consider loan application fees. A typical bank might spend \$400 to analyze a typical customer's application, and since the typical loan might be \$20,000, then the bank would express the application fee as 2.0% of the loan (\$400 for a \$20,000 loan) and include the application fee as a loan closing cost.

But if the same bank were to underwrite a new lower-income customer seeking a smaller home, the application might take a little longer to do (because of irregularities in borrower income), so the cost might be \$500; and if the loan were smaller as well (say, \$10,000), then the required application fee would be 5.0% of the loan, and suddenly that looks expensive. Including the total loan application fee into the price of the loan to the low-income customer would be seen as discriminatory and usurious, and the additional cost would be prohibitive.

In this example, the principle of subsidy at the margin and point of sale would be a loan application fee to the lower-income customer of 2.0%, with a \$300 per customer cash rebate from the government to the bank at the time of loan closing.

For affordable housing delivery—everything below the high-end market, which is the only sector now being served in Haiti—government will need to analyze both supply-side and demand-side value chains and existing market processes with some care, to quantify the cost differential between normal commercially economic processes and the cost of entering the new middle-income and lower income markets. Conversely, this analysis will proceed, and subsidy or rebates at the margin will be possible, only if the private sector is forthcoming with information and truthful about the information it provides. The private sector

should approach the discussion with transparency about the risks and costs involved and be constructive and innovative about finding ways to bridge the differentials between the usual commercial cost of their business and the cost of establishing the new market.

Finally, the “uneconomic gap” between market and affordable customers will tend to narrow over time, because the companies will find that what were once uneconomic customers have become more economic because the processes have been re-engineered, scaled up, and made more efficient. As that happens, the amount of subsidy at the margin should be dialed back.

The interim role for Haiti's government institutions

As institutional change will take some time, it is also necessary to reflect on what Haiti's institutions can do to improve housing delivery in the short term. Essentially this will involve specializing in a specific step in the housing value chain and to work more effectively together to have the beginning units of an eventual housing ministry.

Some examples of potential specialized roles for the existing public institutions are:

Institution	Role
DGI	<ul style="list-style-type: none"> - Facilitate land ownership formalization in priority-identified development areas. - Create a fund for fairly compensated expropriation.
CIAT	<ul style="list-style-type: none"> - Explore integrating community enumeration with formal records. - Working closely with MPCE and MICT, identify priority zones for new developments and redevelopment of existing neighborhoods.
MTPTC	<ul style="list-style-type: none"> - Release and enforce building codes for Haiti. - Undertake infrastructure delivery in new (including site and services projects) and identified neighborhoods for redevelopment. - Create a structure for engaging in PPPs with private sector and NGOs who are undertaking infrastructure delivery
UCLBP	<ul style="list-style-type: none"> - Build capacity in government of real estate development: coordinating land acquisition, financial assembly, construction, and off take. - Undertake pilot joint ventures with private landowners, PPPs, and alternative delivery, from sites and services to for-sale development - Attempt to become financially sustainable as an institution.
EPPLS	<ul style="list-style-type: none"> - Specialize in allocation of social housing to beneficiaries and operations and management of lease-to-own and rental housing. - EPPLS must be engaged from the start of the project and work in close coordination with UCLBP.
BRH	<ul style="list-style-type: none"> - Put in place a reward-based subsidy system in coordination with private and public banks to encourage lending, for both construction and mortgage financing, and agree on specific targets. - Continue with financial guarantees and enable access to low-cost finance in liquidity facilities for all banks.

These suggestions will improve public sector capacity and lead toward a more comprehensive response that is required for sustained housing delivery as detailed in the next chapter.

Operationalizing a national housing strategy via a cluster of housing and urbanization entities

The Politique National du Logement (PNL) presents a bold and ambitious vision for the development of housing and housing finance in Haiti. At the same time, the PNL is not self-implementing, and it does not provide directive statements as to how activities will be connected and coordinated, for example between the government and the private sector or the Haitian people, or between government entities. So to explore and test how the PNL's goals and objectives can be achieved, this section presents a series of examples of new entities or new programs (each of them an "illustrative solution") that the Haitian government could launch.

The goal in presenting an illustrative solution is not an attempt to tell the government of Haiti what to do. Rather they are proposed solutions which should be further debated and elaborated by actors involved in the Haitian housing sector. Further, while the Illustrative Solutions are complementary, none of them absolutely requires or depends on any other illustrative solution.

Discussion of these illustrative solutions will help the Haitian government and its stakeholders develop their own effective solutions.

For each illustrative solution, the discussion is in several parts:

- The idea in brief
- Current situation
- Reconfigured approach
- Activities to be undertaken (how it works)
- Advantages of this approach
- Disadvantages of this approach
- Issues for discussion

Ministère de la Ville et de l'Habitat (MVH)

The idea in brief. Consolidate all government activities relating to housing and urban development into a new Ministry of Housing and Urbanization (*Ministère de la Ville et de l'Habitat, MVH*), which will also contain two land-development agencies (*Direction du Développement Foncier and Direction de la Régularisation Foncière*) whose functions are presented as illustrative solutions below.

Current situation. Although the PNL is national in scope and has implications for all eight steps in the housing-development value chain (see §Value Chains

above), today in Haiti there is no coordinated entity to implement the PNL. As a result, there is no single entity that can:

- Act as the government's implementing agency for policy actions, such as fairly compensated expropriation with due process and just compensation, which are necessary to rebuild the urban environment.
- Serve as a negotiating and contractual counterparty for outside entities (e.g. banks, developers, NGOs) that seek to enter into agreements to implement parts of the PNL.

Furthermore, many of the government functions, either as government or in contractual or partnership relationship to outside parties, are now distributed through various other ministries, directorates, agencies, and units within the government of Haiti. As a result, coordinated development activity is virtually impossible in Haiti today.

Reconfigured approach. Under the reconfigured approach, all existing departments and agencies with direct bearing on urbanization or housing would be incorporated into the new ministry. Examples of entities that should logically be included in the newly empowered MVH are:

- UCLBP
- EPPLS
- CIAT
- MPCE's urban development section
- MTPTC's urban development section, which currently resides within the SPU (*Service de Planification Urbaine*) of the DTP, and
- DGI's public land management responsibilities, currently under the MEF

How it works. As the ministry in charge of housing and urbanization, the new MVH will have the following major activities:

- Receive and disburse all flows of subsidy funds allocated by the government when required.
- Insofar as subsidy may be entailed, provide guarantees or credit enhancement to housing-related loans. Be the vehicle through which that guarantee or credit is provided to the BNH (described in an illustrative solution below).
- Coordinate with the MEF and MPCE for use of donor funds and foreign investment on projects identified by the MVH.
- Oversee the activity of the DDF, DRF, and EPAGI as described below.

Advantages of this approach. As a ministry, the MVH will have the power to present judicial and legislative recommendations to the Parliament. This power is lacking in the current situation, as illustrated by the uncertainty of UCLBP's status.

Consolidating disconnected functions will also be helpful in its own right, because the ministry will be able to reconcile various directorates' conflicting interpretations or requirements that are now irreconcilable because the

directorates currently report upward to different ministries. Similarly, this ministry will eliminate fragmented public activity in the housing development chain that is difficult to navigate and inhibits capital investment and private-sector participation.

Finally, this ministry also serves as an enabling vehicle for the three key initiatives, DDF, DRF, and EPAGI.

Disadvantages of this approach. The reorganization requires support from the president and prime minister, as well as parliamentary acceptance.

It may take some time for the new ministry to refine its procedures. Dramatic change is inherently difficult and usually entails a shakeout period after the consolidation. The proposed reorganization is substantial, and experience elsewhere in the world shows that when disparate housing or urbanization activities are combined into a single agency or ministry, the initial configuration may be difficult to map precisely; sometimes a critical agency or directory is left out of the combined ministry, or functions are included that are not necessary. In practical terms, which sub-entities go where requires planning and then capable management.

Finally, a new ministry requires a charismatic and capable initial minister. This individual must be trusted within the policy realm; experienced in the difficult realities of housing development or housing finance; capable of motivating and guiding a newly formed staff; and capable of building trust across many legacy departments and branches.

Issues for discussion. There will be significant pressures from the outset. Nearly every nation facing rapid urbanization or a substantial urban environment has a ministry of housing and urbanization, so that is a powerful argument in favor of Haiti creating a ministry. However, it takes time to commit politically to the new ministry, to enact the laws, to choose the initial minister, to bring the departments together, and to implement the new programs. Stakeholders will expect progress faster than any new ministry can reasonably be expected to deliver it.

Agence Foncière: Direction du Développement Foncier (DDF)

The idea in brief. Organize all landholding activities into a single entity with the power to rationalize land titles and to manage fairly compensated expropriation of urban land needed for the public interest (including public health and safety).

Current situation. Today in Haiti, swathes of urban land lie in an unresolved state both physically and legally. This has been a major impediment to reconstruction, and it continues to be, even three years after the earthquake.

Physically, many structures are self-built or informally constructed and are, or may be, unsafe. Many of these sites also lack proper footings or foundations, proper drainage, or appropriate access. Entire neighborhoods composed of these kinds of structures pose significant risk to public health and public safety, including for the people who live there and are trying to improve their own lives.

There are considerable legal problems involved. Many of these structures sit on land the occupants do not own, and many of these lands in turn have conflicting titles with claims that are virtually impossible to resolve, given the current systems of land resolution. Moreover, the government of Haiti itself owns very little urban land, either developed or vacant, and as a result has extremely few options for resettlement or redevelopment.

In light of these facts, post-disaster revitalization is impossible without major change.

Reconfigured approach. To make redevelopment possible, the Republic of Haiti must use an effective, swift, fair method of fairly compensated expropriation (described below). That authority, and the accompanying resource (i.e. including cash to pay compensation), can be vested in the DDF, under the supervision of the MVH and government.

The DDF will be the sole government entity within Haiti to own public lands in the urban environment; other agencies will transfer their land into the DDF. The DDF will then streamline the land records process, possibly by making a call for claims over a neighborhood or administering such a process in partnership with the CASEC (*Le Conseil d'Administration de la Section Communale*). Priority resolution can be given to neighborhoods or areas with high residential density, high levels of informal settlements, and high risk of loss if another disaster were to occur. (Numerous maps and studies have identified these areas.) Lists should be published highlighting priority revitalization or land rationalization zones.

How it works. In concert with the MVH, the DDF will launch land rationalization programs, working in concert with CASECs and Community Action Plans, where appropriate, as a vehicle for the stakeholder voice. This will consolidate two tools (the department of public utilities, and the current fragmentation approach to expropriation) and give meaning to many of the activities envisioned for the current UCLBP.

The Mechanics of the land lease

Through the process of eminent domain, the government of Haiti will acquire land, which can then be declassified and transferred to the private domain of the state.

By constitutional right, land held in the private domain of the state requires authorization by municipal assemblies in order to be transferred. These municipal assemblies have never been established, which creates a barrier to public-private land transactions.

A well-established work-around in Haiti has been for the MEF to grant long-term leases. In such a case, land-holders and households are lessees of the land but are able to own the building and improvements on the land. In this document, it is envisaged that the public will obtain ownership through eminent domain, effectively clarifying title and then when it is “sold,” in actuality, the state grants a transferable 99-year lease, for example.

Such arrangements are present in other countries, such as Nigeria.

Advantages of this approach. Aside from the humanitarian element, by far the largest economic value to be gained by taking this approach is that resolving land ownership will unleash development activity that will rapidly raise land values. Although the government will be pay compensation, usually in cash, it will recoup that investment over the intermediate and longer term through higher economic activity. It is impossible to overemphasize the importance of this effect.

Consolidating ownership of public land will be essential to creating a genuine national housing and urbanization strategy. Haiti and all Haitians, public and private, rich and poor, will also benefit from clear definitions of what land is public and what land is private. Similarly, consolidation of tools for land regularization, including the ability to negotiate or to offer alternatives to cash compensation, will benefit both informal land owners and those holding *affermages* or similar long-term lease-type instruments, because it will be possible for them to negotiate with a single counterparty, and hence to reach a binding resolution.

If there is to be a fund to pay fairly compensated expropriation, that fund can be a logical recipient of foreign aid and donor assistance. (This is especially true in the case of the DRF, which is discussed in the next section.) This fund poses challenges of its own.

Disadvantages of this approach. As we have seen, expropriation, even if fairly compensated, is usually contentious. There are also significant risks, including:

- The poor could be displaced from their current informal community and exiled to the urban periphery, where their lives would be disrupted and further impoverished.
- Those with questionable title or dubious claims could wind up being overpaid.
- The taking and compensation procedures could be perverted by a weak or unreliable judicial system.
- Journalists or observers unfamiliar with the challenges have a propensity to write scandal-oriented stories, whether there is a scandal or not, which can add to concerns and discontent within the population.

It is difficult to address and manage these risks. In some cases, there is no “pure procedural” solution, and instead the process requires both transparency and some outside validation (e.g. by an impartial body that is widely respected and credentialed).

Expropriation also costs money, which is in short supply in Haiti, so donor or IFI cooperation will be critical. Many donors have also stated that their funding cannot be used for expropriation,

Moving to an *agence foncière* will mean less flexibility compared with the current UCLBP. (On the other hand, the DDF will have many more and clearer rights and powers than the UCLBP.) As with the MVH and the other institutions envisioned in this section, establishing the entity and setting up suitable rules, people, and procedures will take time and may lead to raising the public's expectations.

Issues for discussion. Here, perhaps more than any other illustrative solution in this report, responses from international financial institutions and donors will be important. Similarly, the implementation may benefit from a few test-case expropriations, offered as pilots (and again, possibly with a donor-funded pool of capital to pay fair compensation) that can show how the principles work. This will provide experience and enable the development of procedures in which all parties can gain confidence.

Agence Foncière: Direction de la Régularisation Foncière (DRF)

The idea in brief. Parallel to the DDF, the DRF (*Direction de la Régularisation Foncière*) will facilitate fairly compensated expropriation, but in particular and exclusively of land that is occupied informally by owners of durable or improvable structures (“homeowners”), who have resided there as owners for three years or more, where the acquisition will not be by the state directly, but rather for benefit of the homeowners on the site.

Current situation. Under current law, informal homeowners who occupy land cannot secure a title to it via Haiti's current adverse-possession expropriation laws. By constitutional right, municipal assemblies must give authorization for the sale of any public land in private domain. However, these assemblies have not

yet been established, which means that after the land comes into state possession, it must first be transferred from the public domain to the private domain of the state, and then people are only able to establish long-term leases with the MEF, and registered in the DGI. Neither of these is easily obtained or transferred.

Reconfigured approach. Like the DDF, the DRF will be able to inaugurate a fairly compensated expropriation process whereby the government of Haiti will gain title to the land. However, unlike the DDF, where the land so acquired will be held by the government and put into formal new development, this land will then be deeded to the occupants as an urban homesteading entitlement.

How it works. For each identified neighborhood to be granted urban homesteading by the DRF, the CASEC or a similar body will undertake an enumeration, in concert with community groups, to develop a post-earthquake plot plan or informal pre-cadaster representation of the current constructions and land usages. This will include the classification of the houses as Red, Yellow or Green based on their current condition. The resulting plot will then be acquired, using fairly compensated expropriation, and deeded out to the homeowners, each of whom will pay an agreed amount determined in the fairly compensated expropriation procedure.

Advantages of this approach. Obviously, this approach makes urban homesteading feasible, and in so doing removes by far the largest obstacle to urban reconstruction. As has been seen globally, from the work of Hernando de Soto on, this approach will lead to an immediate boom in neighborhood-level economic activity via small-scale building, construction, and attendant services including sale of building materials.

The DRF will provide the public a means to legally hold land and will provide the affected communes the opportunity to work at a neighborhood level, rather than house by house or street by street. In turn, this approach can be coordinated with community infrastructure such as drainage, paving, and formalizing electrical connections.

Disadvantages of this approach. As with the DDF, this approach requires a means of compensation, and will need a cash subsidy source, most likely to be provided by donors or international finance institutions. It is likely to be administratively intense, with large numbers of land title claims to be sorted, and a similarly large volume of compensation determinations. It will require a committee, comprised of all segments of society, from richest to poorest, to deal with land ownership grievances. That in turn will require that civil servants get training and education in how to play roles as facilitators, mediators, and claim valuation experts.

Issues for discussion. Adjudicating ownership when a resident has lived in a home for three years, but as a tenant not an owner, will take some structuring and a comprehensive system. Similarly, if homes have been adjudicated Red, meaning that they require rebuilding, a system will be needed to enable the new plot owners both to clear the current Red house and to build something new. There should be opportunities for donor-related rebuilding activity, and it will

need coordination both of activity and of an overall compensation strategy and system, so that fairness is both the reality and the perception.

Finally, the ministry will need to create a juridical committee to establish legal principles for the fairly compensated expropriation; this committee can also help write land reform laws that will be needed by the DDF.

Établissement Public d'Aménagement et de Gestion Immobilière (EPAGI)

The idea in brief. Create a company—that is, a publicly owned private institution that operates as a business—that can act as a developer, manager, owner, and operator of housing and mixed-income developments. This entity, the Public Real Estate Development and Management Company (*Établissement Public d'Aménagement et de Gestion Immobilier, EPAGI*), will serve as a developer, development joint-venture partner, or land lessee (e.g. of government-owned land including land acquired by the DDF or DRF) to facilitate new production or redevelopment. This entity may also be vested with accelerated or fast-track zoning or development powers, and may also enter into guarantees, risk mitigation, or other commercial arrangements.

Current situation. In Haiti, real estate development capacity is in short supply, and most of this expertise is directed toward higher-end properties or developments. Further, developers are strongly put off by the ambiguity and legal and political risk inherent in working in unclear title situations or with land in adverse-possession occupancy by informal residents. Then, too, development in urban environments requires interaction with government, which many developers instinctively shun, and entails either government coordination (e.g. of trunk infrastructure, including seismic reinforcement) or delivery of subsidy, and private entities are currently not involved in opening discussions with multiple Haitian agencies, many of whom are unable to provide the necessary assistance or action.

Simply put, if one is a capable real estate developer in Haiti, it is much easier, and much more profitable, to develop for the high-end customers, on greenfield sites, and entirely avoid the urban core and poor neighborhoods. Hence, what talent the country possesses in real estate goes to work elsewhere.

Reconfigured approach. In this reconfigured approach, EPAGI will act as a master developer or co-developer, and provider of land. As such, it can develop for sale (either as freehold or into a condominium or co-operative) or for rental (acting as a landlord).

EPAGI will be a public company whose board is controlled by the government, presumably with the Ministry for Housing as its board chair, but with board representation across all sectors of Haitian society, including at least two seats reserved for occupants of informal urban housing.

The entity will thus have features similar to Turkey's TOKI, Morocco's Al Omrane, and others.¹³

How it works. From the perspective of outsiders, EPAGI will operate like a real estate land development company. It will be a unitary counterparty that can:

- Rezone land it owns or master-plan with zoning accompanied.
- Offer land for development, either for sale/ lease or for joint venture.
- Offer land for development into a “sites, stands, and services” program that enables occupants to build their own house on a serviced plot, or to implement upgrades to a Yellow or Green house on a serviced plot.
- Enter into joint ventures with private development parties. These private parties can also include nonprofit or community groups that could step up into an ownership role (e.g. as a co-operative or similar resident-responsive ownership entity) after the completion.
- Similarly, coordinate potential development guarantees (e.g. from the BNH).
- Absorb non-commercial risks (e.g. political risks related to development).
- Coordinate trunk infrastructure delivery.
- Arrange for offtake agreements or off-plan sale escrows with Haitian banks.
- Act as landlord for long-term rentals and lease-to-own housing (absorbing the activities previously performed by EPPLS).
- Act as formative or initial trustee for co-operatives.
- Report up to the MVH, who will provide supervision and oversight.

Advantages of this approach. The value of consolidation is apparent: Today Haiti lacks any entity that can act as a coordinator and executive of government-headed or government-partnered developments. Consolidation should attract developers, lenders, and investors to participate, because the entity will be commercially accountable and able to intermediate political and non-commercial risks. This should jumpstart the market for housing and mixed-use development, construction, and sales.

EPAGI can also incubate and provide technical assistance and knowledge transfer to community-oriented organizations, or Mission Entrepreneurial Entities,¹⁴ as we have dubbed them. This has the potential to build NGOs capacity from advocacy or relief organizations into real estate development, ownership, and management, where they can be sustainable with less grant support required.

Giving EPAGI master-zoning power increases urban flexibility; it moves away from hard zoning (by plat and location) and enables project-oriented and homogenous regional development, consistent with emerging trends (e.g. in France).

¹³ Information on TOKI can be found at www.toki.tr; information on Morocco's Al Omrane is available at www.alomrane.ma.

¹⁴ For reference, see <http://www.affordablehousinginstitute.org/ahi-mee-report/>.

Disadvantages of this approach. As a new entity, EPAGI will have to attract professional staff, and this may be challenging, since these disciplines exist mainly in the private sector, which pays better than the government does. (Obviously there will be opportunities to grow capacity, and it may be necessary to support initial EPAGI executives with executive-education training in real estate development and management.)

EPAGI will also inherit the legacy of EPPLS properties; unfortunately, for historical reasons, EPPLS is not currently seen as a professional landlord, with 84% of its residents not paying rent and properties in poor condition. Changing the tenants' culture from non-payment to payment will take some work.

Issues for discussion. It will be important to pilot this model of development, and thus a few properties should be identified that can move forward with development or co-development projects.

Caisse d'Épargne Nationale de l'Habitat (CENH)

The idea in brief. Establish a national housing savings bank (*Caisse d'Épargne Nationale de l'Habitat*) as a fully licensed deposit-taking institution and make this the preferred savings institution for both Haitians domestically and the global Haitian diaspora (estimated at more than 4,500,000 people remitting \$1.25 billion annually¹⁵). Authorize the CENH to pay higher rates of interest than commercial banks.

CENH may also provide development loans, construction loans, mortgage insurance, insurance against non-commercial risks (e.g. land invasion), and so on.

Current situation. Haiti's banking sector is almost entirely funded by deposits, with deposits equaling 87% of total assets (September 2012¹⁶). Many of these deposits come via remittance transfers, particularly from North America, where Haitian banks play a major role and are active in the collection of savings. As a result, most Haitian bank deposits are denominated in foreign currency—for instance, in 2011, 39% of total deposits were held in gourdes and 61% in US dollars.¹⁷ However, average interest rates on deposits, at 0.26%, are significantly lower than rates charged on loans, and despite collecting deposits from a wide range of clients, banks are only willing to lend to few. A more competitive and fair option should be made available to Haitians, and the resulting deposits, whether in gourdes or in a foreign currency such as dollars, should be put to work in real-estate-related loans.

Development-oriented construction lending is available, though difficult to access. It requires extensive application procedures, is offered at high interest

¹⁵ Migration Policy Institute. *Remittances Profile: Haiti*. MPI, 2011.

¹⁶ Banque République d'Haiti, September. www.brh.net

¹⁷ Ibid.

rates (usually 18-30% annually), and requires high external collateral (in addition to a pledge of the land). In some cases the required collateral is equal to the value of the loan itself. The lack of development loans has severely limited the ability of private sector construction firms to be involved in middle- to large-scale developments.

Reconfigured approach. Under this approach, the CENH will be presented as the preferred depository institution for Haitians and will pay deposit rates higher than those offered by the commercial banks. It will also be straightforward for the CENH to capture remittance flows from either end (that is, either by the Haitian resident opening a CENH account, or by the expatriate family member in his or her home country – for instance, cities such as Miami, New York, Boston, Montreal, and Paris).

Given the importance of remittances to the Haitian economy, including as a source of funds for home improvement and homeowner creditworthiness, the BRH could quite justifiably impose a minimal tax on (say) telephone or electronic transfers of remittances, with the proceeds flowing into the CENH. (The tax could also be waived for transfers flowing into the CENH.)

The CENH would naturally become the preferred depository institution for international donors and development funding agencies, with funds guaranteed by the BRH.

Similarly, Haiti could and should impose a tax on undeveloped urban land (*taxe foncière*), whether held in freehold ownership or via *affermage*, with the tax related to the value of the land as distinct from the value of the structures on the land. The land tax would go into a national fund to be redeployed to cities based on their need. This would reduce the speculation on vacant urban land that is currently occurring, as well as unfinished properties, and improve the transparency of tax collection and redistribution.

How it works. The CENH's activities center on deposit-taking. It should receive all the CFPB tax money, as well as channeling funds from the Haitian diaspora, both as matters of national pride and practicality (i.e. attractive deposit rates).

The CENH should use its deposits to act as a development and construction lender. If the BNH is also created, CENH development or construction loans can be paired with BNH-insured or -provided end-user finance to create a total value chain solution. South Africa's NURCHA is a parallel institution, one that was very active in the years right after the establishment of full democracy in 1994.

The CENH can also create a home reinvestment fund, a savings program to be sold to Haitians around the world, through which the funds are credited back in Haiti and accumulated in anticipation of the diaspora returning to Haiti to build their homes. Achievement of stipulated savings rates or savings histories would then entitle the HRF depositor to preferred lending rates from the Banque Nationale du Logement (discussed in the next section).

The CENH will also be a member of a pension fund (which enables access to housing) that it manages on behalf of Haitian government employees.

Advantages of this approach. Obviously, the CENH should capture diaspora remittances. This will dramatically increase the availability of liquidity for residential lending, either for end users or for real estate development loans (see next section). It will be an industry trend-setter for real estate development investment and can catalyze reinvestment of insurance in the residential sector.

Disadvantages of this approach. Introducing a government-backed institution may raise concerns within existing commercial banks.

It will take work to convince the Haitian diaspora to have confidence in a newly formed government financial institution (hence it may be desirable for the CENH to be capitalized in part with funding from USAID's DCA or the World Bank's IFC). Then the DENH will have to compete with the global market, as diaspora Haitians have the choice of investing anywhere they want.

The organization needs to demonstrate a high degree of transparency, integrity, and strong management. Here too, the Haitian diaspora may be a resource, as many expatriate Haitians have risen in their respective adopted countries' financial sectors.

Issues for discussion. As with any other financial institution, the focus should be on niche in the ecosystem and initial products.

Design of suitable remittance-based savings products, such as the home reinvestment fund mentioned above, could provide the most promise.

A *taxe foncière*, if included in the strategy, will need approval and support from the DGI.

Banque Nationale de l'Habitat (BNH)

The idea in brief. Establish a government housing bank (*Banque Nationale de l'Habitat*) that provides end-user finance, with mortgage insurance or similar direct lending, to create an interface between people who want to borrow and commercial banks. The BNH may also create risk-sharing products. (The concept is similar to Thailand's GHB, Mexico's SHF, US's FHA, with some analogies to Malaysia's Cagamas¹⁸).

Current situation. End-user housing finance is extremely difficult to access in Haiti. Banks are extremely risk averse and have only delivered a very small number of loans, with the residential mortgage to GDP ratio at less than 1%. Products currently offered, such as Kay Pam, require extensive documentation, including proof of income and property title, that excludes most applicants, and even though this program is run through public banks, they are unwilling to

¹⁸Malaysia Cagamas: www.cagamas.com.my

absorb the extra risk of lending down-pyramid. As a result, people cannot borrow without some form of guarantee, and these are largely unobtainable.

Haiti has few specialized institutions for mortgage finance.

Without some form of guarantee, ordinary Haitians cannot borrow for normal real estate finance; they are forced to use micro-lenders, which aside from requiring high rates also offer loans too small to encompass a home upgrade.

Similarly, housing-related insurance products exist but are either new or not functioning. The ONA (National Pensions Office) advertises mortgages for its members that include insurance against interest rate changes. Multilaterals have been working to establish guarantees. The BRH has put in place a 50% guarantee for housing lending following the earthquake, yet it has not been effective in prompting more lending, for reasons about which one can speculate. Certainly the fault is not in new failure, of which there have been very few post-earthquake, simply as there are a low number of loans made, and only to the high-income borrowers who present negligible credit risk.

Reconfigured approach. To jumpstart the market, a bank needs to lead the way in lending for affordable housing. Hence, just as the CENH is proposed as a depositary institution for Haitians at home and abroad, the BNH is its natural complement on the lending side, offering end-user finance, either directly or via risk-sharing products (e.g. mortgage insurance). It will be the interface between commercial banks and Haitians who want to borrow (either directly or via savings plans introduced by the CENH), and it will accomplish this by either direct lending or through the creation of risk-shared or risk-mitigated products.

How it works. The BNH will lend to end users, which include:

- Individual home buyers, possibly with guarantees from extended families (e.g. from among the Haitian diaspora)
- Landlords of quality affordable rental housing subject to negotiated rent caps
- Condominium or co-operative associations
- Group entities (e.g. savings cooperatives)

The BNH will also create risk-sharing or risk-mitigated products, which may include mortgage loan insurance (up to a certain maximum loan-to-value or loan-to-cost ratio), mortgage purchase arrangements (e.g. of loans originated by commercial banks and meeting certain criteria under programs to be developed by the BNH). The BNH can be capitalized through loans or equity from IADB, World Bank/ IFC, and USAID.

Advantages of this approach. Housing finance delivery in Haiti will now have a single focal point. That in itself will generate activity and innovation. This model is well established elsewhere in the world. (Mexico's SHF and Thailand's GHB are examples.)

Risk-sharing or risk-mitigation products will galvanize middle-income lending in post-earthquake Haiti. Increased demand will subsequently stimulate innovation of these products, either via a bank-BNH working group or in consultation with product proposals offered by the BNH.

The BNH can facilitate infrastructure lending in residential contexts, such as where the developer undertakes to do the infrastructure, instead of having it done by the government, in exchange for an agreed value or cost of that infrastructure being incorporated into the financing and off-take price.

The BNH can also be the key delivery point for qualification and distribution of government financial subsidy programs targeted at the poorest households.

Its work will, of course, generate substantial professional services activity—among notaries, appraisers, underwriters, and closing attorneys—that Haiti needs and that will help rebuild the economically weakened Haitian professional middle class. The increased activity might even encourage a return of diaspora Haitians who have learned these disciplines abroad and want to use their skills to rebuild their country.

Disadvantages of this approach. There will be pressure on the BNH to take non-commercial risks that cannot be hedged. Because of this, the BNH will need to be closely connected with the BRH and to the Parliament.

Although commercial banks may initially be wary of the BNH, they will likely realize that BNH-originated risk-mitigation products offer significant opportunities. That will create a different and new set of risks—agency risk in the banks' origination of loans that they plan to sell or securitize to the BNH.

Whoever holds the BNH end-user loans, there will be risks of non-collection and difficulty of foreclosing, especially if the populace comes to see the BNH as a “government lender” rather than a “real lender.” Numerous countries throughout the world have had government housing banks develop non-performing or poor loan portfolios because of inability to establish collection disciplines up front.

As the BNH opens branches around the country, it will need capacity building and internal financial controls, and it will need to tap into the system of notaries and appraisers.

Issues for discussion

- *Direct or indirect.* Should the BNH undertake direct lending, or be indirect (i.e. buying loans from banks)?
- *CENH and BNH.* If both the savings institution and lending institution are created, might they be combined?
- *Political instability.* Is it viable for the Haitian government to act as a reliable counterparty in financial savings and lending?
- *Moving forward.* Ideally, the commercial banks and the BNH would create a working group to develop initial products.

Fairly compensated expropriation for public emergency: Accelerated redevelopment

The idea in brief. The president will declare a national crisis, identifying the urban disaster zones that represent immediate and urgent threats to human safety and health. The newly created Ministry of Housing and Urbanization (MVH) will be vested with the authority to implement fairly compensated expropriation via the DDF and DRF described above.

Fairly compensated expropriation defined

This paper advances the idea that without swift and effective expropriation, Haiti will never recover from the earthquake, because it will be unable to rebuild or redevelop its urban areas into functional cities. But expropriation is controversial. Even though it is a tool used in every developed nation, its application to individual properties in particular countries is often contentious. So as to be clear about what is envisioned, this paper uses throughout a defined term, fairly compensated expropriation, with the following meaning:

"Fairly compensated expropriation" means an action, undertaken by the duly constituted entity of government (in this case, the DDF or the DRF within the ministry), in which there is a judicial procedure that makes three fundamental findings:

Determination of urgent national priority need. It is an urgent national priority for the property in question to be redeveloped. Priority corresponds to imminent health or safety risks to inhabitants of the property or neighboring communities; over-occupancy, under-maintenance, or absence of clean water or sanitation; crime, especially crime that is readily exportable to other neighborhoods; evidence of abandonment or non-investment by possible private owners; or other causes.

Due process to the possible private owners. Before the property is expropriated, the applicable entity will use a judicial or similar open legal process to make a finding of the urgent national priority need, to consider alternatives to expropriation of this particular property, and to establish fair market value for compensation.

Economic compensation based on fair market value. Determinations of fair market value must take into consideration current use of the land and structures upon the land, as well as land-value impairments such as costs of remediating the land or complying with public health and safety orders; uncertainties with respect to title and ability to develop the land; and historical adverse possession. Compensation will be paid in cash unless the property owner agrees to another arrangement (such as land contribution at a stipulated value or for a stipulated share of the redevelopment proceeds).

In extreme cases only, fairly compensated expropriation can use a "quick take" model in which the title is taken while the compensation proceedings continue.

Systems for fairly compensated expropriation exist in most of the world's developed nations, including as possible examples the United States, United Kingdom, and France.

This proposal is analogous to authorities that were used in San Francisco 1906 and Nicaragua 1973, and in striking contrast to the failure to use such authorities in New Orleans after Hurricane Katrina, in 2005, with adverse consequences that can be seen even today.¹⁹

Current situation. Without expropriation, the government will never secure enough land to make a difference in the urban environment. Similarly, without expropriation it will be impossible to combine small or contested plots into an overall land parcel that can support trunk infrastructure rationalization. This is proved by current reality: In three years since the earthquake there has been virtually no rebuilding in questionable areas.

Reconfigured approach. As noted above, this approach begins with a declaration of national crisis, stemming from the conditions caused by the earthquake that mandate emergency action. This declaration will also describe an end state, when the national emergency will be declared to be over, and the emergency expropriation powers will lapse.

How it works. For the particulars of regularization criteria, see sections above describing the *agences foncières*.

In addition, the implementing agencies should have the flexibility to offer alternative forms of compensation or participation by homeowners, landowners, and holders of *affermage*, such as cash, a swap of the expropriated land for greenfield land elsewhere, or a participation swap in the pilot via private-public partnerships (see next section for explanation on PPPs).

Advantages of this approach. It breaks the logjam. Nothing else will do. In fact, every developed nation uses judicial expropriation, also known as eminent domain (in the US) or compulsory purchase (in the UK), as an essential tool in its urban development. Often the expropriation is coupled with urban rationalization and rebuilding, such as after a disaster. (Two famous examples are Charles II's London after the great fire of 1666, and San Francisco's downtown rebuilding after the 1906 earthquake.) In most developed nations, there is a strong rule of law (including confidence in the judiciary) and well-developed jurisprudence surrounding the procedures for taking property, and the means of determining and paying compensation.

Disadvantages of this approach. Naturally, any form of expropriation is politically contentious, both in its establishment in principle and its administration in practice. Even in such settings, expropriation is always regarded as

¹⁹ Parts of New Orleans east of the levee have basically never been rebuilt, and the few demonstration houses, many of them sponsored by high-visibility organizations and celebrities, sit in isolation and have never developed any replicability, scalability, or sustainability. (Authors' personal knowledge from site visits.)

contentious, and often shot through with overtones of politics—haves taking from have-nots.²⁰ Such charges are frequently leveled in emerging nations, such as India's slum redevelopment authorities or Turkey's TOKI.

Expropriation exists on the books of many countries, including Haiti, but it is seldom activated because various parties fear its misuse more than they value its use. Holders of *affermages* may resist expropriation, or consent to enter into it only if overpaid for their land or unwilling to recognize the impairments that are a reality when the land is developed informally and is occupied illegally or informally.

Fairly compensated expropriation requires the government to have some meaningful liquidity—it takes cash capitalization at inception.

There is a clear risk that formalizing informal will encourage more land invasions, more false claims of ownership. Conversely, much of Port-au-Prince is already overrun so there is not that much well-located land that could be invaded.

There is a risk of gross overpayment, corruption, and favoritism in land taking.

Issues for discussion. Historically donors have been uncomfortable with expropriation as an urban rationalization tool, because they fear negative outcomes: displacement of the poor, rewarding of land invasion, and over-compensation of holders of questionable land title or land status.

Similarly, expropriation always requires political capital and political support from the top. In Haiti's case, this means the president, prime minister, and parliament. That support must be with more than words; it must be made with clear and strong action.

It may be useful to create a special expropriation committee within the *agences foncières* (DDF or DRF) as a means of mediating and adjudicating disputes about land value and identifying priorities.

Development PPPs with *affermage* land holders and land owners

The idea in brief. EPAGI's main activity will be PPPs where the land is provided by the government of Haiti, either from its own inventory or through fairly compensated expropriation effectuated by the DDF or DRF. Landlords may choose to pre-empt a potential expropriation proceeding by entering into a development-PPP joint venture with EPAGI, under which the landlord contributes

²⁰ In the US, as recently as 60 years ago, expropriation via a government agency was widely used (for instance, in New York City by Robert Moses' Triborough Bridge Authority) as both highway-building and slum clearance. Other (in)famous cases including the *Poletown Neighborhood Council vs. Detroit* decision, where a neighborhood was leveled to make way for an expanded Ford Motor Company production line, and the 2005 *Kelo v. New London*.

the land at a mutually agreed valuation, with the land to be entitled either to a land rent (fixed or variable) or to apportion of the post-development proceeds.

Current situation. Much land that is suitable for residential development, particularly in Port-au-Prince, is in a state of stalemate. It is held by landowners or in *affermage*, and may be either left vacant, squatted on, or leased to poor people living in inadequate housing without basic services. Landlords do not have the means or desire to up-zone these sites, because of the high development costs required, or the difficulty of dealing with the existing residents and the probable uncertainty of a negotiated resolution.

Reconfigured approach. Joint-venture partnerships with government would create a means for landlords to extract value out of their land, which is currently underexploited or left idle. Instead of land being taken through fairly compensated expropriation, it could be contributed, based on a negotiated value or negotiated position in the transaction, as part of an overall redevelopment.

How it works. Land development, directly or in joint ventures, will be the main activity of EPAGI. Land obtained either from the *agences foncières* or from a private landowner or holder of an *affermage* contract) will be contributed in exchange for an ownership interest or land lease in the completed development.

Advantages of this approach. The advantages are clear: The approach reduces cash requirements, defuses tension, and offers a flexible choice.

- Reduces out-of-pocket cash required for the development.
- Enables land in *affermage* to move into higher-value use without forcing a sale for cash (and hence without forcing a juridical expropriation).
- Increases the availability of urban land for development.
- Enables questionable *affermage* to gain a formal and secure title or participation.
- Increases and accelerates construction and redevelopment.
- Facilitate trunk infrastructure in neighborhoods undergoing redevelopment.

All of these are natural activities of government, which is the principal beneficiary of an improved urban environment, and can realize in the form of taxes on property and economic activity.

Disadvantages of this approach. Introduction of development PPPs will face many challenges in the current context of Haiti, particularly due to legal constraints and the present lack of capacity in real estate development.

- This approach is predicated on the existence of suitable law governing land leases or joint venture arrangement. Similarly, it must fit within current Haitian law governing PPPs.
- It requires initial seed capital, or alternatively an inventory of government-owned land.
- Negotiating these transactions is sophisticated, and requires investment banking or financial expertise.

- Naturally, moving land through real estate development requires development expertise. See the discussion above concerning EPAGI.
- It also likely requires creating law or regulation that can regulate post-offtake land leases, homeowners' associations, or effective co-operatives.

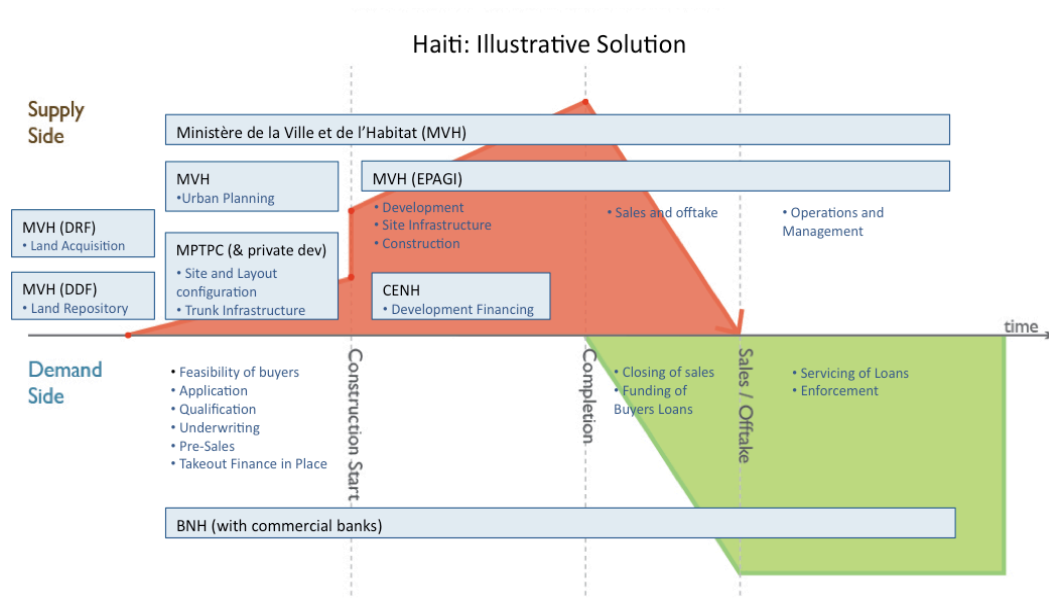
Issues for discussion. A pilot program could test the concept, possibly without even the necessity for an active campaign of fairly compensated expropriation. The government could establish a capital fund (approximately \$25 million) for trunk infrastructure and cash compensation, and then issue an offer for *affermage* holders to propose land they would be willing to contribute, in a negotiated fashion, into such a joint venture.

Illustrative solutions in the housing value chain

The position of these solutions is shown in the diagram below (Figure 5.9). The key benefits from the existing situation are as follows:

- An overarching ministry regulates and puts in place measures to support each step in the housing value chain from initiation to off-take financing.
- New land agencies make public acquisition of land and regularization possible.
- A new government developer, EPAGI, facilitates the development of housing. There is a government institution that offers developer financing, CENH.
- The urban planning functions, currently divided among many ministries, are consolidated into the MVH.
- There is a government entity dedicated to facilitating lending to households for housing, the BNH.

Figure 5.9. Illustrative solutions in the housing value chain



Fitting the possibilities into a recommendations framework

Remaking the housing system in Haiti will take years: Institutional reformation is difficult in its own right. Creation of capacity in those institutions also takes time and often involves mistakes and learning exercises. But time will not wait for the perfect solution; some actions must be taken now, if only because inaction is the worst possible strategy. Here, then, are possible actions.

Parallel paths toward an improved future

Stop relief that gives away housing for free. Although humanitarian impulses often lead people to charity immediately following a disaster, relief is addictive and often leads to conditions of dependency.

Hard as it may be, government and international NGOs must stop using donor funds to pay for the construction of new homes that are then given away for free or at negligible cost.

Instead, these entities must start to apply funds more intelligently in order to pilot innovative business models that lever other people's money alongside the grant or subsidy. Grant money can be used as collateral to mobilize lending from banks, or as subsidy to empower poor households to become consumers of building materials, land and construction labor. Such actions can create a space for private sector service providers to respond to this new effective demand. This will set up a cycle of ongoing investment rather than a one-way stream.

Deliver land availability through both eminent domain and joint ventures with existing landowners. The most efficient short-term means to access land for development will be through joint venture partnerships with existing landowners. Upgrading or urban development of land is a value proposition to a landowner and should be explored as such by the government, private sector developers, and INGOs that want to make well-located land available for housing for low-income Haitians.

IOM's established method of community enumeration also provides a model for clarifying land ownership and occupancy that can open up investment or redevelopment in areas that do not have clear registered land title. This approach can be replicated by many parties. Such home ownership verification techniques could gain legitimacy and even be used as evidence of secure land tenure and collateral for microlending.

Accelerate delivery of basic urban infrastructure. Funds and projects that attempt to improve the provision of basic services should attempt to work as

much as possible within the programs of MTPTC as a means to build public capacity to provide of infrastructure.

The private sector can also be empowered to invest in the capital costs that infrastructure requires, costs that will be recovered by service charges over time. MTPTC can play an immediate role in coordinating such PPPs for service provision, and donor funds be used to fill any value gaps and to provide the financial collateral that will motivate local banks to finance such business ventures. Once a few pilots are found to be profitable, investment will flow more easily.

Use community groups and PPPs with these groups to deliver site

infrastructure: Local savings cooperatives through credit unions are an effective way to pool and mobilize funds for neighborhood improvements, such as street lighting, internal pathways, water storage units, and sanitation facilities. Precedents include:

- *The Urban Poor Fund of Slum Dwellers International.* Pooled saving contributions from the local community are supplemented by donor funds. At first, donor funds make up the major share of costs, but this is eventually reduced as the purchasing power of households increases with improvements in their neighborhood.
- *Parivartan Urban Upgrading.* A four-way partnership in India among community, NGOs, private sector, and municipalities has enabled urban upgrading, through which the private sector finances and constructs, government assures land security for 10 years, NGOs mobilize communities and provide technical assistance, and the community is the customer who demands the services and provides oversight.

Use new construction projects as opportunities to train local workers.

Private sector and employment opportunities are enhanced through training programs, which have already formed a major part of the reconstruction programs in Haiti. Yet programs should be coupled with smarter delivery of demand-side finance—for example UNDP’s Carmine Program, where credit grants are distributed via mobile banking to households where it can only be used for the purchase of certified quality materials and construction labor. This type of transaction introduces money into the local community and promotes growth of improved building materials and qualified masons.

Use international NGOs to absorb startup risks of innovative development:

NGOs can play a role, at the beginning of projects, in taking the risks that the private sector is unwilling to take because it lacks a track record. This can include the difficult task of land ownership verification and then release to the private sector, preparing households’ applications for housing loans, and connecting them with qualified builders and certified materials.

Develop unified qualification criteria for eligibility and a standardized credit underwriting at time of sale:

The government needs to establish unified qualification criteria for subsidy; once it does, all international donors must adhere to that standard (otherwise beneficiaries will get into an “auction” during

which they shop donors for benefits). This will lay the foundation for a subsidy system.

Operations and management: EPPLS should have a more active partnership with, or merge entirely with, UCLBP and CIAT so that they have a role in the identification of development areas, urban planning, and site design, and are not left with poor-quality housing to manage, as is currently the case. The human and financial resources of the merged entity will need to be strengthened. EPPLS should also determine the qualification criteria for potential beneficiaries of government housing via reform of their current procedures, so that the need for housing is known beyond the IDPs that are recorded in the displacement tracking matrix (DTM). Doing so will create a prioritized registry that includes households living in risky areas and in precarious, over-crowded conditions without sufficient financial resources for housing improvements.

Actions feasible in the short term

What follows is a compilation of the possibilities and options described in the preceding sections, organized by stakeholder group:

Stakeholder group	Short-term recommendations
Government	<ul style="list-style-type: none"> • Issue “emergency” streamlined procedures for key rebuilding elements, such as building permits, land title, and “no eviction” letters of stated duration. • In the short term: <ul style="list-style-type: none"> ▪ EPPLS specializes in operations of housing rental and lease-to-own arrangements and builds capacity in beneficiary allocation and housing management. ▪ CIAT coordinates with ministries—specifically MTPTC and MICT—to identify priority areas for development, neighborhood rehabilitation, and potential land for sites and services, ▪ UCLBP acts as the developer to coordinate real estate and rehabilitation projects. ▪ DGI assists the release of land in the identified priority areas, where UCLBP can coordinate the expropriation process and fair compensation where necessary. • Eventually EPPLS, UCLBP, and CIAT are combined as the joint government counterparty for land procurement, identification of strategic urban development areas, master-planning, housing construction and beneficiary allocation and management. This could be the embryo of the future MVH.

Stakeholder group	Short-term recommendations
Government cont.	<ul style="list-style-type: none"> • Facilitate housing delivery PPPs through the reformed and consolidated EPPLS, as above. • Facilitate infrastructure deliveries through MTPTC. • Allow combined PPP agreements whereby private developers can have agreements with both MVH and MTPTC for integrated infrastructure and site delivery.
Landowners	<ul style="list-style-type: none"> • Explore potential for joint venture development partnerships. • Develop legal forms for extended land leases and post-eminent-domain development leases. • Create a buildable land security interest that may be overlaid on existing affermages.
Private sector	<ul style="list-style-type: none"> • Participate in joint government-private working groups to develop PPP prototype business models and legal forms. • Explore innovative partnerships and business models with other stakeholders—e.g. NGOs or donors, or private equity firms. • For each step in a value chain, quantify the extent to which a normal market cost for the product or service step is unaffordable to middle-income or lower-income Haitians and prepare to accept a government- or donor-funded subsidy or cost reimbursement for the non-economic portion of the fee. • Government, development organizations, and other private-sector investors engage the private sector for projects on infrastructure provision and construction. • Households contract private sector for housing construction and improvement.
Financial sector	<ul style="list-style-type: none"> • Provide savings products for households and community cooperatives. • Provide commercially reasonable business loans to private sector for materials and construction activities. • Develop term sheets for loan products that could be backstopped by government partial guarantees (e.g. last-loss insurance and insurance against defective title). • Develop a National Charter—a pledge by all financial institutions collectively to put capital to work on inclusive banking and inclusive housing and urban finance—similar to South Africa's 2003 landmark Financial Sector Charter. BRH can put in place an incentive system through which banks are rewarded for meeting lending targets.

Stakeholder group	Short-term recommendations
NGOs	<ul style="list-style-type: none"> • Mobilize communities into savings co-operatives, work co-operatives, and potential land-rationalization co-operatives. • Provide significant educational and technical assistance in the key real estate and housing delivery components: home improvement, household finances and savings, and financial literacy. • Provide technical assistance to train Haitians in housing-related professions: masonry, carpentry, residential architecture, loan origination and closing, loan servicing, property valuation, and recordation. • Facilitate contracts so that local Haitian private sector can undertake work. • Deliver one-time capital-oriented grant subsidies to individual households (e.g. incentive-based savings matches).
Community	<ul style="list-style-type: none"> • Start savings individually and collectively. • Form land-ownership and savings co-operatives. • Participate actively and verifiably in community-city enumerations, such as those used by IOM, to provide community-agreed cadasters for informal neighborhoods. • Provide oversight to redevelopment properties.
International donors	<ul style="list-style-type: none"> • Coordinate and pool grants funds to provide partial subsidy for developers building affordable housing and grants to households to fill the cost-value gap, between their capacity to pay for housing and cost of construction. • Provide cash or collateralized guarantee authority, in concert with government, to financial institutions to reduce risk in lending.
International financial institutions	<ul style="list-style-type: none"> • Act as a source of low-cost funding for investment in innovative business ventures, such as housing development.

Possible next steps

As described in preceding sections, the state of Haiti's housing is disastrous, the need for change is urgent, and the scale of required change is massive. This is not a time for caution. Nor is it a time to let processes toward consensus trump making commitments and acting upon them—because every month that goes by without change, thousands of people continue to suffer, the Haitian economy loses millions in unrealized revenue, and millions of Haitians face health and safety risks.

The illustrative solutions presented in this paper are merely that—illustrations. They are presented to show what is possible and to shift the discussion from what is possible to envision ("It's impossible") to practical feasibility ("What does it require?") and political desirability ("Can we make the commitment and take the risks?"). But once the dialog changes from indecision to questioning, several actions should be taken to advance the possibilities:

1. **Conduct research to investigate feasibility.** Many of the illustrative solutions depend on our best understanding of Haiti's situation today, including laws, authorities, and conditions. Further research is certainly possible, including; further elaboration of the scenarios; examining peer-country experience or institutions and learning from their activity, success, and failure; summarizing current authority and testing whether proposed solutions fit within the authority; and, as appropriate, identifying what new or changed laws or regulations are required.
2. **Convene a stakeholder forum** for a roundtable discussion of the problems, imperatives, and possible solutions. The discussion can be structured in several ways, including mapping of the supply-side and demand-side value chains as they exist today; critiques of the particular illustrative solutions; presentation of alternatives to the illustrative solutions; expressions of interest in further developing the details of these or other possible solutions; and identification of possible pilot properties, programs, or actions that could be taken (see below). As an alternative to a stakeholder forum, actors could be interviewed individually, one on one, or via an invitation to comment publicly in writing on this research backgrounder or on other concept papers to be published.
3. **Convene an intra-governmental working group**, possibly under the auspices of either the UCLBP or the offices of the president and prime minister, to explore alternative configurations of the proposed Ministry of Housing and Urbanization. This could also include compiling an inventory of all available government-owned land and a similar inventory of land in *affermage* within the affected areas.
4. **Develop a possible implementation sequence**, identifying priorities and which activities need to precede which others, what levels of authority each takes (i.e. act of Parliament, presidential decree, inter-agency

coordination), how much they need in human or financial resources, and where those resources might be found.

5. **Develop one or more pilots**, especially of fairly compensated expropriation or *affermage*-into-PPP land development, and put them out for bid and potential joint venture negotiation and agreement. The faster there is activity, even if it is only one location using one model, the better for everyone's focus and for improving and accelerating reform and action.
6. **Use a presidential decree to declare a Haitian national housing crisis**, and outline a plan of emergency actions, including those steps that can be taken by presidential decree, or ministerial-level administrative changes to existing policy and procedures. Then follow through on the emergency declaration, and act swiftly.

Appendix 1: Affordable Housing in Haiti: Expository background

Historical context

Haiti has long been branded as one of the poorest countries in the Western hemisphere. A volatile political environment, unstable financial sector, and successive natural disasters have resulted in a long history of under-investment, poor economic development, and extreme difficulty to accumulate wealth.

With a population of almost 10 million people, aside from an elite minority, most Haitians live in abject poverty: 55% survive on less than \$1.25 per day, and 72% on less than \$2.00 per day.²¹ Haiti's economy, with a GDP of US\$12.4 billion in 2011, and per capita GDP of US\$1,200, is dominated by agriculture and widespread unemployment.²² Estimates place the informal employment at around two-thirds of the total workforce.²³ Only 44% of households in Port-au-Prince have an employed member.²⁴

Living conditions in Haiti have always been poor. In the metropolitan area of Port-au-Prince alone, an estimated 80% to 90% of the 2.14 million inhabitants live in informal settlements, many of which are slums sprawled on steep mountainsides.²⁵ There are an estimated 2.15 million households in Haiti, and average home size is 27m², with 2.1 rooms.²⁶ This works out to an average household size of 4.6 persons (see Table E1.1 for details).

Data on the existing population will be confirmed in 2013, when the Haitian Institute of Statistics undertakes the national census, which is conducted every 10 years.

Nationally, only 19% of the population has access to improved sanitation facilities, and 58% have access to water.²⁷ In Port-au-Prince, 67.1% have access to safe drinking water, yet only 15.4% of households have water piped to their homes, and most rely on public standpipes and water tanks; 29.2% of the population have access to a toilet inside their dwelling; others rely on shared toilets and 13.2% have no access to sanitation facilities at all.²⁸

²¹ World Bank, *Interim Strategy Note for the Republic of Haiti*. November 1, 2011.

²² CIA World Factbook—Haiti, Accessed December 21, 2012.

²³ United Nations Human Settlements Programme, *A Situational Analysis of Metropolitan Port-Au-Prince, Haiti—Strategic Citywide Spatial Planning*. 2010.

²⁴ USAID, *Housing Demand in Port-Au-Prince, Haiti*. December 1, 2011.

²⁵ CIA World Factbook—Haiti, Accessed December 21, 2012.

²⁶ USAID, *Housing Demand in Port-Au-Prince, Haiti*. December 1, 2011.

²⁷ World Bank, *Interim Strategy Note for the Republic of Haiti*. November 1, 2011.

²⁸ USAID, *Housing Demand in Port-Au-Prince, Haiti*. December 1, 2011.

Table E1.1. Total population of Haiti and estimated households (2009)

Geographic	Population	Number of HHs.	Size of HHs
Urban	5,267,068	928,548	4.7
Peri-urban	328,113	71,909	4.6
Rural	4,328,062	1,147,236	4.6
Total	9,923,243	2,147,693	4.6

Source: IHSI. Population Totale, Population de 18 Ans et Plus, Ménages et Densités Estimés en 2009. 2009. http://www.ihsi.ht/pdf/projection/ POPTOTAL&MENAGDENS_ESTIM2009.pdf

Land ownership in Haiti is unclear in many circumstances. Most people are renters or live in informal settlements that lack land title clarity. Low-income families renting in informal areas usually pay rent in annual or bi-annual advances. On average, this amounts to 2000 to 4000 HTG per month in informal areas, and 60,000 to 80,000 HTG in middle-income areas.²⁹ Homeowners account for 38.3% of households in Port-au-Prince, according to the 2011 USAID housing demand study, which is lower than in the rest of the country.³⁰

Informal land ownership and transfers are common, since registration procedures are lengthy and cumbersome. In addition, low-income families often cannot afford the notary and surveyor fees. In 2011, a survey found 28.5% of landowners in Port-au-Prince had no proof of their land ownership, 54% had notarized title, and 9.4% simply had a sales receipt.³¹ Possession of a notarized title does not imply clean ownership, as the title may not be registered at the DGI, may not be unique, and does not include surveyor information on property boundaries.

Further information about land ownership in Port-au-Prince was published in a UN-HABITAT report, which found that:³²

- 45% of land was publicly owned:
 - 4% of this land has direct recognition (via contract or authorization) consisting of:
 - State housing projects with incomplete titling
 - 41% of this land has indirect recognition (de facto) consisting of:
 - Invasions with a fermage contract
 - Invasions which are applying for a fermage contract at DGI
 - Invasions tacitly accepted by authorities
- 55% of land was privately owned:
 - 44% of this land has direct recognition (via contract or authorization)

²⁹ USAID, *Housing Demand in Port-Au-Prince, Haiti*. December 1, 2011.

³⁰ Ibid.

³¹ Ibid.

³² United Nations Human Settlements Programme, *Land Ownership in Port-au-Prince*, 2009.

consisting of:

- Land and/or houses with incomplete titling or limited transferability
- Land and/or houses subleased without the owners' consent
- Land and/or houses in informal subdivisions
- 6% of this land has indirect recognition consisting of de facto invasions.
- 5% is land in litigation or the ownership, tenure or right to occupy land is in legal dispute.

Haiti is currently facing enormous new demand for housing. The population is expected to double in the next 40 years, to 18 to 20 million inhabitants, and annual production needs will increase up to around 60,000 units per year by 2025 (see Table E1.2). The largest city, Port-au-Prince, has an estimated 2.13 million residents; this population is expected to reach 6 million by 2030. Unclear land ownership and the poor quality of infrastructure and housing stock in existing urban areas is preventing the public and private sector from improving existing urban areas, whereas the extremely limited supply of developable greenfield land makes it difficult for the production of new housing to respond to the enormous demand.

Table E1.2. Formation of housing for Haiti, 2005 to 2050

	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050
Rural pop	5.27	5.27	5.24	5.21	5.15	5.08	5.00	4.91	4.84	4.78
Urban pop.	4.02	4.82	5.67	6.54	7.41	8.27	9.12	9.94	10.69	11.37
Total pop.	9.29	10.09	10.91	11.74	12.56	13.35	14.12	14.85	15.53	16.15
Household	4.6	4.6	4.5	4.3	4.2	4.0	3.9	3.7	3.6	3.4
No. of HHs	2,020	2,193	2,452	2,731	3,026	3,338	3,667	4,013	4,375	4,750
New rural		(261)	6,642	6,501	6,103	5,711	5,584	5,983	6,883	8,490
New urban		34,783	45,263		52,914	56,633	60,266	63,261	65,452	66,580
Total new		34,522	51,905		59,017	62,343	65,851	69,244	72,335	75,070

Source: UCLBP. Politique Nationale de Logement, 2012.

Reconstruction challenges in post-earthquake Haiti

The 7.0 M_w earthquake that took place on January 12, 2010, caused enormous destruction and devastation. An estimated 220,000 people were killed, another 300,000 injured, and 1.5 million left homeless.³³

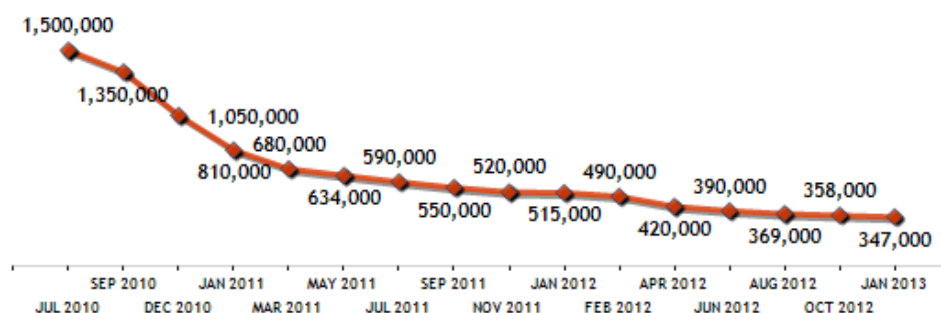
The earthquake had an enormous impact on the physical environment in the most densely populated urban areas of Haiti. More than 300,000 houses were classified as uninhabitable.³⁴ Out of the half-million houses that were structurally assessed in metropolitan areas by the MTPTC, 53% (284,098) were green-marked as safe to occupy, 27% (146,004) were given yellow tags as needing improvement, and 19% (100,178) were red-marked indicating that they were unsafe.³⁵

Reconstruction costs have been estimated to reach US\$11.6 billion. The housing sector was the hardest hit, with losses and damages totaling US\$3 billion.³⁶

The earthquake caused a sudden influx of international aid and relief efforts to come to Haiti. Since 2010, 232,000 transitional shelters have been built. In 2012 alone, 110,964 transitional shelters were delivered, 5911 housing reconstructions, 18,725 retrofits or repairs, and 23,438 rental subsidies were disbursed. In 2013, another 114,607 transitional shelters are planned and 42,972 rental subsidies.³⁷

Despite huge relief efforts, many temporary camps still remain today. Some 496 camps, with 87,750 households and 347,284 individuals were recorded as of December 2012 (see Figure E1.1). Housing is far from ideal: 70,700 of these households are still living in emergency shelters, 5,920 (6%) have transitional shelters and 11,128 (12%) are living in temporary settlements, which are likely to become permanent yet currently lack basic services.

Figure E1.1: Evolution of number of IDPs, 2010 to 2013



Source: IOM DTM Portal, January 2013.

³³ Oxfam. *Haiti Progress Report 2010*. January 6, 2011.

³⁴ World Bank. *Interim Strategy Note for the Republic of Haiti*. November 1, 2011.

³⁵ International Finance Corporation. *Prospects for Finance Within the Micro-Housing Value Chain in Haiti – Initial Market Scoping Report, Draft*. August 8, 2011.

³⁶ Haiti Financial Sector Recovery Program. *Project Information Document, Concept Stage*. July 30, 2010.

³⁷ CCCM Factsheet. December 2012.

The key challenges in Haiti's housing reconstruction today include:

- Massive increase in the demand for housing
- An enormous amount of informality, with unclear land status and non-functional cadastre
- The lack of quantitative and qualitative information
- Low supply of land suitable for residential development in urban areas
- The lack of land under control of the state.
- Households are not able to access housing financing.
- No systematic means to qualify beneficiaries for housing projects.
- Existing and new developments lack infrastructure.
- Relief housing is crowding out private sector development.
- The shortage of local construction and developer capacity.
- Poor access to quality construction materials.
- Development finance is expensive and difficult to access.
- There is no off-take strategy for housing sales or management.
- There is no operational strategy for new rental housing stock.

Selected examples of housing initiatives

The Government of Haiti and the international community are clearly shifting their focus, from reconstruction and relief to long-term redevelopment. However, progress has been slow.

Positive examples of permanent housing solutions are scant. Too much focus has been placed on the construction of physical structures rather than on setting up the sustainable delivery mechanisms that will stimulate the creation of sustainable communities and private investment in the sector.

Failures can be attributed to poor site location, poor master-planning, housing design that does not match end-users' needs, and a lack of basic services accompanying new developments. Residents currently have little incentive and obligation to maintain housing units. Many new developments have been squatted, or residents are not paying maintenance costs, and it seems that these many quickly turn into the future slums of Haiti.

The formation of the UCLBP has been a positive step to providing a lead for the GoH to start developing serious long-term housing policy objectives. The *Politique Nationale du Logement*, lays out the vision for affordable housing in Haiti, outlining priorities for the institutional roles and responsibilities, delivery systems, and domains of action.

Current activities in permanent housing in Haiti include:

- *Housing finance liquidity facility.* A housing finance liquidity facility is being launched, with a loan reported to be \$26 million from OPIC, in

partnership with grant money from USAID, and the Clinton Bush Haiti Fund. Haitian entities—notably MFIs, SME lenders, banks and other regulated financial institutions—will be eligible for long-term capital, repayable on affordable rates over a period of 7 to 10 years. This will enable them to offer micro-mortgages, housing microfinance, and loans for the physical reconstruction of businesses for amounts as low as \$1,000. This initiative is expected to be launched in late spring, and loans are expected become available before the end of 2013, with up to 4000 households expected to benefit. Institutions that will be suitable for such on-lending include Le Levier, ACME, and SOFIHDES; the facility will be managed by Development Innovations Group.

- *16/6 Program.* Implemented through a partnership of the Government of Haiti, with the UCLBP taking the lead, and 4 UN agencies (UNDP, UN-HABITAT, UNOPS and ILO). This ambitious project has the goal to relocate displaced people living in six refugee camps back into their original 16 neighborhoods. Under this program, the implementing partners will repair and build affordable housing and community infrastructure for earthquake-affected residents, funded with subsidies to beneficiaries, grants, and household contributions.
- *Rental subsidies.* The IOM has been administering a rental subsidy program in order to facilitate the relocation of residents out of IDP camps. This has involved giving a once-off payment of US\$500 to households with the DTM to leave the camps. CCCM recorded that 23,438 rental subsidies were disbursed in 2012, and this program is expected to continue into 2013, until camps are completely emptied.
- *Community enumeration.* IOM has set up a system for participatory community enumeration in order to enable the verification of land tenure and right of occupancy through a pilot project in Delmas 32 and another in Carrefour. The project involved community mapping, social mobilization, data gathering, verification, and then practical application. With this method, IOM has been able to verify the right of occupancy and tenure arrangements in the target neighborhoods. This verification has facilitated redevelopment efforts by informing the international community about where it is safe to invest and reducing the risk of conflicting land claims, even though the process does not have legal footing.
- *Government housing programs.* Under the Soutien au Plan d'Intervention dans le Secteur de l'Habitat (SPISH), the GoH and UCLBP are undertaking mass housing programs. FAES is in the process of supervising the construction of thousands of low-income houses at Morne a Cabrit with funding from the Inter-American Development Bank, and the Haitian government. The houses are located far from existing settlements, lack any trunk or site infrastructure, and are currently vacant. Eventually, the units are expected to be allocated to IDPs who are currently living in camps. EPPLS will be made responsible for operations and management, where it is envisaged that new residents will be given ownership of the property in a five-year lease-to-own program.

- *President's 400 Houses.* In 2012, President Martelly announced an ambitious project to build 400 houses on the outskirts of Port-au-Prince in Zoranger. These were financed by the IADB and Food for the Poor and supposed to be constructed over 100 days by FAES. Only 380 were completed, and another housing development from the government of Venezuela puts the total number of units on the site at 402. EPPLS currently is responsible for the management, yet many of the houses are still vacant, squatted, or EPPLS has had difficulty collecting rental payments for maintenance of the site.
- *Building Back Better Communities Housing Expo.* Sixty model homes were built by private firms for the BBBC Housing Expo, launched in June 2011 and sponsored by the Clinton Foundation, IADB, Deutsche Bank and GoH. The expo was intended to showcase housing designs for permanent affordable housing projects, and later to be incorporated into a new neighborhood in the Zoranger area of Port-au-Prince. However, the houses were never linked to basic infrastructure, or allocated to beneficiaries. EPPLS has been given management of the site. Many houses are vacant, and others have been squatted.

Caracol Industrial Park. The GoH is working with USAID and the IADB to build housing in conjunction with the US\$220 million Caracol Industrial Park. These homes are intended for IDPs and the future employees of the factories that are part of the industrial park. This new community is being constructed near Cap-Haitien in the far north, yet Caracol is distant from existing urban areas, and the development required the relocation of 366 farming families from their land. Community growth relies on the success of the industrial park concept. It is still unclear how these houses will be allocated and managed at off take. They will likely be handed to EPPLS to offer in a lease-to-own program. Only one factory has opened operations so far, a South Korean textiles firm, and there are public doubts about whether there will be sufficient jobs to attract residents away from urban areas.

Appendix 2: Housing Demand in Haiti

Ability to pay

An estimated 72% of Haiti's population survives on less than US\$2 per day, and as many as 56% lives on less than US\$1 a day, which creates a large segment of the population who simply do not have the financial means to repay housing loans. Please see Table E2.1 for an abstract of Haiti's vital statistics. Until livelihood measures are introduced and incomes are raised, the only housing finance option for this population of "very low-income" persons is likely to be subsidies. Any other financing mechanism is simply unaffordable and infeasible to this market segment.

There is a small segment of potential borrowers known as the "gap class" who earn between US\$240 and US\$500 in Haiti.³⁸ The "gap class" makes up 20% of the urban population and 10% of the total population, and lies above poverty levels but below middle-income groups. This "gap class" represents likely targets for HMF products to rebuild current homes or provide partial financing for buying new houses.

Table E2.1. Abstract of vital statistics in Haiti

Indicator	Measure	
<i>Economic Measures</i>		
GDP per capita	\$1,200	
Avg household income in Port-au-Prince	\$4,800	
Percentage of population in poverty	72%	
<i>Housing Demand</i>		
Avg HH size in Port-au-Prince	4.97	
Availability of housing	577,547	units
Earthquake affected housing	107,000	units
Annual housing demand	50,000-60,000	units
Average monthly rent (informal area)	2,000-4,000	HTG
% of Port-au-Prince HHs in:		
Temporary housing	22.60%	
Living in housing damaged by earthquake	42.90%	
Avg. house area in PaP	26.78	Sq.m.
Avg. number of bedrooms	1.59	
<i>Housing finance</i>		
Plans for financing home		
Buy outright with cash	22.40%	
Buy outright with cash and help from family/friends	19.00%	

³⁸ USAID, August 2011, Assessment of Options for Stimulating Housing Finance in Haiti.

Buy outright with cash and help from employer	5.20%	
Combination of down payment and loan	53.40%	
Estimated down payment	49,018	HTG
PaP residents planning to borrow money from source:		
Commercial bank	31.70%	
Private developer	19.00%	
Cooperative	12.70%	
Lender	30.20%	
Family/friends	50.00%	
Employer	14.30%	
Microfinance agencies	12.70%	
Other sources	14.30%	

Source: USAID, 1 December 2011, Housing Demand in Port-au-Prince.

Access to housing finance

The financial sector in Haiti is underdeveloped, with a ratio of private sector credit to GDP at only 12%—one of the lowest in the world.³⁹ As of June 2011, the banking system had the equivalent of \$3.7 billion in assets and \$833 million in loans, leaving as much as \$1 billion available for lending. However, there has been almost no bank-originated debt for low- to moderate-income housing. There has been and continues to be mortgage money available for construction financing and end loans to private developers and end users for mid- to high-end housing, both multi-family and single-family. This debt, however, is difficult to access, as it comes either at very high rates of interest or requires substantial collateral and the undertaking of cumbersome application procedures. Formal documentation can include proof of up to three years of formal employment, land title and additional assets, which makes it inaccessible to the majority of Haitian households.

Domestic financial institutions seem almost entirely uninterested in extending themselves into pro-poor or quasi-formal lending or collateral situations.

Major players in banking sector

The Haitian banking sector comprises seven private banks and two state-owned banks, Banque Nationale de Crédit (BNC) and Banque Populaire Haïtienne (BPH). The sector is highly concentrated with the top three banks—Sogebank, Unibank, and BNC—accounting for 82% of assets, 71% of loans, and 83% of all deposits in the banking system.⁴⁰ Citibank NA and Scotiabank are the two foreign banks that have branches in Haiti. Société Générale Haïtienne de Banque d'Épargne et de Logement (Sogebel), a subsidiary of Sogebank, the largest bank in Haiti, is the only mortgage bank in Haiti. (Please see Table E2.2 for an overview of the major financial institutions in Haiti.)

³⁹ USAID. Assessment of Options for Stimulating Housing Finance in Haiti. August 2011.

⁴⁰ BRH Website. September 2012: www.brh.net

Table E2.2. Total value and bank shares of all assets, loans, and deposits as of September 31, 2012, in Haitian Gourdes (HTG)

	Assets		Loans		Total Deposits	
	HTG 170.556 million		HTG 51,860 million		HTG 146,838 million	
	Percent	Position	Percent	Position	Percent	Position
Unibank	53.453 m	1	17.175 m	1	46.470 m	1
Sogebank	45.856 m	2	16.212 m	2	38.599 m	2
BNC	41.606 m	3	6.348 m	3	36.616 m	3
Capital Bank	9.428 m	4	4.109 m	4	7.915 m	4
Citibank	5.578 m	5	1.585 m	7	4.737 m	5
Scotiabank	4.590 m	6	2.087 m	6	4.168 m	6
Sogebel	4.311 m	7	2.090 m	5	3.272 m	7
BUH	3.275 m	8	1.384 m	8	3.228 m	8
BPH	2.101 m	9	0.872 m	9	1.833 m	9
Total	170.556 m		51 860 m		146.838 m	

Source: Banque de la République d'Haiti, September 2012.

There is strong demand for housing loans, especially after the devastating impact of the earthquake on Haiti's housing stock. Despite banks' high liquidity, the mortgage-lending volume remains low for several reasons, including:

- Perception of high credit risk as a result of volatile political and economic conditions.
- Borrowers' low income
- Limited formal sector employment
- Lack of credit bureau resulting in difficulty in attaining and assessing credit worthiness of borrowers.
- High house prices due to limited supply of housing
- Reluctance of banks to lend to those without solid collateral, which is rare in Haiti.

The terms and conditions on mortgage loans drive up the cost of mortgage financing, making it expensive to borrow for housing. In addition to the 20%-to-30% down payment required for most mortgages, high transaction costs, including a mortgage registration tax between 3.5% and 7%, drives up the cost of mortgage finance. Total closing costs equal approximately 11% of the property price for a home purchase. The result is that mortgage financing remains expensive and out of reach for most Haitians.

Residential mortgages constitute a minor portion of total bank lending, with a larger portion of bank lending comprised credit to wholesale and retail trade, consumers and financial services. Residential mortgages constitute only 8.3% of total loans outstanding (HTG 32.88 billion) as of March 31, 2011. The value of housing loans by major financial institutions can be seen in Table E2.3.

Table E2.3. Value of housing loans (December 2009 and June 2010)

	Dec-09		Jun-10	
	HTG 000	US \$000	HTG 000	US \$000
Sogebank	23,067	577	22,343	559
Unibank	639,406	15,985	564,042	14,101
BNC	495,480	12,387	454,274	11,357
Capital Bank	336,250	8,406	292,674	7,317
Sogebel	912,036	22,801	847,572	21,189
Scotiabank	636,063	15,902	596,744	14,919
Citibank	11,883	297	11,205	280
BUH	57,935	1,448	52,836	1,321
BPH	70,244	1,756	66,003	1,650
Total	3,182,364	79,559	2,907,693	72,693

Source: Banque de la République d’Haiti and USAID, August 2011, Assessment of Options for Stimulating Housing Finance in Haiti.

Sogebel, the only dedicated mortgage bank in Haiti, is the largest lender and constitutes 29% of the sector’s total housing lending. It has about 650 loans in its loan portfolio—70% residential and the remainder commercial. Since the January 2010 earthquake, Sogebel has primarily written commercial loans. Although Unibank and Scotiabank, the next largest housing lenders, also offer some housing loans, the overall lending volume is quite low.

In addition to banks, a few *caisses populaires* or “credit unions” also offer home loan products. These loans typically target home improvement and range from three-year to five-year loans of \$2,500 to \$5000. Interest rates usually vary, between 18% and 30% per annum. Land is the preferred collateral. Borrowers tend to be salaried professionals who are members of the cooperative.

Sogesol, Haiti’s largest microfinance institution, also is planning to upscale a home improvement loan product with a 1.5- to 2-year maturity. Interest rates are between 2% and 5% per month (the same as the rates on their other microfinance products). The use of housing microfinance loans has been limited.

Attempts to improve access to housing finance include a housing finance liquidity facility set up by OPIC, USAID, the Clinton Bush Foundation, and Development Innovations Group. The facility will lend for micro-mortgages, housing microfinance, and SMEs for business development purposes.

Housing microfinance

The reach of the microfinance sector in Haiti is small, covering less than 1% of the total population, with a gross loan portfolio of \$70.1 million as of 2011.⁴¹ In comparison, microfinance institutions (MFIs) in Paraguay reach 26% of the population, and 21% in Mexico.⁴²

As of September 2009, MFI loan portfolios were equal to 11.6% of commercial bank loans. MFIs lend more than half of their assets in loans, while commercial banks lend less than a third of their assets. MFIs affiliated with banks are successful at mobilizing savings and building up a depositor base that is a third of that of commercial banks. Most bank-affiliated MFIs receive funding from their parent financial company. As of 2010, the average loan balance per MFI borrower was \$661 and \$18,230 for commercial bank borrowers, as seen in Table E2.4. The difference in the average loan balance for MFI and commercial bank customers reflects the institution's different intended target user and loan use. For MFIs, the target customer is a low-income individual who uses the loan for an income-generating purpose. e

Table E2.5. Largest Haitian microfinance institutions as of 2010

Name	Number of active borrowers	Number of depositors	Gross loan portfolio (\$)	Avg loan size (\$)	Write-off ratio	Debt to equity	ROE	Portfolio yield
ACME	21,906	*	13,642,791	623	27.97%	3.39	-45.50%	44.88%
FINCA - HTI	8,122	*	1,216,000	150	0.00%	*	*	*
Fonkoze	15,866	70,023	2,864,933	181	*	5.71	-384.12%	34.94%
Fonkoze (SFF)	35,332	164,289	11,631,331	329	10.78%	45.16	-1240.92%	31.85%
IDM	4,590	7,115	858,665	187	*	*	*	*
MCN	7,784	*	14,057,623		12.52%	1.49	16.17%	46.13%

⁴¹ Mix Market "Microfinance in Haiti: Country Profile"

<http://www.mixmarket.org/mfi/country/Haiti/balance_sheet_usd.total_assets%2Ccalculation_usd.average_balance_borrower%2Cbalance_sheet_usd.total_borrowings%2Cflatstore_mfi_mfdb_data.mix_diamonds__c%2Cbalance_sheet_usd.gross_loan_portfolio%2Cproducts_and_clients.total_borrowers%2Ccalculation_usd.write_off_ratio/0> Accessed December 16, 2012.

⁴² International Finance Corporation "Prospects for Financing Within the Micro-Housing Value Chain in Haiti" August 2011.

				1,806				
SOGESOL	11,440	*	15,474,486	1,353	12.43%	8.06	7.45%	52.01%
Total	105,040	241,427	59,745,829	661				

Source: Banque de la République d’Haiti and USAID, August 2011, Assessment of Options for Stimulating Housing Finance in Haiti.

* Data unavailable.

Currently, only two MFIs offer specific housing loan products: Kotelam, a non-profit association, and Sogesol, a commercial MFI. Most MFIs are reluctant to expand into the housing microfinance space due to perceived low borrower repayment capacity due to low and volatile income and the high costs of competing consumption goods (food, transportation and school fees). MFIs are also hesitant to offer HMF products for fears about the poor construction quality of incremental building. A solution could be to include technical assistance building programs for HMF borrowers and helping borrowers and lenders to identify a cadre of reputable, skilled and quality contractors.

Table E2.6. Selected examples of housing finance experiences in Haiti

Experiences and examples of conventional mortgage finance	
Sogebel	Sogebel is the housing arm of Sogebank. Borrowers must have proof of sufficient income and repayment capacity over duration of loan. Sogebel has a portfolio amounting to 1,739M HTG, 77% of which goes towards real estate. However the number of actual loans is very low – less than 700 in 2011, and they do not finance low-income families.
Unibel	Unibel offers mortgage finance for up to 20 years. Finance is offered for construction, renovation, or purchasing a home. Unibel will finance up to 70% of the cost of the project. Loan applications require evidence of employment, bank statements, real estate project description, loan application, and proof of identity. These requirements exclude most Haitians.
Capital Bank	Capital Bank offers a mortgage product competitive with other offers, with a LTV ratio of 70% up to 20-year terms and monthly repayments not to exceed 30% of income. Documentation for application is extensive, including bank statements, credit card

	records, land and surveying title, and proof of identity.
Scotia Bank	Scotia Bank is the Haitian counterpart of Nova Scotia, a Canadian bank, in operation since 1973. It offers 30-year mortgages requiring a 25% down payment, which can be reduced to as low as 5% if the customer takes out mortgage insurance. Extensive required documentation includes fire and damage insurance, land title, proof of income and identity, and surveyor reports of the property.
Experiences and examples of subsidized mortgage finance	
BNC and BPH	<p>Public banks BNC and BPH started the Kay Pam program in 2011, which is aimed at offering housing finance products to middle-income residents. Product characteristics: 8% interest rates, long-term lending up to 30 years. The program, however, has been largely unsuccessful because of the rigidity of eligibility requirements, including a down-payment of 30%, records of formal employment for the past 3 years, and clear land title.</p> <p>The examples of BNC and BPH show that banks will need to become more flexible in qualification criteria to reach lower-income groups and expand the market.</p>
Experiences and examples of housing microfinance	
Habitat for Humanity Fund for Housing	<p>HfH had a fund for housing construction in Haiti but repayments dropped radically after the earthquake. HfH charged only 1% interest per annum, over a period of 10 years, which is financially unsustainable because of failure rates reaching up to 25% and the costs of administration and loan collection.</p> <p>Although a positive experience of extending housing finance to the poor, such a business model is not practical or profitable for private sector to develop, so will not be scalable.</p>
Fonkoze	Fonkoze is Haiti's largest micro-finance institution offering a full range of financial services to the rural-based poor in Haiti. In 2006, with the support of Habitat for Humanity, Fonkoze offered a home improvement product to its proven clients for small projects such a roof, adding a latrine or foundations. The program was ended in 2008 due to low repayment rate. Fonkoze considered that their clients were too poor to repay a loan large enough to cover the costs of housing construction, and also struggled under the weight of repaying multiple loans (SME and Housing), at the same time as being hit by multiple natural disasters in 2008.

Koperativ Tet Ansanm Pou Lavi Miyo (KOTELAM)	KOTELAM (Koperativ Tet Ansanm Pou Lavi Miyo) is a cooperative credit union founded in 1989 in the West Department of Haiti. It has 43,000 members and 58 staff, as of September 2009, and between 1500 and 2000 active borrowers, predominantly of small enterprise loans. KOTELAM offered a mortgage loan at interest rate between 20% and 24% p.a and 1.5% commission. The housing loan has a maximum amount of 73,171HTG for a period of between three and 15years. Payment is monthly. Collateral is through a real guarantee, and obligatory savings of 10% of the amount of the loan. The model of credit unions lending to members is a positive example of how Haiti can improve the availability of housing microfinance.
Le Levier	Le Levier is a cooperative of 24 credit unions, including KOTELAM, around Haiti. They are currently developing housing microfinance products for purchase of land, purchase of home, construction, and renovation over incrementally larger amounts and time periods of five to 10 years. Access to low-interest finance, such as from the OPIC housing finance liquidity facility, will lower end-user interest rates compared to commercial rates for microfinance.
Sogesol	In operation since 2010, Sogesol is the microfinance wing of Sogebank and predominantly finances SMEs. Sogesol reported fewer than 100 housing loans in 2012 yet has currently partnered with the IFC and are developing a strategy to expand their portfolio of housing microfinance. Sogesol also benefit from guarantees from USAID, which further encourages lending in new markets.

Vital statistics for Haiti

A lengthier version of Table E2.1. Abstract of vital statistics in Haiti can be seen below.

Table E2.5 Comprehensive vital statistics for Haiti

	#	Units	Year
POST-EARTHQUAKE ESTIMATES AND AID			
1 ESTIMATES			
Damages and losses estimate	7.8	billions of dollars	2010
Reconstruction needs estimate	11.6	billions of dollars	2010
2 HUMAN LOSSES			

	Killed	220000.0	people	2010
	Wounded	300000.0	people	2010
3	HUMAN CAPITAL/ INFRASTRUCTURE LOSSES			
	Education losses	1200.0	teachers	2010
	Education losses	4200.0	schools	2010
	Health losses	500.0	health personnel and workers	2010
	Hospitals damaged/destroyed	60.0	%	2010
	Collapsed gov't buildings	13 out of 15	Ministries	2010
	Private sector losses	70.0	%	2010
4	AID			
	Net ODA and Official Aid	1120.0	millions of dollars	2010
	Top 3 donors (in 2008)			
	US	320	millions of dollars	2010
	Spain	145	millions of dollars	2010
	Canada	120	millions of dollars	2010
	Aid % of GNI	12	%	2010
	Aid per capita	114	dollars	2010
5	HOUSING			
	# units that need repairs	175,000	houses	2012
	Houses uninhabitable	300000.0	houses	2010
	Homeless	1.3	millions of people	2010
6	PAP Housing Assessment (Sample: 380,000 HHs)			
	Green—Safe to Occupy	50.0%	percent	2011
	Yellow —Limited Access	27.0%	percent	2011
	Red—Unsafe to Occupy	23.0%	percent	2011
	Costs to repair			
	Yellow—1 complete room repair	\$2,500	dollars	2011
	Red—2 room repair	\$5,000	dollars	2011
	New house	\$10,000	dollars	2011
	Total construction costs for low-income HH	\$1	billions of dollars	2011
DEMOGRAPHICS		#	units	
1	POPULATION	9.8	millions of people	July 2012 est.
		10.00	millions of people	2010
2	POPULATION GROWTH RATE			
	2012	0.888	%	2012 est
	2010	1.30	%	2010
	average annual growth	1.40	%	2000-10
3	POPULATION DENSITY	310	persons per sq.km.	2006
URBANIZATION				
1	URBAN POPULATION	50%	percent of local population	2010
2	URBAN GROWTH RATE	3.90%		2010-2015 est.
3	PORT-AU-PRINCE POPULATION	2.143	million persons	2010
SOCIAL				
1	RELIGION			2010
	Roman Catholic	80.00%		
	Protestant	16.00%		
	None	1.00%		
	Other	3.00%		
2	ETHNICITY			
	Black	95%		
	Mixed race and white	5%		
3	LITERACY RATE			

	Total	52.90%		2003 est
	Male	54.80%		2003 est
	Female	51.20%		2003 est
	Male	53.00%		2010
	Female	45.00%		2010
4	BIRTH RATE	23.87	per thousand	2012 (est.)
5	LIFE EXPECTANCY			2010
	Total	61	years	2010
	Total	62.1	years	2012 (est.)
	Male	61.15	years	2012 (est.)
	Female	63.89	years	2012 (est.)
6	INFANT MORTALITY	70	per 1000 live births	2010
7	ACCESS TO SERVICES			
8	IMPROVED WATER SOURCE - Total	58%	percent of population	2010
	Urban	71%	percent of population	2010
	Rural	55%	percent of population	2010
9	IMPROVED SANITATION FACILITIES	19%	percent of population	2010
10	PAP HOUSEHOLDS WITH BATH OR SHOWER			
	None	41.0%		2011
	Private bath/shower	38.7%		2011
	Shared with another household	20.3%		2011
11	PAP HOUSEHOLDS IN POSSESSION OF TOILET			
	None	13.2%		2011
	Inside dwelling	29.2%		2011
	Outside dwelling	30.7%		2011
	Shared with another household	26.9%		2011
12	PAP PRIMARY WATER SOURCE			
	Piped into dwelling	15.4%		2011
	Piped into courtyard	10.5%		2011
	Piped into neighborhood	23.8%		2011
	Well in yard	3.3%		2011
	Well outside the dwelling	4.6%		2011
	Public standpipe	14.8%		2011
	Tanker truck	17.8%		2011
	Bottled water	4.3%		2011
	Rainwater collection	1.6%		2011
	Spring or river	0.8%		2011
	Other	3.0%		2011
13	WATER RELIABILITY IN PAP			
	Almost never a problem	56.2%		2011
	Problems from time to time	35.4%		2011
	Problems every week	5.3%		2011
	Problems/outages every day	3.1%		2011
14	PAP HH WITH SAFE DRINKING WATER	67.1%		2011
HOUSING DEMAND				
1	AVERAGE HOUSEHOLD SIZE IN PaP	4.97	persons/household	2011
2	% OF HH WITH A FEMALE HEAD OF HH	49.2%		2011
3	AVAILABILITY OF	577,247	housing units	2012

	HOUSING			
4	EARTHQUAKE AFFECTED HOUSING	107,000	housing units	2012
5	ANNUAL HOUSING DEMAND	50,000-60,000	housing units	2012
6	PAP RENTER STATISTICS			
	Percentage of renters	53.50%		2011
	Average monthly rent (informal area)	2,000-4,000	HTG	2011
	Average monthly rent (middle-income area)	60,000-80,000	HTG	2011
7	PAP OWNER STATISTICS			
	Percentage of owners	38.3%		2011
	No. of days to register a property	405	days	2010
	Average fee for registration of property (including mortgages)	4.50%	value of property	2011
	Mortgage registration fee	3.50%	value of property	2011
8	PAP PROOF OF LAND OWNERSHIP (FOR OWNERS)			
	None	28.5%		2011
	Notarized title	54.0%		2011
	Sales receipt	9.4%		2011
	Living free of charge	4.5%		2011
	Other	3.6%		2011
9	PERCENTAGE OF PAP HOUSEHOLDS IN			
	In temporary housing	22.60%		2011
	Living in housing damaged by earthquake	42.90%		2011
10	AVERAGE HOUSE AREA IN PAP	26.78	sq.m.	
11	PERSONS PER ROOM IN PAP			
	<1	11.8%		2011
	1-2	23.3%		2011
	2-3	15.4%		2011
	3-4	14.1%		2011
	>4	35.3%		2011
12	AVG # BEDROOMS IN PAP HOUSE	1.59		
13	PAP RESIDENTS WITH PLANS TO FINANCE FUTURE HOUSE PURCHASE	1.8%	%	2011
14	PLANS FOR FINANCING HOME AMONGST THOSE WHO PLAN TO IMPROVE HOUSING IN NEXT YEAR (PAP RESIDENTS)			2011
	Buy outright with cash	22.4%		2011
	Buy outright with cash and help from family/friends	19.0%		2011
	Buy outright with cash and help from employer	5.2%		2011
	Combination of downpayment and loan	53.4%		2011
15	ESTIMATED DOWNPAYMENT	49,018	HTG	2011

16	PAP RESIDENTS PLANNING TO BORROW MONEY FROM SOURCE:			
	Commercial bank	31.7%		2011
	Private developer	19.0%		2011
	Cooperative	12.7%		2011
	Lender	30.2%		2011
	Family/friends	50.0%		2011
	Employer	14.3%		2011
	Microfinance agencies	12.7%		2011
	Other sources	14.3%		2011
EMPLOYMENT				
1	NATIONAL UNEMPLOYMENT RATE	40.60%		2010 est.
2	URBAN UNEMPLOYMENT RATE			
	PAP UNEMPLOYMENT RATE	50.00%		2006
3	INFORMAL EMPLOYMENT IN URBAN LABOR FORCE			
	INFORMAL EMPLOYMENT OF TOTAL WORKFORCE	70.00%		2006
4	PAP LABOR FORCE STATUS			
	% of HHs with any employed person	44%		2011
	% of HHs with any unemployed person	77%		2011
ECONOMY				
1	GDP			
	2011	12.37	billions of dollars	2011 est.
	2010	11.71	billions of dollars	2010 est.
	2009	12.38	billions of dollars	2009 est.
	National GDP generated in PaP	65	%	
2	PER CAPITA GDP			
		\$1,200	per person	2011 (est.)
		\$1,200	per person	2010 (est.)
3	GDP GROWTH RATE			
	2010	-5.10%		2010
	2000-2010	0.60%	average annual growth %	2000-2010
	1990-2000	4.50%	average annual growth %	1990-2000
4	GDP PER CAPITAL GROWTH RATE	-6.30%		2010
5	SECTOR - % OF GDP			
	Agriculture	28.40%	% of GDP	2000
	Industry	16.60%	% of GDP	2000
	Manufacturing	9.00%	% of GDP	2000
	Services	55.00%	% of GDP	2000
6	GINI COEFFICIENT	0.59		2011
7	INFLATION			
	2011 (est.)	8.40%		2011 (est.)
	2010 (est.)	5.70%		2010 (est.)
8	EXCHANGE RATE HISTORY (value of \$1)			
	2012	42.04	HTG	2012
	2011	40.52	HTG	2011
	2010	39.80	HTG	2010
	2009	41.20	HTG	2009

	2008	39.11	HTG	2008
9	PERCENTAGE OF HAITIANS IN POVERTY			
	National average	80.00%		2003 est
	National, at \$1.25 per day	55.00%		2010
	National, at \$2.00 per day	72.00%		2010
10	AVG HOUSEHOLD INCOME IN PAP	\$4,800	dollars per year	2011
MIGRATION AND REMITTANCES				year
1	NATIONAL NET MIGRATION RATE	-6.9	per 1000 persons	2012 (est.)
2	NUMBER OF IMMIGRANTS IN HAITI	35,000	persons	2010
3	LOCATIONS FOR OUT-MIGRANTS			2010
	USA			
	Dominican Republic			
	Canada			
	France			
	The Bahamas			
4	ANNUAL VALUE OF REMITTANCES	\$1.55	billion US	2011
5	REMITTANCE AS % OF GDP	15.4%		2009
6	REMITTANCE INFLOW BY CONTINENT OF ORIGIN			2009
	Europe	4%		
	North America	90%		
	Africa	0%		
	Asia	0%		
	Oceania	0%		
	Latin America and Caribbean	6%		
7	% OF PAP HHs WHO COULD GET FINANCIAL HELP FROM OUTSIDE HAITI	4.9%		2011
8	FREQUENCY OF REMITTANCES (PREDICTED)			
	One payment at beginning	18.6%		
	Periodic payments	81.4%		
9	ESTIMATED SIZE OF ONE TIME PAYMENTS	74,361.08	HTG	
10	ESTIMATED SIZE OF PERIODIC PAYMENTS	31,626.41	HTG	
11	ESTIMATED NUMBER OF PERIOD PAYMENTS	4.19		
12	TOTAL VALUE OF MULTIPLE PAYMENTS	156,295.21	HTG	
HOUSEHOLD ECONOMICS				
1	GROSS SAVINGS (% OF GDP)			
	2010	23.55%		
	2009	24.49%		
2	PaP Monthly Mean Income by Income Decile, Full Households			
	Lowest 10%	1365.16	HTG	2011
	Second	3105.2	HTG	2011
	Third	4378.6	HTG	2011
	Fourth	6337.86	HTG	2011

	Fifth	8395.61	HTG	2011
	Sixth	11864.21	HTG	2011
	Seventh	15739.02	HTG	2011
	Eighth	21426.71	HTG	2011
	Ninth	31755.38	HTG	2011
	Highest 10%	77250.96	HTG	2011
	Total	18130.31	HTG	2011
TAXATION				year
1	PERSONAL PAYROLL TAX	2%	gross salaries	2011
2	CORPORATE INCOME TAX	30%	taxable profit	2011
3	CAPITAL GAINS TAX	15%	capital gains	2011
4	PROPERTY TAX	15%	annual rental value of property	2011
5	LOCAL TAX: FONDS DE GESTION ET DE DEVELOPPEMENT DES COLLECTIVES TERRITORIALES	1%	taxable profit	2011
6	VALUE ADDED TAX (VAT)	10%	value added	2011
FINANCE				year
1	TYPICAL MORTGAGE LOANS			
	Down payment	20-30%	value of property	2011
	Interest rate	10-12%	value of property	2011
	Period	20-25	years	2011
	Property tax	1.80%	annual rental value of property	2011
	Owners' life insurance	0.10%	loan amount	2011
	Property insurance	0.20%	house value	2011
	Land transfer tax	3.5-7%	value of property	2011
	Mortgage registration tax	3.5-7%	loan amount	2011
	Bank transaction fees	<2.5%	loan amount	2011
	Interest rate for mortgage loans (pre-earthquake)	21%		2011
	Down payment for mortgage loan (pre-earthquake)	25%-30%	of final house value	2011
	Term of mortgage loan (pre-earthquake)	20-25	years, with clause for loan renewal every 3 years	2011
2	MORTGAGE STATISTICS			
	Private sector credit to GDP	12.00%		2011
	Number of primary mortgage institutions	1		2011
	Total value of Issued mortgages	\$68	million US	2011
	Residential mortgages as % of total loans outstanding	8.3%		2011
3	MICRO LOANS			
	Value of loans disbursed		million US	
	Microloan consumers			
4	BANKS			
	Number of private banks	7	banks	2011
	Number of state-owned banks	2	banks	2011
	Foreign banks	2	banks	2011
	Number of licensed banks in mortgage sector	9	banks	2011

	Number of licensed MFIs	9	MFIs	2011
	Residential mortgage debt by commercial banks	8.30%	sector's loan portfolio	2011
	Assets	\$3.70	billion USD	2011
	Loan portfolio	\$877.00	million USD	2011
5	DOMINANT FINANCIAL INSTITUTIONS THAT OFFER MORTGAGE FINANCE			
	Sogebel/Sogebank			
	Unibank			
	BNC			
6	DOMINANT MFIS			
	ACME			
	CEC/Le Levier			
	FINCA - HTI			
	Fondespoir			
	Fonkoze			
	IDM			
	MCN			
	SOGESOL			
CONSTRUCTION				year
1	COST OF BUILDING MATERIALS	new/used		2011
	Cement-Ston Products			
	cement	\$7.10-\$7.80/\$7.50	bag (42 kg)	
	River sand—unwashed	\$25.00-\$43.00/\$25.00	m3	
	River sand/washed	\$38/-	m3	
	Gravel	\$18.75-\$49.00/\$25.00	m3	
	Stone for foundation	\$15.00-\$45.00/\$25.00	m3	
	Concrete blocks—20 cm	\$0.80-\$1.00/\$.90	no.	
	Concrete blocks—15 cm	\$0.65-\$0.88/\$0.75	no.	
	Ventilation blocks	\$1.02-\$1.06/\$1.05	no.	
	Steel			
	R6 (1/4")	\$0.23-\$0.29/\$0.25		
	R10 (3/8")	\$0.60-\$.98/\$0.70	linear meter	
	R12 (1/2")	\$1.05-\$1.67/\$1.25	linear meter	
	R16 (3/4")	\$2.28-\$3.00/-	linear meter	
	binding wire	\$2.08-\$3.30/\$2.50	kg	
	Timber			
	2"x4"	\$2.03-\$4.16/\$3.00	linear meter	
	1"x4"	\$1.19-\$2.77/-	linear meter	
	1"x8"	\$2.29-\$3.36/\$2.50	linear meter	
	1"x6"	\$1.86/-	linear meter	
	Formwork/shuttering			
	1"x12" untreated	\$3.12-\$4.50/-	linear meter	
	plywood 18 mm	\$10.00-\$15.00/\$12.50	sq. meter	
	Roofing Sheets			
	roofing sheets 28 gauge	\$3.50-\$9.25/NA	square meter	
	roofing sheets 29 gauge 3"x8"	\$2.40/NA	square meter	
	Doors and Windows			
	door 80"x36"	\$82.00-\$140.00/\$100.00	no.	
	window	\$75.00-\$175.00/-	no.	
	Labor			
	30% of materials or 23% of total—materials plus labor	23	%	
	Contingencies			

Contingencies 5% to 10%
for additional transport,
inflation and unforeseen

8

%

Appendix 3: Post-event Housing: Principles from other countries

Analysis of post-event contexts—ranging from Pakistan's 2005 earthquake; Chile's 2010 earthquake; post-war situations in Afghanistan, and Iraq; and the housing policy in South Africa following the end of apartheid—reveals a number of shared principles that we can compare with the situation in Haiti and from which we can draw a number of lessons.

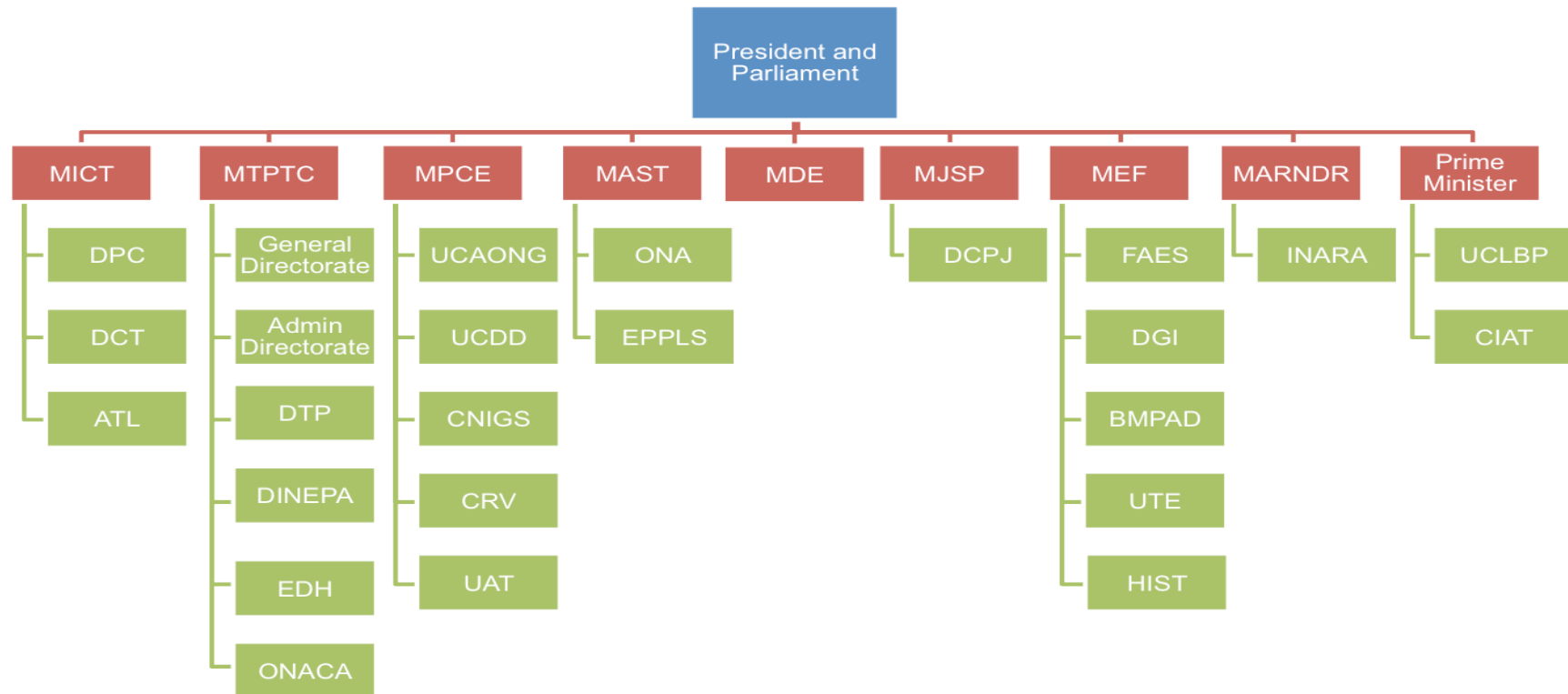
	Principles from other countries	Reflections on Haiti
1	Relief should never be divorced from “redevelopment,” which must grow organically out of the immediate relief.	Relief has dominated the past three years. It is not clear how redevelopment will follow, when donor funds continue to be used to undertake all building activities.
2	'Shelter' materials seldom translate into effective permanent housing because they are too flimsy and pre-formed. Quality matters.	Emergency camps, and transitional shelters will deteriorate quickly and do not provide a durable solution for affordable housing. Owner-driven housing in Haiti has provided a more effective long-term solution.
3	There is no such thing as a 'temporary' community; once settled, people will not relocate, and the temporary community becomes a permanent slum.	Displaced peoples who squatted land in Canaan and Camp Corail, are building permanent housing and plan to stay, despite the poor conditions, lack of basic services and planning.
4	Subsidy program should be used to support households were adversely affected by the Event.	Cash subsidies for housing improvements have been effective in Haiti, as well as rental subsidies to empty camps. However, this will only be a short-term measure, unless it is institutionalized into government policy and programs.
5	Building new communities distant from the destroyed slums does not work; there are no jobs, and people gradually move back to where they were before.	Greenfield developments, such as the houses in Zoranger and at the foot of Morne a Cabrit must be coupled with employment opportunities for new residents or they will be underutilized.

	Principles from other countries	Reflections on Haiti
6	Post-disaster, government needs to deliver a 'fast re-entitlement' program, whereby some cluster of documents and affidavits gives a right to rebuild on a designated plot.	The failure to supply land for permanent reconstruction has resulted in a blockage for formal housing programs for the IDPs to begin, apart from those households who could prove they were homeowners.
7	Neighbors and communities will swiftly settle land disputes by themselves if there is a facilitated process to which they have access.	IOM's experience with community enumeration demonstrated how communities were able to resolve right of occupancy without need for the dispute resolution process.
8	The faster that the space has a clear layout, the more quickly people will respect these boundaries, and the faster private investment will flow	The failure to assure clear land title in Haiti and provide plots for development has stalled private investment into housing.
9	All structures to be (re)built in the post-grid space should be designed for informal improvability and adaptation so that people can do it themselves.	Transitional shelters are not easily adaptable, which means households cannot provide additional room for renting to families. Owner-driven housing has been much more successful in facilitating incremental housing projects.
10	Rebuilding offers a huge opportunity for job training, especially of a low-skill population.	Training of masons has been a major part of relief programs, and these skills can continue to provide employment for low-income trainees.
11	Established community groups have legitimacy that can be used to mobilize people to work collectively together.	Relief agencies post-earthquake set up community groups to deliver aid. UN-HABITAT is setting up community platforms to facilitate the neighborhood improvements. Most new-built developments have failed to build community fabric.

	Principles from other countries	Reflections on Haiti
12	Governments should take an early and active role in the response, demonstrating political commitment and capitalizing upon the goodwill.	Haiti has effectively created the UCLBP as part of the reconstruction effort. This unit now will play a lead role in addressing structural issues preventing housing production, and should capitalize on political will while it is high.
13	Facilitating private sector investment is key. Public funds need to be strategically used to stimulate private investment in market sectors	Public and relief organizations are not able to respond fully to Haitian housing needs. Not enough private sector engagement has been pursued to ensure the systems for housing delivery will be sustained, post-relief effort.

Appendix 4: Executive Governmental Institutions Hierarchy

Acknowledgement: Created based on work done by Frédérique Siegel and team at Architecture for Humanity



Executive governmental institutions hierarchy

Acknowledgement: Created based on work done by Frédérique Siegel (AfH), Mike Mora (OAS), Glenn Smucker, Martine Deverson, Chantal Hudicourt-Ewald, and Elizabeth Blake (HfH)

President and Parliament		
MICT: Ministry of the Interior and Territorial Communities Created in 1990 by presidential decree: responsible for designing, defining and implementing the policy of Local Authorities. Peripherally related, due to municipal role in local planning. In charge of local enforcement of all housing policies.		
	DPC: Directorate of Civil Protection	Risk mitigation (disasters)
	DCT: Directorate of Territorial Communities	
	ATL: Local Technical Agencies	
MTPTC: Ministry of Public Works, Transportation, and Communications Established in 1983 by presidential decree, MTPTC controls the design, planning, implementation, maintenance, monitoring, supervision, and evaluation of all physical infrastructure, service provision, and building standards. The MTPTC is an implementing actor in service provision and must approve any infrastructure and construction, as well as product new building standards. Because of its limited resources, MTPTC has failed in the provision of services to the majority of Haitians. Urban planning capabilities are largely overlooked and have been replaced by other ministries and CIAT.		
	General Directorate	
	Administrative Directorate	Services road signs (street names) and signals
	DTP: Department of Public Works	
		SPU—Services in Urban Planning: Develops and manages master plans for urban and rural centers; develops standards, regulations, and practices for urban planning and construction.
		SGU—Services in Urban Engineering: Delivers urban infrastructure, amenities, and related works as studied and conducted by the SPU

		SEEUR—Services in Urban and Rural Equipment Maintenance
	DINEPA: National Office of Potable Water and Sanitation	Regulates and executes state policy in the areas of drinking water and sanitation
		OREPA - Regional Office of Drinkable Water and Sanitation: Ensures the operation and extraction of water and holds ownership of local and municipal structures and systems of water operation
	EDH: Haiti Electricity Company	Minister of the MTPTC is the executive of this state company. Generates, transmits, and distributes electricity throughout Haiti.
	ONACA: National Office of Cadastre	Independent body under the MTPTC. Responsible for the inventory and classification of immovable property of the state and individuals. Primary responsibilities: <ul style="list-style-type: none"> • Delineation • Receipt of securities • Verification of plot dimensions • Legal analysis of securities subject • Registration of plots • Issuance of certificate of land registration • Process updates
<p>MPCE: Ministry of Planning and External Co-operation</p> <p>Created in 1989 to develop national plans for economic and social development and identify priorities for the allocation of available resources (both GoH and external donors). MPCE has passed most of its responsibilities for housing to UCLBP but still has approval authority of all projects involving external funding, for example, via BMPAD and FAES. There is a new interest in sites and services plans.</p> <p>Currently, MPCE's role and responsibilities in housing and strategic planning are ambiguous, particularly in relation to other ministries.</p>		
	UCAONG: Coordination Unit for NGOs.	Maintains a list of active NGOs in Haiti. Organizes exchange meetings.
	UCDD: Coordination Unit for Departmental Directions	Links with Department of Planning
	CNIGS: National	Autonomous body under MPCE. Acts as the

	Center for Geospatial Information	<p>custodian of public spatial information in Haiti, with focus on GIS systems.</p> <p>Mission: To produce and disseminate updated geographic information throughout the country, and support action planning for sustainable development of the country through the establishment of methods, tools, and information that support decision making.</p> <p>Primary responsibilities:</p> <ul style="list-style-type: none"> • Produce and disseminate regional spatial layouts • Update databases with geo-spatial reference • Support all development actors in the country, including those involved in projects related to land contracts or memoranda of understanding • Set standards and standard reference level mapping
	CRV: Department of Vulnerability Reduction	Protection of state assets
	UAT: Regional Planning Unit	
MAST: Ministry of Social Affairs and Labor Created in 1983.		
	ONA: National Social Security Agency	ONA is the agency responsible for pension fund, they also own properties and engage in real estate development projects, offering pension-backed lending.
	EPPLS	<p>Public social housing body created in 1982 by presidential decree in succession to the National Housing (ONL). Original mission: to build and oversee housing projects, which has not been successful.</p> <p>Large portion of EPPLS's housing stock are in disrepair, and they do not have resources to build more. EPPLS own a number of plots available and is looking for funding to continue its programs. Has developed procedures to allocate units to beneficiaries, and has a policy for transfer of title to households in a lease-to-own format.</p> <p>In 2013, EPPLS will be responsible for the management of up to 5000 new units—built by USAID, FAES, and other donors in Caracol, Morne a Cabrit, and Zorange. EPPLS has</p>

		<p>created a proposal for restructuring to accommodate these new roles; however, the proposal was largely normative—not focusing on reform or growth but rather on physical expansion. Giving responsibilities to EPPLS for units that it had no role in developing is a precarious strategy, as developers have no risk and accountability.</p> <p>Currently funded by the MEF with most expenditures going to staff salaries.</p>
<p>MDE: Ministry of the Environment</p> <p>Established in November 1994 to formulate and implement, direct, and enforce government policy on environmental management. Normative role in enforcement construction of housing in categorized safe zones.</p>		
<p>MJSP: Ministry of Justice and Public Security</p>		
	DCPJ	<p>Responsible for the control of agents commissioned by MJSP (notaries, surveyors, civil servants, justices, clerks).</p> <p>The current land transfer system, where notaries are able to give land title, creates many problems, including multiple titles to the same plot, and lack of coordination with the registry held with the DGI.</p>
<p>MEF: Ministry of Economy and Finance</p> <p>Created by decree on March 13, 1987, the MEF is the institutional body responsible for designing and implementing the economic and financial policy of the state. It is also the vital entity in charge of property management in the private domain of the State.</p> <p>Determines the fiscal policy of the State; ensures the collection of taxes; manages state assets; ensures compliance with financial covenants governing contracts concessionaires of public services; exercising financial control of local authorities, businesses and public institutions or mixed.</p> <p>Determines distribution of financial resources. Must sign off on a majority of governmental undertaking and is therefore an influential ministry.</p>		
	FAES: Economic and Social Assistance Fund	<p>Established in 1990, FAES is an autonomous public social investment fund operating under the authority of MEF. Implementing agency for national development projects decided by MPCE and funded by MEF (usually money is sourced from donors)—such as 2000 new units at Morne a Cabrit. Finances projects such as capacity building for local governments, and social and economic initiatives.</p> <p>Currently the implementing agency for housing projects funded principally by IADB (\$200</p>

		million). Lacks effective housing planning, allocation, and operations management system.
	DGI: Directorate General of Taxes	<p>Collects taxes in conjunction with the Directorate General of Customs.</p> <p>Missions:</p> <ul style="list-style-type: none"> • Gather and collect taxes and built properties • Save and manage archives of civil and judicial acts <p>Primary responsibilities:</p> <ul style="list-style-type: none"> • Administers the transfer, sales, bankruptcy, etc. of vacant estates • Collect taxes, fees, and other revenues of the State • Manages properties under the domain of the state • Registers properties; record deeds and documents designated by law <p>Should be the sole agent able to grant land title (not notaries).</p>
	BMPAD: Office of Monetization Program Development Assistance	<p>Autonomous entity operating under the Ministry of Economy and Finance (MEF), it is the principal organ for the implementation of rehabilitation and reconstruction after the earthquake of January 12, 2012, now as a partner of the World Bank in the PRODEPUR initiative (participatory development project in the urban environment). Distribution of donor funds, up to US\$95 million, for urban redevelopment, but has been slow to be released. UCLBP approves projects using BMPAD funds, although this requirement is not in formal legislation.</p> <p>Primary responsibilities:</p> <ul style="list-style-type: none"> • Financing activities rubble removal • Repair and rebuild homes • Improve community infrastructure of the communities covered by the project
	UTE	Implements large scale projects (infrastructural, industrial)
	IHSI: Haitian Institute of Statistics and Informatics	<p>Preparing to conduct the national census in 2013.</p> <p>MEF decentralized organization created by the Act of September 7, 1951. Serves as a</p>

		<p>specialized agency responsible for producing quantitative information on socio-economic, environmental and other topics. Data is available to both public and private users, but also national and international organizations.</p> <p>IHSI: Collects from both private and government data relating to all physical, economic, financial, social, demographic and cultural statistical interpretation. Collaborates with other public sector organizations in the collection, compilation and publication of statistical information.</p>
MARNDR: Ministry of Agriculture, Natural Resources, and Rural Development		
	INARA: National Institute of Agrarian Reform	
Prime Minister		
	UCLBP: Unit for Housing Construction and Public Buildings	<p>Created in November 2011—serves as a replacement and nationalization of the Haiti Reconstruction Fund. Aimed at strengthening Haitian decision making role and capacity.</p> <p>UCLBP is supported by UNDP, led by the President and Prime Minister. It is a special Government entity (with no current legal status) responsible for the National Housing Policy, Housing and Urban Development.</p> <p>At present, UCLBP is principally a flexible implementing agency (long-term vision to become a Ministry entity). It provides direction, coordination, design, implementation and monitoring of programs and projects relating to public buildings and housing.</p> <p>Brought in as the lead operator for housing construction at Morne a Cabrit (1000 units being built with 2000 more planned), and USAID Caracol (the redevelopment of central city Port-au-Prince), and many more reconstruction projects. Must approve all projects from FAES and BMPAD (not officially as laid out by law, but required by the president).</p>
	CIAT: Inter-Ministerial Committee for Land Management	<p>Created in 2009 by the prime minister. Provides a platform for technical expertise from each ministry to create policy and priorities for land use, protection, and management of watersheds, water management, sanitation, urban areas and infrastructure.</p>

		<p>Conducts planning at a more granular level, assists local authorities in the implementation phase, and ensures allocation of human, technical, and financial resources.</p> <p>An effective entity for its powers in coordination—yet CIAT has no power in implementing plans, so must lobby ministries to implement priority projects and coordinate with donors. Increasingly overlaps with work undertaken by other ministries and UCLBP.</p>
		<p>MICT, MEF, MPCE, MARNDR, and MTPTC:</p> <p>Regional management, protection, and management of watersheds, water management, sanitation, equipment, and land and urban planning</p> <p>Cellule Urbanisme and Habitat:</p> <p>Rose-May Guignard</p> <p>Cellule of Legislation, Institution and Land:</p> <p>Michele Oriel, Florian Tourteau, Sharina Lochard, and J.M. Elgoriaga</p>
	PNUD/ UNOPS/UN-HABITAT	With UCLBP, implementing the redevelopment of 16 districts to empty 6 camps; infrastructure repair/ reconstruction, construction standards training and education

Regional Actors

La Mairie	<p>Administratively and financially autonomous. Administered by the city council and the municipal assembly.</p> <p>The city council is the manager of land within the private domain of the State within the limits of its jurisdiction.</p> <p>Main responsibilities:</p> <ul style="list-style-type: none"> • Prepare plans for communal facilities • Issue certificates and building permits within the municipality. • Ensure the implementation of laws, decrees, and orders issued by the central government and the common concern, including construction standards.
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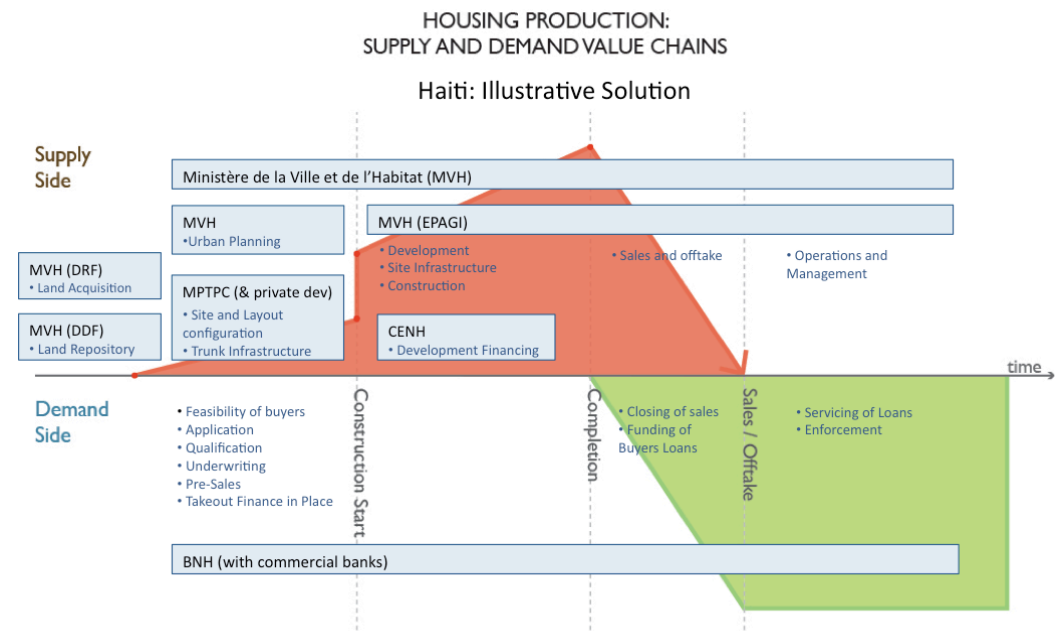
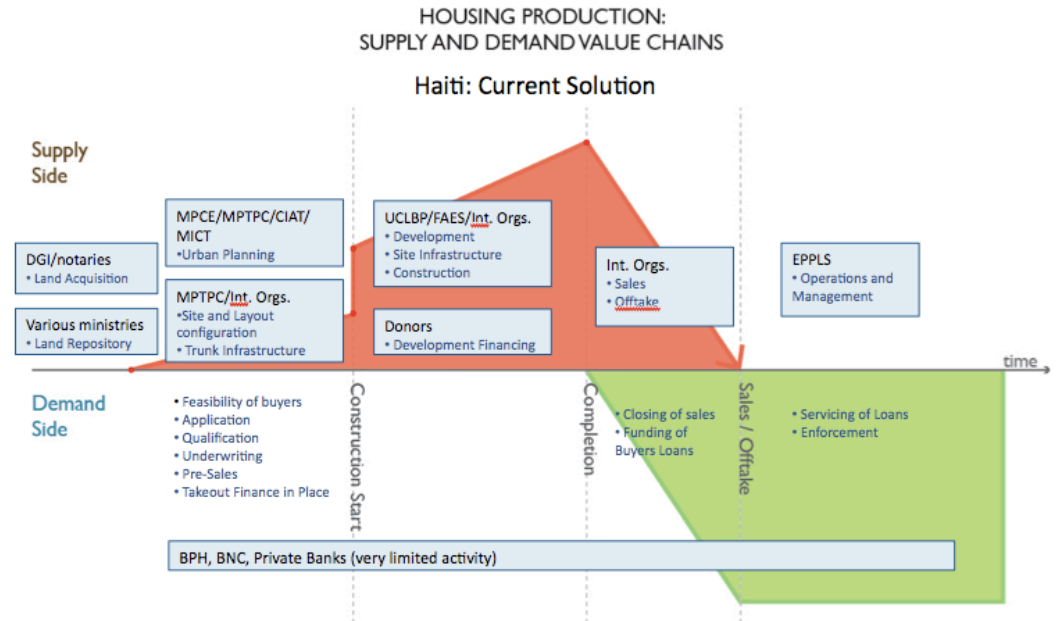
The Department	<p>An independent legal entity designed to be administered by a county council and departmental assembly—which are entities that only exist on paper and are regarded as the executing agency and deliberative body, respectively, of the departmental administration.</p> <p>The county council's primary responsibilities are:</p> <ul style="list-style-type: none"> • Collaboration with the central government regarding development of the department. • Manage financial resources for the exclusive benefit of the department, with accountability to the departmental assembly. <p>Works closely with MICT and CIAT.</p>
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Appendix 5: Summary of Housing Production Value Chain

		A	B	C	D		E	F	G	H
		Land	Trunk Infra.	Site Infra.	Design		Development	Constructio n	Offtake	Operations
1	Activity	<ul style="list-style-type: none">• Secure site control• Verify clean title• Confirm land buildability.	<ul style="list-style-type: none">• Build trunk infrastructure, where possible.	<ul style="list-style-type: none">• Buy land• Build hookups• Plan bimodal utilities• Spend land & infra capital	<ul style="list-style-type: none">• Finalizing number, size, layout of homes.		<ul style="list-style-type: none">• Spend development capital.	<ul style="list-style-type: none">• Housing improvements , new-build units.	<ul style="list-style-type: none">• Utility service; water service; propane; small engineers• Households purchase homes.	<ul style="list-style-type: none">• Owners have solid title.• HH's have access to basic services and housing is maintained.
2	Finance (Capital)	<ul style="list-style-type: none">• Equity for pre-development costs.	<ul style="list-style-type: none">• Govt mortgage credit approval.	<ul style="list-style-type: none">• Draw-down of land development loan.	<ul style="list-style-type: none">• Fund lending			<ul style="list-style-type: none">• Draw-down of construction loan.	<ul style="list-style-type: none">• HHs have finance to buy homes.	<ul style="list-style-type: none">• HHs have means to finance maintenance.
3	Finance (Subsidy)	<ul style="list-style-type: none">• Funds to pay compensation for expropriated lands.	<ul style="list-style-type: none">• Subsidize public infra. costs, where it is possible.	<ul style="list-style-type: none">• Subsidize sales of off-grid solutions: solar panels, generators, propane, etc.	<ul style="list-style-type: none">• Credit enhancement			<ul style="list-style-type: none">• Donor cloud of construction funds.	<ul style="list-style-type: none">• Remittance down-payment• DUH (planning gain award) to pay landowner	
4	Entities Now	<ul style="list-style-type: none">• MEF owns land → DGI responsible for title.• Other public agencies with known land reserves: EPPLS/ONA/BRH	<ul style="list-style-type: none">• MPCE, CIAT, MICT, MTPTC all have role in urban dev.• MDE controls protected land.• MTPTC - infrastructure	<ul style="list-style-type: none">• Private developers responsible for site infra.	<ul style="list-style-type: none">• MTPTC gives housing standards, building permits: →DTP (Dept of Public Works)	<ul style="list-style-type: none">• Private developers, households.• UCLBP• Relief agencies in neighborhood redev. and new-build (e.g. USAID in Caracol, GRET in Baillergeau)		<ul style="list-style-type: none">• Int. relief agencies.• PM/MPCE + MEF→ FAES – has money to build things from the donor cloud.• FAES subcontract	<ul style="list-style-type: none">• Lawyers• Notaries – different notaries can issue title.• ONACA• DGI – registry of land title.	<ul style="list-style-type: none">• DINEPA – public water & sanitation agency.• EdH distributes electricity.• MAST→EPPLS: Management of public housing stock.
5	Entities Future	<p>An Agence Foncière under MVH:</p> <ul style="list-style-type: none">• DDF - central repository (transfers any land owned by any entity of GoH)• DRF: Expropriation power, with DGI, pays fair compensation.• Cadastre and land portfolio exist	<ul style="list-style-type: none">• MVH - Consolidates urban dev. departments: → <i>Department of Urban Planning</i> →Coordination with MTPTC who implements infrastructure	<ul style="list-style-type: none">• MTPTC responsible for enforcement of standards for site services.	<ul style="list-style-type: none">• MTPTC determines property standards• MVH can issue housing permits	<ul style="list-style-type: none">• EPAGI: public owned private institution, MVH on board. Develops, manages, owns, operates mixed-income housing.• EPAGI is co-developer, construction, supervisor. Consolidates housing functions of EPPLS, FAES, UCLBP:• DDF contributes lands• EPAGI: Hires general contractor• EPAGI: Maitre d'ouvrage		<ul style="list-style-type: none">• BNH: National Housing Bank, public bank for lending to end-users, using debt and donor equity.• CENH: National savings bank, takes remittances and deposits. Allow Haitians to accumulate savings, creates credit history, and offers construction loans and insurance produces.	<ul style="list-style-type: none">• MVH: Regulator, quality assurance of housing stock.• EPAGI: social housing management in lease-to-own program.	

Summary of housing production value chain

The key changes from the current institutional arrangement for housing production toward the structure of the illustrated solutions is threefold: i) the gaps are filled with specialized institutions, ii) new tools are introduced to expand the government's capabilities, particularly to deal with land tenure and financing; and iii) components relevant to housing, previously fragments among several entities, are consolidated under the Ministère de la Ville et de l'Habitat.



Appendix 6: Housing the World's Poor: The four essential roles of government

This is a copy of an article written by David A. Smith, published in the *Harvard International Review* in June 2006. It is included to give a broader perspective to this paper's current analysis of the role of government in housing delivery.

Though free markets unleash productivity and innovation, they are still bound by economic laws. The most important law is that market price reflects market demand. Because half of every population is below median income, market-quality housing commands market prices. As a result, markets alone will never satisfactorily house a nation's poorest citizens. Thus, whether people buy or rent, housing is typically affordable to only half of the population. Those citizens who flood the world's growing metropolitan areas, however, are overwhelmingly poor: they arrive in cities that were built for smaller populations, and whose formal-sector housing producers can only build housing that these urban immigrants cannot afford.

The result is a spontaneous community of self-built or informally built homes—the shanty towns, settlements, and ever-expanding slums that sprout like mushrooms on the outskirts of cities in the developing world. People who move to the city act by impeccable economic logic: they follow the money. Seeking to maximize income, these citizens willingly consume the least expensive space they can, which is often just a room in a larger informal structure. Left alone in the marketplace, the impoverished create and inhabit slums because that is their only available and economically sensible option. It has been this way for over two centuries: London in 1795, Boston in 1855, New York City in 1905, and Mexico City in 1995, to name but a few, all experienced a rapid growth of overcrowded informal housing.

The Four Essential Roles of Government

Slums are a reflection not of market failure but of societal failure. Economists since John Stuart Mill have realized that, if production operates by inexorable economic principles—only profitable ventures are undertaken and only economically sustainable ventures survive—the distribution of wealth is a societal, and hence governmental, choice. If the international public wants healthy cities, the poor must have access to housing in homes they can afford.



Rapid migration to cities in many developing countries has led to the formation of informally built slums like Kibera, pictured above. Kibera, located just outside Nairobi in Kenya, is filled with poor workers and their families, who have been receiving no government support. Photo courtesy khym54.

Since market forces will never provide housing they can afford—and they never will have the ability until they cease being poor—it is up to government to stimulate the creation of sustainable affordable housing.

As nations advance, government plays several roles, summarized by the mnemonic acronym LEaPS: Law, especially as it pertains to property; Enabling environment for capital formation and capital flow; public-private Partnership as the cost-effective vehicle for delivery; and Subsidy at the margin to go where pure market forces will not. Each level builds on the one before; each is more complex than its forebear; and each can be no better than its predecessors' cumulative success. While paces may differ and boundaries between stages may blur, a nation's quest for affordability follows a predictable four-stage evolution.



In London, England, converted Victorian-era slums still exist as government-subsidized "council housing." The government, under the Labour Party leadership, has been trying to find more methods of providing affordable housing to millions of lower-class British citizens. Photo courtesy khaosworks.

Initially, there is the rule of law. Affordable housing is real property, and if property is not protected by the full weight of law and government, it will not be built, renovated, invested in, or maintained. Without laws that bind the governed and their governor, renter and owner, investor and builder, it is impossible to construct any economically sustainable model of affordable housing creation.

This process starts with land and the strength of private enforceable title to land. In Kenya, for example, the now-discredited previous government crowded the poor into enormous slums while expropriating vast swaths of developable land that the former president's cronies and extended

family still hold. In Kibera, Nairobi's largest slum, home to one in five Nairobians, citizens live in a community only a few miles from downtown, where there is no formal title to land and no contractual right to any structure, only rent payments to local headmen based on verbal claims and midnight enforcement for a family's right to squat in a ten by ten foot room. Law in Kibera is tribal and local. So absent is the Kenyan government from any aspect of Kiberan life that one might as well erect border gates at its entrances and deem it a foreign country that has internally seceded from its parent nation. It is a distillation of disinvestment and exploitation, the ultimate poverty warehouse, and a place where inhabitants' main goal is something as basic as clean water or proper sanitation.

Governments must lead by protecting private property from those who might seek to prey upon property owners such as future governments or their own corrupt officialdoms. When governments effectively protect private property, citizens invest in housing with their cash, their enterprise, and their sweat. When governments do not, as in [Zimbabwe in 2005](#), capital and citizens flee, causing a country to sink into poverty, violence, and eventual anarchy. Unfortunately for Kenya, recent land reform initiatives have stalled with the defeat of the proposed new constitution.

The second role of government is in fostering an environment conducive to capital. The rule of law assures that one who owns a home may keep it. To sell it—and more directly to build a new home or improve an existing one—its owner needs more capital than the typical individual possesses. Capital flows into enterprises as long as it sees prospective economic return. Housing is particularly challenging for capital to assess because housing has the longest return cycle of any asset class, ranging into decades; and, unlike other assets, it is not portable, so the lender cannot readily repossess it. Non-portability causes the lender to have to evaluate collateral and reclaim possession on site, adding cost and risk to the credit decision and lending process.

To develop capital, governments need sound macroeconomic policy, a currency not prone to massive deflation, reliable capital markets, means of aggregating financial instruments and selling financial investments, a robust banking and investment banking system, and a diversity of real estate capital forms—such as mortgages, loans, and bonds. Governments can stimulate these markets through state-established housing finance entities such as [Mexico's Sociedad Hipotecaria Federal \(Federal Mortgage Company\)](#) and [Thailand's Government Housing Bank](#) or smaller secondary market makers like [Malaysia's Cagamas](#).

In Egypt, for example, the Egyptian government and the [US Agency for International Development](#) are struggling to reform an anachronistic deeds-owned system that compels a buyer to maneuver through a 77-step registration system before emerging with a secure title to an urban property. Typical Egyptian home financing is seven years or less, provided by the builder or seller rather than a bank. As a result, homes transfer infrequently, which leads to huge mismatches between Cairo households' current housing needs and their housing consumption. Governments must cut through red tape to create capital and financial markets that enable speedy and low-cost exchanges of future promises for present capital. When appropriate markets are in place, people finance housing and are willing to borrow large sums for long periods in order to own homes.

Another component of government's role is fostering public-private partnerships. Law and capital-enabling environments create marketplaces where market-wealthy participants develop, own, buy, and sell homes. These classic economic marketplaces alone will never produce sustainable affordable housing, because slums are economically rational, albeit societally undesirable. Achieving affordability means pushing down the affordability frontier, delivering a market-quality home to a slightly-below-market participant.

Decades of experience and billions of dollars of expenditures throughout the developed world have demonstrated that government is a very poor direct provider of social housing. Examples include "council housing" in the United Kingdom, public housing in the United States, and the *cités HLM* in France. Government does better to steer, not row, by providing programmatic tools and inviting the private sector to use them to both make its own profit and reach government objectives. Today, virtually no responsible government advocates new public ownership; indeed the trend is toward privatization. Thus, US public housing—created as a result of the 1937 Housing Act—gave way to private-

public housing following the 1968 National Housing Act and was privatized via HOPE VI, a program to eradicate severely distressed public housing. UK council housing privatizes via stock transfer to non-profit housing associations registered as social landlords.

In a public-private partnership, the private sector expects clean boundary rules, prompt and consistent administrative guidance, even-handed selection and judicious enforcement of law, acknowledgment of its profit motive, efficient decision-making, and protection against political or journalistic vilification. Conversely, the public sector expects program participants to do what they say they will do; be financially accountable; have real equity at risk; take their financial lumps when things go badly, whether through incompetence or misadventure; and not seek unwarranted bailouts just because things went wrong. This public-private partnership is a complex intervention that requires considerable skill and sophistication to establish and then equal parts cleverness and wisdom to implement to fruition. In South Africa, for example, the 2003 financial sector charter is a landmark effort to define the appropriate relationship between capital providers and government. Government sets targets and provides capital encouragement, and the capital providers then innovate toward specified societal outcomes such as increased black homeownership and redevelopment in formerly black townships.

Government must take the initiative by creating programs and agencies to administer those programs that make sovereign resources, such as borrowing capacity and credit enhancement, available to the private sector if—and only if—the private sector undertakes delivering a particular kind of home, at an agreed affordable price, for the benefit of a target customer group. When the relationship between the public and private sectors is balanced, there emerge developers, builders, lenders, and originators, who actively create homes and recruit affordable customers to buy or rent them.

The final listed responsibility of government is in subsidies and financial contributions. Public-private partnership will extend affordability only so far because the contributions of efficiency, scale, risk tolerance, and risk transfer materialize into only a few percentage points increase in affordability. For the bottom quartile of society, housing is unaffordable, unacceptable, and impossibly distant.

Government may wish it could secure affordability at no cost, but the laws of economics are unforgiving; true affordability for the population's lowest-income quartile requires financial contributions by the government. The science lies in designing the right concoction and adding appropriate subsidies and incentives to an existing ecosystem predicated on public-private partnership. Government can provide its resources in numerous ways: donated or cheaply sold land; increasing supply of higher-density inclusionary zoning in exchange for a portion of the created value; appropriated grants, such as down payment assistance or loans; ongoing subsidies like Housing Benefit; or fiscal incentives such as tax deductions and tax credits.

In the United Kingdom, for example, beyond the resources of land allocated by English Partnerships, housing grants allocated by the Housing Corporation, and Housing Benefit, the Labour government continues to explore approaches to expand its supply of affordable housing beyond the existing Housing Association stock. The UK's capacity to develop affordable housing is constrained entirely by appropriations of Housing Grant. Much attention is being given to intermediate or key worker housing that will enable first responders like police, firefighters, doctors, nurses, and teachers to live in the communities they protect and serve. Similar challenges confront Ireland, where the booming Celtic Tiger economy is reversing the Irish diaspora and stimulating a metropolitan Dublin population growth intensity not seen in two centuries. Ireland is pioneering ways to create additional appropriated or fiscal incentives that will stimulate affordable intermediate housing as a permanent addition to supply, a waystation for families moving from council housing to homeownership.

Government must lead by establishing large sources of subsidy—whether direct appropriations or taxes foregone—compatible with existing public-private delivery mechanisms and programs to deliver additional affordability beyond what can be reached through the means of an advantaged market. The same housing specialists populating the public-private partnership sector will create even greater affordability by deploying subsidies.

Government's Final Obligation

Beyond its four roles, government must have the essential quality of far-sighted patience because it takes time to create effective financial systems, and they in turn take time to create sustainable, affordable housing. Individual housing properties are long-lived, composed of a long gestation period, a long development, and a long maturity. Add to that the complexity inherent in a successful interdependent housing financial ecosystem, and it takes decades to reach policy makers' ultimate goal of developing functioning delivery at all levels of affordability based on the interplay of law, capital, partnership, and subsidy.

These ecosystems grow slowly and die quickly. Elected officials who create policy have to look beyond next week's headlines, beyond next year's election, and even beyond the next incumbent's administration. For that reason, affordable housing delivery is most effective when the commitment to housing affordability is a long-term policy bedrock so solid its support is bipartisan and non-partisan.

The online version of this article can be found on the [Harvard International Review Website](#).

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