

The art of public housing

By Sanjeev Sanyal

While India should pay heed to de Soto, it should not ignore the Singaporean model either.

www.business-standard.com

July 14, 2010

The government's plan to make India "slum free" is taking shape. Peruvian economist Hernando de Soto is being roped in to provide inputs. An ambitious scheme called the Rajiv Awas Yojana is being designed. This is a very important area because it goes to the crux of how to accommodate 300-400 million people in urban India in the next three decades. The urbanisation process will redefine the country within a generation and we need to get it right. In previous columns, I have argued that we need to think of slums as "routers" in the migration process and that the property rights of the urban poor are not just about real estate ownership ("Slums defy concrete solutions", BS, December 9 2010, and "Property rights for future migrants", BS, March 10, 2010). In this article, I will look at the critical role that public housing can play in guiding the urbanisation process.

Public housing is not a new idea and various versions of it have been tried across the world. However, it must be remembered that it has very rarely been a wholesale success. In many cases, it has created ghettos of poverty and despondency. In others, the relatively rich have "captured" the projects and have benefited from the subsidies. One of the few exceptions is Singapore where public housing projects played a very important role in transforming the city-state within a generation from a poor, slum-riddled port to one of the world's most prosperous and advanced cities. What makes it even more impressive is that this was achieved by the mobilisation of internal resources and not the deployment of a windfall from oil or some such natural resource.

The Singapore story

In the early 1960s, Singapore suffered from severe housing shortages. A large section of the population lived in unhygienic squatter camps that were prone to frequent fires and communal tensions. In a single fire at Bukit Ho Swee in 1961, several people were killed and 16,000 people were made homeless. The race riots of July 1964 left 23 people dead and hundreds injured. In other words, life in Singapore's slums was no better than that in slums that we see in Indian cities today.

The British-run colonial government decided to set up the Housing and Development Board (HDB) in 1960. The agency had built over 54,000 housing units by the time Singapore became independent in 1965. In the initial phase, the flats were basic and were meant for renting. Over time, the quality and choice of housing were increased even as schemes were introduced to help people buy their homes. An important financing innovation in 1968 was to allow citizens to use money from the Central Provident Fund for down payments and servicing.

HDB housing grew very rapidly in the 1970s and 1980s. In tandem with this growth, the government invested heavily in common amenities such as health, education and public transport. Special efforts were made to accommodate small businesses as well as community hubs, such as sports facilities and places of worship. Today, about 80 per cent of Singaporeans live in HDB housing and 95 per cent own their

homes. It is extraordinary that the citizens of one of the world's most prosperous cities choose to live in public housing.

What can we learn?

I have found that Indian “urban experts” arrogantly dismiss Singapore as a small-scale experiment. I disagree. Singapore is a small country but it is a reasonably large city of 5 million — larger than all but six Indian cities. It has been able to dramatically raise the standards of living of its population in a very dense urban environment purely through internally generated resources. This is why, for the last two decades, a string of Chinese mayors have swallowed their pride and made a pilgrimage to the city-state. I know that Singapore's public housing policies cannot be blindly applied to India, but there are some important principles that are universal and worthy of consideration:

- Clear property rights are very important for creating a sense of ownership. However, note that there is a big difference in the Singaporean approach and that of Hernando de Soto. The latter is in favour of regularising squatter rights whereas the Singaporeans preferred to wipe the slate clean using public acquisition of land. From the Singaporean viewpoint, regularising squatter rights would reward squatting and ultimately undermine the very basis of property rights.
- Public housing may be partly subsidised but it should not be too cheap — and never free. Instead, there is a housing ladder which starts with cheap rentals and ends in high-end condominium apartments like those in the Pinnacle complex. In other words, the urban poor are not seen as a static group in need of handouts. The underlying assumption is that people have aspirations and they will work hard and climb the ladder quite quickly if given the chance. This is very different from de Soto's world of small holdings and micro-finance, where the poor improve their situation in tiny incremental steps. Perhaps the difference in world-view reflects the difference between the rapid growth experience of Asia and the slow growth of Latin America.
- Management of the “commons” is critical. Thus, the Singaporean approach invests very heavily in common amenities, public transport, maintenance and so on. Residents of HDB estates are made to pay a small management fee every month. Similarly, every effort is made to cluster economic and social nodes within each HDB estate. Even informal sector activities like “hawker centres” are designed into the public housing system. Again, this is very different from de Soto's approach that focuses on private ownership of property and largely ignores the commons.
- Real estate laws are transparent and evenly applied by a quick legal system. This is a necessary corollary of properly defined property rights. This is one area where the Singaporeans and Hernando de Soto would strongly agree with each other.

The purpose of this article is to point out that there is an “Asian model” for thinking about public housing and slum upgrade. This does not mean that rock star economists like de Soto should be ignored. He clearly has ideas that should be considered seriously. I merely hope that the Indian government will weigh various options before embarking on an important and expensive project.

The author is president of the Sustainable Planet Institute and Senior Fellow of WWF

(Source: www.business-standard.com)