

**INAUGURAL ADDRESS**

**By**

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**“NATIONAL CONFERENCE ON HOUSING”**

**At 10.00 Hrs. on 29<sup>TH</sup> November, 2004 at Vigyan Bhawan, New Delhi.**

My distinguished Colleague, Shri Oscar Fernandes Ji, Hon'ble Minister of State (Independent Charge) for Statistics & Programme Implementation, Hon'ble Ministers for Housing and Urban Development from various States & Union Territories, Smt. Chitra Chopra, Secretary (UEPA), Commissioners & Secretaries in charge of Housing & Urban Development from the States & UTs, delegates from NGOs, Local Self Governments, Private Sector, Real Estate Associations, Industrial Associations, Stakeholders, Representatives from Media, Ladies & Gentlemen,

At the outset, let me once again extend a hearty welcome to you all in this National Conference on Housing. I am indeed happy that Hon'ble Ministers for Housing & Urban Development from various States & UTs have been able to attend this Conference in spite of their very busy schedules.

As we are all aware, Housing is one of the three basic needs of life, along with food and clothing. Housing sector has been receiving attention of the Government for quite sometime now and has also got a substantial boost over the years with focus on housing development all over the country.

### **Housing Policy**

Government of India formulated the National Housing & Habitat Policy in 1998 superseding the National Housing Policy, 1994. The National Housing & Habitat Policy has clearly brought about a shift for the Government and Government Agencies to provide the enabling environment and act as a facilitator providing policies, legal and resource support. The role of house builder and provider has now been passed on to the public sector, private sector, co-operative sector, community sector and to the individuals themselves.

The Housing & Habitat Policy, 1998 clearly aims to create large housing stock in both urban and rural areas and it also strives to contribute in

generating more employment opportunities. It is estimated that Rs. 1 crore of investment in housing contributes to the production of building materials of the order of Rs. 60–65 lakhs and the balance for construction, employment generation and labour. All the building material sector including cement, steel, brick, timber, and over 250 industries, ancillary units and service sector benefit through the backward & forward linkages. Considering the huge employment potential, housing sector is a major economic driver and a trigger for overall growth, besides improving the quality of life and productivity of citizens.

Many policy initiatives by the States for encouraging the creation of housing stocks by various segments have been identified. Substantial legal reforms needed in the sector have also been identified and the States have been taking steps in implementing those. The Conference will deliberate on further review of the National Housing & Habitat Policy 1998 based on specific views from the States, difficulties in implementing the policy including the formulation of the State Housing Policies.

### **Housing Finance**

The housing finance disbursements have registered a major growth from around Rs. 5000 crore in 1995-96 to over Rs. 50,000 crore as of 2003-04 and has been showing a steady growth of over 20%. The housing finance is also available now at the most affordable rates bringing down the EMIs to as low as Rs. 700-800 per Rs. 1 lakh loan. The fiscal incentives given in budgets on housing loans have also provided further incentive to go for increased housing activity. The contribution of housing finance institutions including HUDCO, Banking Sector and Co-operative Sector in the increasing loan disbursements is worth mentioning. However, access to finance for the weaker sections and Low Income Groups through HFIs and banks is an area of concern. Leaving out the mandated contribution of HUDCO to EWS and LIG, the major funding under the housing finance sector has gone to the middle and higher income groups.

With massive urbanization, the housing problem has assumed alarming proportions, more so for the weaker sections, low income group, disadvantaged, marginalized and the poor. Out of the total housing shortage of 22.4 million units in urban areas, over 80% is the need of weaker sections and low income group people. We must recognize that the poor and low income groups are important constituents of the city development forces and they through informal sector contribute to the overall economic growth of the city and urban areas through various inputs. One of the critical inputs for housing needs of the weaker sections is access to land and infrastructure on affordable terms. Housing finance at reasonable rates through micro finance institutions may play an important role in creating housing facilities for the poor.

### **Social Housing**

Social housing on rental mode for the targeted segment of population, that is, weaker sections and low income groups has been an important instrument for housing services at affordable prices in many countries. Government of India had initiated social housing schemes in the early plan periods which were later on shifted to the State Sector. Some of the States also started their own schemes for housing. But most schemes did not succeed due to financial non-viability (as a result of frozen rent, increasing costs and legal hurdles) and cumbersome procedure of approval and implementation.

The problems faced by the implementing agencies need to be solved to make housing available at affordable rents and still be viable for the implementing agency. One of the models in this regard has been developed by allocating surplus government and municipal lands to developers who create housing stock for poor by using land as a resource and cross subsidizing from a free sale market component. Government of

Maharashtra has made commendable efforts in this direction, whereby they provide houses on ownership basis to the poor free of cost.

### **Reforms**

There are many legislative and regulatory Acts and Rules which inhibit the growth of housing sector. Substantial legal reforms needed in the sector have been identified and the Government has already completed the repeal of the Urban Land Ceiling Act. Government of India, as you are all aware, has launched a major supportive programme under the Urban Reforms Incentive Fund (URIF) to provide financial and other supports to State Governments for carrying out legal, regulatory, financial and fiscal reforms needed for the housing sector. 17 States have signed Memorandum of Associations for agreeing to repeal the Urban Land Ceiling Act. It is absolutely essential that all the States carry out the repealing of this Act within a definitive time-frame. A large area of land frozen as a result of the earlier Urban Land Ceiling Act would open up substantial land mass for the housing needs of all groups of people.

Similarly, the State Governments should also amend the State Rent Control Laws within a definitive time-frame. It is well known that a substantial number of housing units constructed through various initiatives remain locked up and the owners not able to give it on rent due to the restrictive Rent Control Laws. India has a major market for rental housing as more than 50% of the formal housing is accessed through rental route and not ownership route. Therefore, it is necessary to create the appropriate enabling environment for creating more housing stock which can be used for rental housing. While on the subject, it is interesting to note that the rental housing in India is predominantly through the individual sector where people build or acquire houses and give it on rent. The second category is the employer driven rental housing at the Central Government, State Government, Public and Private Sector, who construct

rental housing for its employees. The satisfaction level is very poor through this route due to resource constraints of the employer organizations.

It is desirable to launch a major rental housing programme through the private sector on the lines of initiatives taken in many developed countries and in particular Europe. However, this requires simplification of procedures of giving approval of designs, pre-project sanction and other clearances. A modified law on rent control with prospective effect may encourage private sector in investing in housing sector. There is also a need to carry out periodical maintenance of houses as it has come to our notice that the house owners don't carry out necessary maintenance and improvements in order to compel the tenant to vacate. This may also perhaps be due to low rents and inability of the owners to get the places vacated.

Another area of concern is the registration charges and stamp duties. The National Housing & Habitat Policy 1998 had advocated the need to bring down the registration charges and stamp duties to the level of 5%. However, there are many States who are still imposing very high stamp duties. This is not only unfair but also counterproductive as high rates in fact encourage evasion. It has been proven the world over that the more reasonable the level of taxation, the higher the level of compliance. The initiatives of States, like, West Bengal, Kerala, Karnataka and Maharashtra are praise worthy as they have brought down the stamp duties to 5-8% level. It is also heartening to note that as a result of reduction in stamp duties, the revenues of the State Governments have not reduced and as a matter of fact, they have increased. The reasons are not difficult to find. Increasing number of home owners who have not completed registration have now come forward. The near true value of the property is reflected in the registration documents as against highly depreciated values in the earlier scenario to avoid payment of high stamp duty incidence.

Therefore, it would be desirable that all the changes of repeal of Urban Land Ceiling Act, user-friendly rent control legislations, reduction of stamp duties, etc., are taken as top priority agenda items by all States so that the favourable and conducive environment for increased investments in housing is created. We will also be having a detailed State-wise review of the progress of URIF during the conference. I also look forward to information regarding the specific constraints or difficulties being faced by the States. There is an urgent need to introduce computerized system of registration and to have a transparent system of title verification. All this will make investment in housing a natural choice.

### **Public-Private Partnership**

Public housing agencies have been in the forefront of providing housing for the EWS. Most of this housing has been financed by HUDCO at subsidized rates of interest. From 1971-2003, HUDCO has financed 12.67 million EWS dwelling units. These have been constructed by various state level public housing agencies like State Housing Boards and Development Authorities. However, the public housing agencies have been finding it difficult to provide affordable housing options to the poor due to non-availability of land at reasonable price. The private sector also does not have enough experience in providing housing to the poor.

The Public Private Partnership models presently experimented in the country involve making land available to the private sector by the Government and allow the private sector to develop the land for permitted uses. There is a condition that a percentage of housing will consist of housing for the poor/EWS and will be made available at a price fixed by the Government. However, the private sector has to play a more proactive role in taking up housing programmes on a massive scale for the poor and low income groups with social commitments. Government may be a partner by relaxing building bye-laws, exempting design approvals, permitting higher densities (FAR) in such housing projects. We

will discuss some of the models and experiments on PPP in this Conference.

### **Cost effective technology and building centre**

It is noticed that the building construction cost increase at a faster pace which is 50% more than inflation. Therefore, there is a clear need to adopt appropriate, cost-effective building materials and technologies which would lead to affordable houses and at the same time which are strong, durable, functional and still aesthetically pleasing. The use of various technologies which are environment friendly, ecologically appropriate, energy saving need to be increasingly adopted. It is also desirable to utilize various building material products derived from agricultural and industrial wastes.

The Building Centre Movement (through Nirmiti Kendras and Nirman Kendras) has done reasonably good work and I feel that the full potential for such grassroot level technology transfer centers has not been fully utilized. The Southern and Western States seem to have utilized the facilities well. This should be further strengthened and expanded to cover the Eastern and Northern States. Another area of concern is the need to create disaster resistant housing to deal with earthquakes, landslides, cyclone, flooding, etc., which contribute the loss of nearly a million houses every year due to various natural calamities. A developing country like ours cannot afford to lose the housing stock created using very limited natural and financial resources. The need of the hour is to provide for disaster mitigation interventions to provide strength, safety and durability to the housing stock. We will discuss some of these issues in the Conference.

We will also have detailed review of the special national housing programmes for providing "Housing for All" under Valmiki Ambedkar Awas Yojana (VAMBAY), National Slum Development Programme (NSDP),

National Policy on Urban Street Vendors, Co-operative Housing and Night Shelter for footpath dwellers. The Government has extended substantial support for these programmes. My Ministry is also proposing an Integrated Slum Development Programme combining some of the ongoing schemes for comprehensive slum improvement and development, and a scheme of Sanitation for All.

### **Commitment**

I would also like to share with you all that we are in the process of constituting a National Mission on Urban Renewal to take care of various such issues in a coordinated and systematic manner. The modalities are being finalized in consultation with the Planning Commission and other stakeholders and it is likely to take final shape in the near future.

Before I close, I would like to reiterate the commitment of the UPA Government. **As per the Common Minimum Programme, UPA Government commits itself to a comprehensive programme of urban renewal and to a massive expansion of social housing in towns and cities, paying particular attention to the needs of slum dwellers. While undertaking urban renewal, care will be taken to see that the urban and semi-urban poor are provided housing near their place of occupation. Our Government attaches the highest priority to the development and expansion of physical infrastructure like roads, highways, ports, power, railways, water-supply, sewage treatment and sanitation. The Public investment in infrastructure is getting enhanced while the role of the private sector is being expanded.**

I am glad that we have experts and persons with rich experiences in these fields. I look forward to hear the views of the various State Housing Ministers with State specific problems, special initiatives taken and their valuable suggestions and recommendations which would provide the right feedback for realistic interventions and corrections. I am sure the

Conference would provide a road map with new strategies for achieving the goal of "Housing for All" by 2010.

Thank You.