

## CHAPTER 3: SHELTER FOR THE POOR

The city's poor live in rudimentary housing, and only one-in-twenty live in permanent housing. Rents are high, living space is crowded, and the provision of amenities, while difficult to measure with any precision, is almost certainly low given the temporary nature of most housing. Conditions that are already bad appear to be getting worse as rents continue to rise and migration to the city continues.

Dhaka's rapid growth, large size, topography, environmental conditions, and problems of governance exacerbate already complex land and housing issues for the poor. The number of slum dwellers is projected to grow to 8 million over the next decade. With this growth, policy makers will need to address land and housing as a top priority.

This chapter covers the main land and housing policy issues in Dhaka, with a focus on the effects these policies have on the poor. Section I covers the main policy issues of land and housing prices, the national housing policy, and institutional roles. Section II presents main policy constraints and Section III outlines recommendations aimed at improving the functioning of these markets. A major constraint in the analysis is the scarcity of recent data on land ownership, rents, prices, and the supply of various basic amenities. This lack of information is due largely to the informal nature of urban developments in Dhaka. It is also consistent with the almost complete absence of government in the operation of housing and land markets in the city, even in enforcing basic property rights. Given the paucity of recent data the paper has relied on empirical reference points that are somewhat dated, complemented with assessments and observations by Bangladeshi experts and market participants. Updating the information base would be very useful in deepening the analysis of these issues.<sup>42</sup>

### I. Background

#### *A. A Fast Growing, Poor Megacity*

Dhaka is known as one of the fastest growing cities of the world. Its growth has been particularly rapid since 1972, after its transformation from a provincial capital to the national capital of the newly independent country, Bangladesh. The average annual growth rate of the city's population was 6 percent during the 1974-2001 period. Rural to urban migration remained the most dominant factor of the population growth, but natural increase was also high.

Dhaka (or Greater Dhaka) emerged definitively as a mega-city in the new millennium. It is currently the 11th most populous city in the world with over 12 million people and is projected to move up to the 6th position with 18.4 million people in 2010

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<sup>42</sup> For example, financing surveys of living conditions of the urban poor, such as the one undertaken in 1995 for the Study of Urban Poverty in Bangladesh by the Centre for Urban Studies (Islam, 1997) would be a very high return investment. Collecting data on public housing programs run by the various public agencies and consolidating them would also be worthwhile.

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(UN, World Urbanization Prospects, 1999), with only Tokyo, Mumbai, Lagos, Sao Paolo and Mexico City being larger. The projected population size for 2010 and 2016 respectively, has been estimated at 9 million and 10 million for the Dhaka City Corporation (DCC) area, and 14.88 million and 18.00 million for the Dhaka Metropolitan Development Plan (DMDP) area (Table 3.1).

Table 3.1: Urban Population and Poor Population in DCC and DMDP

	Territorial Limit	2001	2004 (est.)	2010 (proj.)	2016 (proj.)
Urban Population	DCC (million)	5.90	7.50	9.00	10.00
	Rate of growth (%)	(4.0)	(3.5)	(3.5)	2.50
	DMDP (million)	10.50	12.00	14.88	18.00
	Rate of growth (%)	(3.5)	(4.25)	(4.00)	3.50
Urban Poor	DCC (million)	2.66	3.37	//	//
	Share of population (%)	(45.0)	(45.0)	//	//
	Rate of growth (%)	4.5	4.0	//	//
	DMDP (million)	4.73	5.40	//	//
	Share or population (%)	(45.0)	(40.0)	//	//
	Rate of growth (%)	4.0	4.0	//	//

Source: Islam (2004)

*Can Dhaka sustain such a growth rate in the future?* Dhaka is the focus of most of the country's political, administration, economic and social attention. Dhaka's primacy is still on the rise, both in terms of population and in functional terms. It is the most centrally located and most accessible city of the country. With a large national population (140 million in 2004) still growing rapidly and still predominantly rural, the population pressure on the primate city remains very high and appears likely to continue.

The city also concentrates private investments in key sectors. For example, 80 percent of the garment industry, which accounts for 80 percent of all exports and employs about 2 million people in the country, is located in Dhaka. Experts also mention the fact that public spending and investment (in particular, in health and education facilities), and public policy decisions have traditionally been skewed in favor of Dhaka over other large or medium-sized cities since the independence of Bangladesh. The concentration of investment and decision-making power in Dhaka, in turns, appears to fuel the on-going high rates of migration to the City. But, little empirical information or analysis is available on why this trend does not follow a self-correcting pattern in which the high prices and congestion in Dhaka make other cities more attractive investment and hence job locations.

The continued growth of Dhaka can eventually lead to negative implications for economic growth and poverty reduction.<sup>43</sup> Empirical evidence shows that very large

<sup>43</sup> Many local experts believe that the city's poverty problems cannot be addressed unless its growth rate is reduced and would favor programs attempting to subsidize recent migrants to leave the city which have been periodically implemented. While the city's growth rate is unusually high, the international experience

population concentrations may have adverse effects on growth (Henderson, 2000),<sup>44</sup> and are generally driven by a set of broader policies that lead to corruption and less equitable growth (Glaeser, 1999).<sup>45</sup>

### ***B. High Land Prices Have Excluded the Poor from Ownership of Land and Housing***

**Housing Prices.** Residential land values in prime locations of Dhaka range between US \$ 30 and \$ 60 per square foot, similar to prices reported in other regional cities such as Hyderabad, Kuala Lumpur or New Delhi.<sup>46</sup> Nevertheless, land prices are high compared to those found in developed countries. For example, areas in the US where land prices exceed \$60 per square foot are rare (Housing finance in Bangladesh, World Bank, 2004).

These prices make it impossible for the poor to purchase land in the open market within the DCC area. The cheapest ready-to-build plot within DCC is priced at Tk. 500,000 per katha (i.e., 720 square foot lot) or US \$ 12 per square foot. Normally RAJUK does not grant building permission on lots smaller than 1050 square foot. This would cost Tk. 729,000 (US \$ 12,600), which is equivalent to nearly 20 years of income for an average poor household (Tk. 3000 per month). The cost of housing would be additional. In any case, such small lots are hardly available in the open market, and only rarely supplied by the government in a subsidized market. Consequently, it is estimated that 97 percent of the urban poor in the city do not own any land.<sup>47</sup>

**New Housing.** With regard to the types of new housing produced, formal sector private developers generally serve only the upper and middle income groups. Even their “lower cost” housing products sell for approximately 1 million Takas (US \$ 17,000). With a 50 percent down-payment and under current credit conditions, the unit can be repaid with monthly payments of Tk. 5,000. Under an already high payment-to-income ceiling of one-third, the required minimum income of the household would be of Tk. 15,000, which means that only those in the top 30 percent of the distribution of income in Dhaka could afford to purchase new housing. Thus, formal, industrially developed units are unaffordable not only to the poor, but to the vast majority of the population.

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is that subsidy programs designed to induce out-migrations from cities are rarely effective. More fundamental incentives are at work.

<sup>44</sup> The literature on the relation between economic growth and urban concentration suggest that national resources can be squandered due to excessive concentration of population and investments in one city (Henderson 2000). Excessive primacy often leads to a decrease of competition among cities to attract investments, increasing commuting, congestion, and living and production costs to excessive levels. It also leads to increases in costs of land, housing and urban services, and decreases in productivity of businesses and quality of urban services. Thus, economic growth is impacted negatively.

<sup>45</sup> See Lall, 2005 for a discussion of this and simulations for the Bangladesh context.

<sup>46</sup> 2003 by Seraj and Afrin.

<sup>47</sup> In a study for the Government of Bangladesh and ADB in 1995, Islam et al. found that only 3.2 percent of the urban poor in Dhaka owned the plot of land on which their dwelling unit was located.

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**Existing Housing.** It is estimated that less than 20 percent of the poor of Dhaka are owners. The last statistical survey, conducted in 1995 (Islam et. al, 1997) found that 16 percent of the poor in Dhaka were owners; 56 percent were tenants; 8 percent were rent free dwellers, and nearly 20 percent were squatters or illegal occupants (Table 3.2). The low ownership rate in Dhaka stands in contrast with comparable Indian cities such as Delhi or Bombay,<sup>48</sup> and with cities of other regions such as the Middle East and North Africa or Latin America where ownership of the dwelling is by far the dominant status even for the poor.

Table 3.2: Housing Tenure of the Urban Poor, 1995

	Dhaka			All Urban		
	Hardcore poor (%)	Moderately poor (%)	All poor	Hardcore poor (%)	Moderately poor (%)	All poor
Owner	16.4	16.2	16.3	28.8	25.5	27.7
Tenant in private house	42.4	49.6	45.4	45.6	48.4	46.6
Government tenant	5.6	5.2	5.4	5.0	7.6	5.9
Sub tenant	5.2	5.7	5.4	3.0	5.5	3.2
Rent-free	9.3	5.7	7.8	7.6	5.2	6.8
Illegal	20.2	16.1	18.5	9.5	8.8	9.3
Others	0.9	1.5	1.1	0.5	1.1	0.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Islam, et. al, 1997

**Housing Quality.** Access to housing for the poor in DCC is mainly limited to private slums and squatter settlements.<sup>49</sup> Only 5 percent of the poor of Dhaka in the 1995 study lived in permanent or pucca houses, 22 percent lived in semi pucca houses, 41 percent in temporary units and another 32 percent in rudimentary kutcha units or jhupris (Islam et. al, 1997).

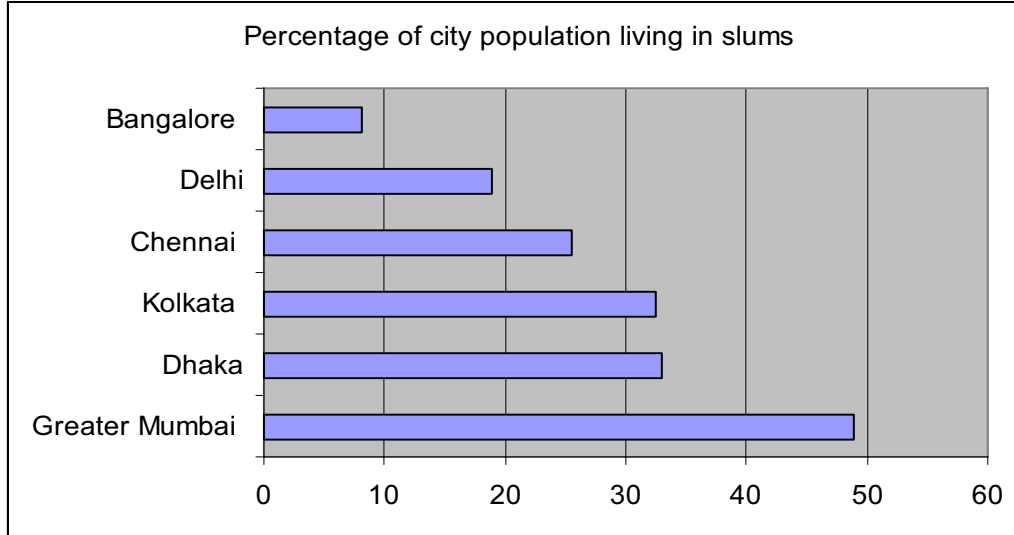
**Slums: Estimates and Definitions.** Slums (*Bastees*), are substandard housing built on privately owned land. Squatter settlements (or *Bastuhara colonies*) are substandard housing built illegally on publicly owned land, including railway tracks. A third category comprises the sites of the homeless / pavement dwellers (*Bhashaman Janogosthi*), estimated at around 120,000. The recent mapping of slum settlements (Chapter 1), shows that slums are located all around the City. The share of private slums is thought to have been increasing over time because of the rapid increase of the city limits, and because evictions from government land have limited the growth of squatter settlements.

<sup>48</sup> Although no directly comparable statistics are available, the ownership rates among households living in one -room dwellings, which is a proxy for the poorest groups of the population, were 47 percent and 59 percent in Delhi and Bombay respectively, and higher for larger dwellings (<http://www.indiastat.com/>).

<sup>49</sup> A large number of the poor (such as household workers, drivers, security guards etc.) live as part of the middle class or upper class households and as such benefit from almost all utilities and urban services.

In comparison to other cities in the region (India), the proportion of slum dwellers (in the broader sense) in Dhaka is similar to Kolkata, less than in Mumbai, and greater than in three other major Indian cities, Delhi, Chennai, and Bangalore (Figure 3.1).

Figure 3.1: Estimated proportion of population living in slums in Indian cities and Dhaka



Source: For Indian cities, Indiastat. For Dhaka : Islam (2004).

**Housing Rent Levels.** In private slums and ‘mess’ units the poor pay regular rent to a landlord or home owner. In the case of squatter settlements, occupants generally have to pay “tolls” to mastaans (musclemen) and agents of employees of the land owning authorities. Rents in the private slums are reported to be high. Islam (1985) found that slums dwellers in Dhaka City were paying higher rent per square meter than non-slum households, even though the latter usually benefited from a much better physical environment and level of services. Typical rents today would be around Tk. 500 for a single person, Tk. 1000 or Tk. 1,500 for a family. Many poor households pay up to Tk. 1500 (US \$ 26) for a small (less than 10 square meters) two-room unit in slums with water, electricity, latrine and gas. This spending accounts for approximately 14 percent of the poor’s household budget (HIES, 2001). This figure is considerably higher than that observed in large Indian cities where the average urban household spends 7 percent of their income on housing, even in high cost locations such as the state of Maharashtra where Mumbai is located. As a consequence of tight budget constraints and relatively high rents, the poor in Dhaka usually live in very small accommodations (2 or 3 square meters per person similar to the situation in Mumbai).

## II. Main policy constraints

### A. Unresponsiveness to price signals for a large portion of the land in the city

The very high level of land prices is the major constraint of urban policies in Dhaka. Land prices appear to be comparable to those in suburban New York, whereas the average income of Dhaka residents is a hundred times lower. For example, the Bangladesh Institute of Planners estimates that land in Dhanmondi, the most expensive

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area in Dhaka, is Tk. 3,500/square foot or roughly \$60. Similarly, land in Gulshan is priced at Tk. 3,194/square foot and Baridhara at Tk. 3,000/square foot. Even more remarkable is that land in the least expensive residential areas in Dhaka, is valued at Tk. 1,600, around \$27 per square foot. These areas include Uttara, Pallabi, and Shyamali, which are on the periphery of the city.

In comparison, land prices in most cities of the United States are much lower.<sup>50</sup> In a study of land and housing costs in US cities, Glaeser and Gyourko (2003) report the following prices (in \$/square foot) for a sample of cities: Boston \$13.10; Chicago \$14.5; Los Angeles \$30.4; Miami \$11.1; New York \$32.3; San Diego \$26; San Francisco \$64. These prices reflect a mix of land shortages and development constraints (land use zoning regulation), but only in a few cases is developed land priced higher than in parts of Dhaka. Land prices in Khulna have been estimated to be similar to those in Dhaka, and are about 15 percent lower in Chittagong (World Bank, 2004). In any case across the metropolitan areas, land values are extraordinarily high. In fact, the least expensive middle class housing in the country is estimated at about Tk. 700,000, which is more than 10 times the median income (World Bank, 2004).

The main reason for such high land prices is topographical, resulting in land supply constraints. Because of the city's location there is a real scarcity of developable land, which is reflected in the very high density of Dhaka (20,000 persons per square kilometer, and up to 100,000 in some areas of the city). Dhaka is situated in a flood plain and surrounded by rivers which periodically flood the lowlands around the city. The local topographical configuration led to a city development following a north-south pattern, rather than as a circle, as shown in Map 2. Most of the high lands immune to flood are already built. Newly developed areas are built on the flood plain by progressive filling.

This real scarcity is compounded by an artificial scarcity, stemming primarily from the lack of utilization of public land within the city. Large amounts of public land in central Dhaka remain undeveloped. Government-owned land (called Khas) is now scarce (at most 1500 ha, but only 430 would be free of occupation today). Other locations are occupied by Government-related activities with very little or no use for construction (this is the case of the Tejgaon airport, the military cantonment, and land tracks left for future construction of public buildings). This may characterize as much as 20 percent of the land in the inner city area as shown in Map 2. Other areas, also centrally located, such as the public housing stock are developed at very low densities given the land prices.

Finally, there is a gap between technically usable land and formally usable land. The latter is defined by RAJUK master plans. The current approach is obsolete, resulting in areas potentially developable for residential use being not zoned as such.

A consequence of this scarcity of formal serviced land has been the development of the city almost entirely by the informal sector over the last 20 years. As shown in Maps 1 and 2, most of the new urbanization in the last 20 years has occurred at the

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<sup>50</sup> Also consider that per capita GDP in the United States on a PPP basis is 20 times that of Bangladesh.

margin of the city, with little or no attention paid to planning regulations or any planning enforcement.<sup>51</sup>

This dominance of the informal delivery systems over the formal system is also highlighted by a breakdown of the housing stock into sub-categories. The informal sector is estimated to have produced 85 percent of the 1.0 million housing units in the DCC/DMA area (Table 3.3). While self-construction accounts for half of the total stock, slums and squatter settlements represent the other 35 percent of it. By contrast, the public sector's contribution to the housing system in Dhaka has been around 100,000, while that of the formal private sector (real estate companies or developers) has been estimated to account for around 48,000. The contribution of the cooperative sector is very small, probably less than 2000 units. Thus, the total formal sector contribution to housing in Dhaka would be only about 150,000 units, or about 15 percent of all units in the central city or DCC/DMA area.

Table 3.3: Relative importance of Housing Delivery Sub-Sectors in Dhaka

	Sub-sector	Number of Units in DCC/DMA
<b>Formal Sector</b>	Public housing	100,000
	Private Housing	48,000
	Cooperative	2,000
	<b>Total Formal Sector</b>	<b>150,000</b>
<b>Informal Sector</b>	Private Housing	500,000
	Slums	200,000
	Squatter Settlements	150,000
	<b>Total Informal Sector</b>	<b>850,000</b>
	<b>Total</b>	<b>1,000,000</b>

Source: Estimates from Islam, 2004

## ***B. An enabling housing policy without enablers***

### *i. The national Housing Policy*

In 1993, the Government of Bangladesh approved a National Housing Policy which was updated in 1999 and once again in 2004. The Policy describes the role of the government in the housing sector as that of a “facilitator” or “enabler” rather than as a “provider.” This means its role is to increase access to land, infrastructure services and credit; to ensure availability of building materials at a reasonable price especially for the low and middle income groups; and to create and promote housing finance institutions. Actual construction of housing is to be left to private sector developers, private individuals, and NGOs (GOB, 2004).

<sup>51</sup> Other problems relate to land titling, the registration of real estate property, and the coexistence of different forms of land ownership. As these issues have been developed elsewhere (Syed Mynuddin Hussain, 2004), this paper does not elaborate on them.

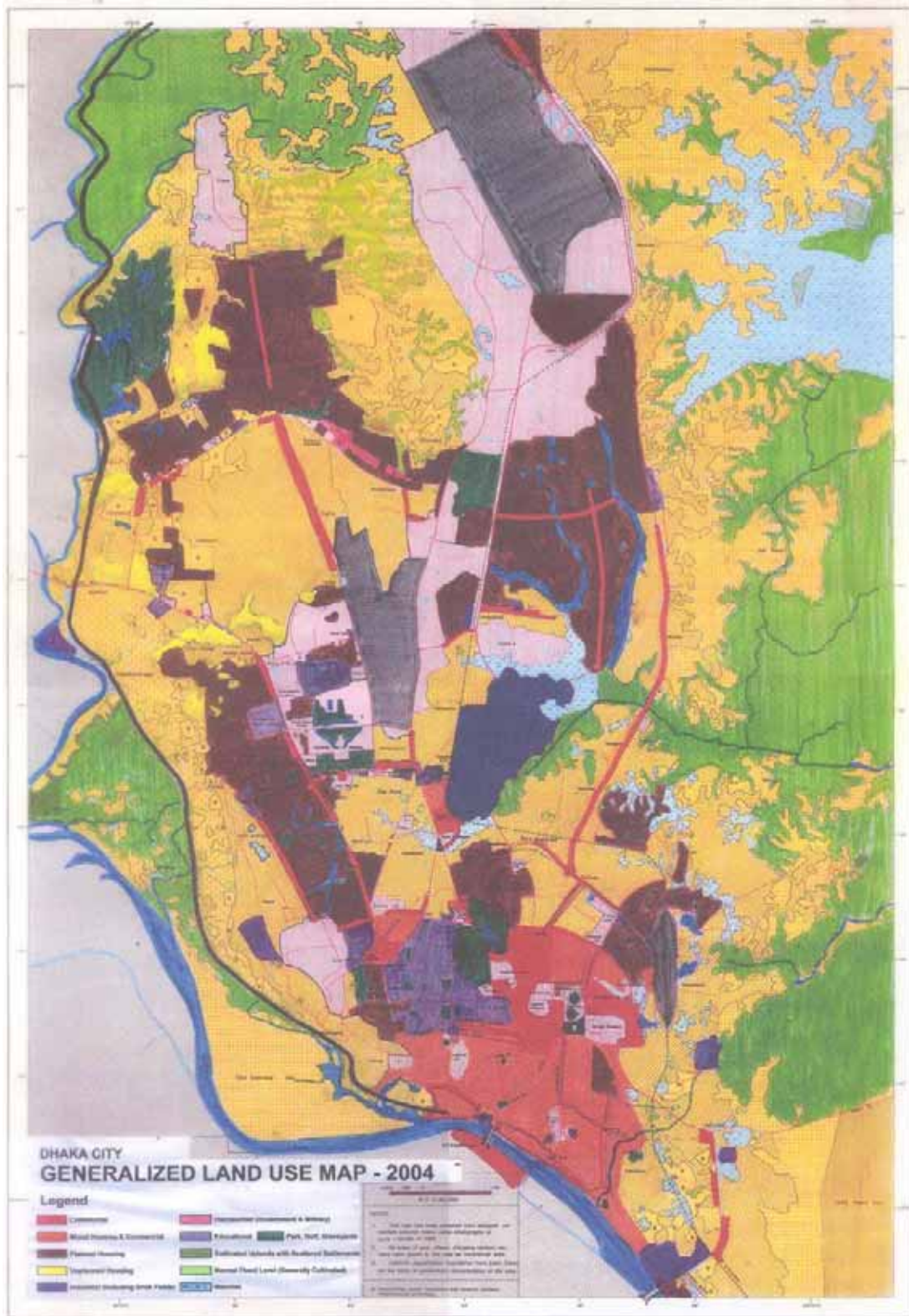
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Figure 3.1: Map of Land Use in Dhaka City, 1984



Source : Salma Shafi (1992).

Figure 3.2: Map of Land Use in Dhaka City, 2004



Source : Salma Shafi (2004).

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The policy calls for special consideration for improvement of low income settlements and slums and squatters. It has clear recommendations in support of ensuring proper rehabilitation in cases of slum eviction. The policy also makes statements on strategies for improving land supply, infrastructure, building materials on technology, housing finance institutions, legal and regulatory frameworks and institutional arrangements. Finally, it also recommends the formation of a National Housing Council and a National Housing Authority (NHA) in order to implement the policy objectives and programs of the government. The latter has been formed but not the Council. The stated policy approach appears to be sound and is consistent with the recommendations made in the World Bank's Housing Policy Paper: Enabling Markets to Work (1993). Nevertheless, important aspects of it are not implemented.

### *ii. Continuing Slum Evictions without Resettlement*

Eviction of squatters from public land has been a continuing practice of the government policy. Annex 3 has a list of all evictions that have taken place in Dhaka since 1975, estimated at around 135. While the number of slum dwellers evicted in each case is not known, the list clearly shows that evictions have not slowed down since the adoption of the National Housing Policy. The 2004 large scale eviction in Agargaon affected an estimated 40,000 slum dwellers.

Evictions from squatted public land often occur without resettlement plans. As a result, evicted households, some of whom have lived for more than 20 years in the same settlements, have little choice but to join the cohorts of new migrants to the city on the urban fringe. This movement in turn fuels the process of land filling and land grabbing.

The systematic filling of the water retention ponds within the city area makes it more prone to flooding. Squatted areas rarely upgrade, because the threat of eviction impedes investment in houses.<sup>52</sup> Thus, in the long run, the absence of a relocation policy results in an implicit status quo development strategy for the city as a whole, which presents high environmental risks.

### *iii. Fragmented and mis-targeted public interventions in housing*

The roles of the main public actors intervening in the housing sector are not clear. Those involved include the planning agency RAJUK, the National Housing Authority (NHA), the Urban Development Directorate, and the Public Works Department of the Ministry of Housing.<sup>53</sup> The NHA has jurisdiction over all Bangladesh, issued the National Housing Policy, and is supposed to be responsible for its implementation. It does not, however, have specific means for enforcing the policy. The NHA also manages

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<sup>52</sup> While the squatter settlements are obvious examples of the effect of uncertainty of property right on investment in housing, the same phenomenon is also mentioned for public-private partnerships in housing, where the Government wants to recover the land after a certain number of years and entertains uncertainty about the exact nature of rights on the land, deterring investment by the private sector.

<sup>53</sup> Other players include the Ministry of Land, which owns public land all over the country, and the Prime Minister's office, which directly manage some habitat projects all over Bangladesh.

housing projects. By contrast, RAJUK's jurisdiction covers only the Dhaka Metropolitan Area, and RAJUK's mission has never been to provide housing for the poor (Annex 3, Box A3.2).

In Dhaka, the division between the interventions of all these actors appears to be based largely on a geographical basis, determined by the holdings of land acquired by them at different points in time. Precise data on the extent and composition of public housing programs are lacking though public housing programs serve only a very small fraction (less than 10 percent) of new housing demand.<sup>54</sup>

Few if any of the public housing programs are targeted to the poor. RAJUK has been known to provide serviced lots of a minimal size (100 square meters -1.5 khatas), which given land prices in the city makes them totally unaffordable for poor households.<sup>55</sup> The Land Ministry is currently working on a project "for the poor and landless," consisting of 15,000 small flats in high-rise buildings. Considering the costs of finished flat units, there is little chance that the officially-targeted households will be able to pay for them. Thus, units built through public programs are likely to be bought by (lower) middle income households, unless very generous subsidies – amounting to several times the annual income of beneficiaries – are delivered to a small share of the population that can be served. Such programs operate more like lottery schemes than housing assistance.

In conclusion, little has been achieved in terms of the implementation of the National Housing Policy. Property rights have not been assured. Public interventions have been fragmented, have not targeted the poor, are based on unworkable design standards, and are not coordinated. The current policy environment is not one in which additional public resources will necessarily benefit the poor. Improving the housing conditions of the urban poor will require substantial policy reforms.

*Box 3.1: Slum Improvement/Upgrading Programs of the National Government*

The Government of Bangladesh began implementing upgrading program in urban slums in the mid eighties with UNICEF. This program has been active in some 25 cities, including Dhaka. Originally the program had a strong physical component like improvement of drains and sanitation. It had no housing component. Later the World Bank, the ADB and major NGOs like CARE supported some slum improvement programs. None in Dhaka (DMDP area) however, has any housing component. All programs together have made very little impact on improvement of slums in Dhaka, due to the massive scale of the problem.

<sup>54</sup> According to experts, the only occurrence of land being given to the poor on a large scale was in 1975, when 250,000 squatters were evicted from public land. 75,000 were relocated in Tongi, Mirpur, and Dembra. Those areas are now further developed and part of the modern city.

<sup>55</sup> For example, plots serviced by RAJUK in the new town of Purbachal, presently being developed beyond the Balu river in the east of Dhaka, will be of 3,000 square feet on average.

Dhaka City Corporation itself established its own Slum Improvement Department in the early 90s, but fund allocations to this department has always been very small, although over 1/3<sup>rd</sup> of DCC's population lives in slums.

The NHA is the new form of the former Housing and Settlements Directorate. The latter agency managed some housing programs after the partition, mainly for displaced people coming from India. The NHA, established in 2001, has been implementing some small projects for the low income families and is now trying to help a private company to implement a resettlement project in multi storied buildings in Mirpur, Dhaka.

### ***C. Failures of coordination and services at the local level***

At the local level, the lack of coordination between all actors intervening in the housing sector is mentioned by Bangladeshi experts and international reviews as the source of multiple inefficiencies.<sup>56</sup> Concrete manifestations of the lack of coordination are the absence of planning enforcement, lack of services and infrastructure, and inadequate timing in land and housing project developments which causes disruption of services (Sarker, 2004).

Among the causes of this lack of coordination is the limited role that the Dhaka City Corporation (DCC) plays in urban management. DCC does not manage planning, does not decide on the use of public land located within the city, and has no power over the public utility companies within its jurisdiction. While a precise census would be necessary, figures quoted range from 16 to 40 different institutions intervening at one stage or another in urban matters in Dhaka.

Purely land related issues such as land records and land transfers are dealt with by the Ministry of Land and Deputy Commissioner of Settlements under the Ministry of Works. Housing related issues are managed by the National Housing Authority and RAJUK. The Dhaka City Corporation (or other Municipal Authorities within DMDP area) is responsible for housing or property tax collection. The Department of Environment has the responsibility of controlling environmental regulation as these affect land and housing development. The utility service authorities like Dhaka Water and Sewerage Authority (DWASA), Dhaka Electricity Supply Authority (DESA) and Titas Gas Company are each responsible for providing their respective services to the households requiring these. The Dhaka City Corporation and the other Municipalities provide conservancy services. There are several other agencies involved in housing development.

The performance of the Dhaka Development Agency, RAJUK, officially in charge of planning, planning enforcement, delivery of building permits, and land

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<sup>56</sup> Islam, 1999

servicing, is also a major cause of inefficiency. A review of the role of RAJUK would be a top priority for policy reform.

Some progress seems to have been achieved recently in the coordination process, however. Two years ago, a new Committee for Urban Development was created, to solve the main problems of coordination among urban actors in Dhaka.<sup>57</sup> The Committee is chaired by the Principal Secretary to the Prime Minister. The role of the Committee, however, has been in solving day-to-day problems, not in setting a medium or long-term vision for the development of Dhaka.

A major consequence of the lack of governance and accountability concerns access to utilities. In response to the unavailability of services such as electricity by formal means in the illegally built zones, parallel systems for accessing utilities develop.<sup>58</sup> As discussed in Chapter 4, *maastans* often arrange delivery of services to the illegal area with the utility companies. Utilities are then sold back to resident renters at high prices. The resources generated are shared between the middlemen, bribed utility company employees, and government officials. As a result, not only can the utility companies not cover their costs, but the poor end up paying higher prices for services than the non-poor.

#### ***D. The limited role of NGOs in housing for urban poor***

NGOs and microfinance institutions have been impressively present in rural Bangladesh for at least two decades, and have achieved international recognition as effective and transparent pro-poor institutions. Some of them, such as Grameen Bank, have devoted significant resources to housing programs. Grameen has made more than 600,000 housing loans in rural areas in Bangladesh. However, NGOs have not been intensively involved in housing programs in Dhaka City. Some NGOs are confined by their charters to work in rural areas (Grameen).<sup>59</sup> Others work in urban areas, but have prioritized income generating activities as a main focus.<sup>60</sup>

The very high land prices in Dhaka are cited as a main reason for this limited involvement. They preclude replication of rural interventions in housing of the Grameen type, in which no land cost is covered and housing loans are given to households having already a piece of land, or to homeowners for home improvements.<sup>61</sup>

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<sup>57</sup> For example, it is this group which enforced local participation into the drafting of Detailed Areas Maps prepared by RAJUK.

<sup>58</sup> Units built without title or building permit cannot in theory have access to utilities.

<sup>59</sup> The present charter of Grameen forbids its direct involvement in urban areas. It helps other NGOs (such as Shoptika or PKSf) to operate in Dhaka. Grameen is presently seeking to have its charter revised to be able to operate in urban areas.

<sup>60</sup> For example, BRAC activities in urban areas include income generating activities micro finance; health care (tuberculosis control program in partnership with the Government); Micro enterprise lending programs; a pilot program for rickshaw pullers sponsored by the World Bank; and a pilot program for retrenched garment workers.

<sup>61</sup> The order of magnitude of the loan would be Tk. 10,000 (US \$ 170), paid back in 10 years. This corresponds to monthly payments of around Tk.240 (US \$ 4), that is, 20 times less than the loan for a

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NGOs also find working in Dhaka high risk. The threat of eviction, legal complications related to land ownership, the ability of middlemen to extract rent from the poor, and the lack of credibility of the Government's commitment, render investments in those areas intrinsically too risky.

While NGO involvement in housing programs has been limited, some interesting projects do exist that could potentially be scaled up. A promising approach to providing shelter solutions to the poor is the type of projects run by Nari Uddyog Kendra (NUK), which has arranged rental accommodation in dormitories for female garment workers. NUK offers a comprehensive and cost-effective hostel model. Recently, BRAC has also engaged in similar types of projects, with the support of the government. Those projects offer affordable solutions for the poor, particularly single women.<sup>62</sup>

### *Box 3.2: NGO programs targeted to poor renters*

Currently NUK is operating three Hostel and Development Centre for women garment workers in Dhaka city with 600 seat-capacity, and two Student Hostels with 150 seat capacity in Dhaka and Mymensingh. All the hostels are operating on a non-profit basis in hired premises.

Recently, BRAC also engaged in this activity and "Grihayan Tahabeel" (Housing Fund) of the Government of Bangladesh, administered through Bangladesh Bank, approved Tk 100 million to BRAC for building hostels for 2,500 women workers of garment factories in Uttara, Dhaka with 1 percent interest, repayable in 20 years.

BRAC has another program centered on housing, targeted at single women renters. BRAC staff act as middlemen between landlords and single women who otherwise would not be able to find a place to live. They lend Tk. 5000 to cover the upfront costs of rental (3-4 months of rent as a security deposit). The woman will then be able to mobilize her own social network and sublet rooms or space to other women, which will provide a source of income to repay the loan.

## III. Improving Shelter Conditions for the Urban Poor

Dhaka's rapid growth is likely to continue and thus understanding the factors and policies that contribute to this growth will help to shape the future. Main challenges facing Dhaka in the next years with regard to land and housing for the poor are: coping with a sustained arrival of poor migrants, adopting more proactive planning policies to

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formal unit described above. This gives a sense of the gap between the reach of formal, developer-built housing solutions, and low-income housing.

<sup>62</sup> According to a number of Bangladeshi observers, single woman in Bangladesh is likely to suffer discrimination on a number of fronts. In particular, they have a hard time finding an accommodation, are subject to all kind of abuse and as such constitute a privileged target of the NGOs.

address the environmental risks, finding a way to enforce property rights so that land grabbing does not take place, ensuring that any eviction from public or private property is done in a way that recognizes the rights of those affected; and improving the accountability of the public sector as a whole in the delivery of basic services.

No program of reforms seems likely to gain momentum until the Government's commitment to honor basic property rights with respect to land and housing is credible. This credibility is difficult to achieve in a market where land and housing prices are unaffordable for most of the population. In the current context, the uncertainty of property rights, the perceived corruption and inefficiencies of public institutions in the sector, and the weakness of the local government constitute significant impediments to the functioning of the housing market. They also impede further involvement of NGOs and the private sector in the delivery of urban services for the poor. In particular, unless actions are taken to mend the institutional setting described in the above sections, projects of city extension to the east (Dhaka Eastern Bypass) can only result in the same deficiencies as those which are witnessed as an on-going process in the city.

Recognizing that a number of basic policy changes are necessary, main reforms are needed in the policy and institutional framework. Some of the proposed changes will take a considerable amount of time to be implemented, but would result in a more effective and enabling policy environment, ultimately contributing to improvements in shelter conditions for the urban poor. Among these are:

***Implementing the National Housing Policy.*** This is a priority for any sustainable improvements for Dhaka's poor. A key element of this policy is in the enforcement of basic property rights. Destruction of squatter settlements should be limited to necessary actions of redevelopment or infrastructure building and should be accompanied by relocation plans for evicted squatters.

***Strengthening public institutions to implement the National Housing Policy.*** Much stronger and more credible public institutions are needed for this enabling strategy to work. The multiplicity of public agencies intervening in housing programs is inefficient and could be reduced with each agency having clear roles and responsibilities, operating under the umbrella of the National Housing Policy. If the National Housing Authority continues to be the overseer of the National Housing Strategy, it would be more effective if they focus on a policy and regulatory role rather than implementing housing projects.

***Developing mechanisms for better accountability for land use and better coordination of services in the city.*** A first step would be undertaking an inventory of public land belonging to different ministries and agencies within the city. This inventory could be the basis for a strategic plan for public land use in the future. Vacant public land in excess of critical city needs could be released on the market. Solutions for promoting housing upgrading and investment on squatted tracks of public land could include giving proper titles to long-term residents with programs targeted to low income households.

***Promoting coordination between DCC, RAJUK- the planning authority, line ministries and utility agencies in urban projects in Dhaka.*** While *ad hoc* committees can be a viable short or medium-term solution to coordination problems, in the long run, the Dhaka City Corporation should be given more means to achieve pro-poor goals. This long-term goal should be explicitly linked to any progress in the decentralization process in the country.

***Strengthening the performance of RAJUK.*** A full reform of RAJUK is needed. This could be based on the separation of the multiple functions it now exerts (planning, planning enforcement, land servicing, and housing projects), which generate conflicts of interest and are not implemented efficiently at present.

- Planning functions should ultimately depend on the local governments concerned, and could be assumed by a body gathering Dhaka City and the municipalities within the current RAJUK jurisdiction (5 municipalities). Intra-city planning in Dhaka should be reinforced and DCC given increased planning authority within its boundaries.
- Planning enforcement should be given to another body to avoid conflicts of interest. Within DCC it should be done by the technical services of the city. By the same token it should be given adequate means and manpower.
- The private sector should be allowed to compete on level ground for land servicing though there is room for a public land services, and the right of eminent domain for public utility projects. The rights of owners, however, have to be better protected (revise the current procedure for power of eminent domain and make it fair and transparent).
- Construction of housing units for medium or high income households should be left to the private sector. Low-income housing projects could be done by a specific entity, but RAJUK is not the best candidate since its mandate was never focused on the poor.

***Initiating pilot projects in poor areas in partnership with NGOs.*** NGOs have not been active in the housing sector due to perceived risks. However, NGO programs such as NUK's projects of dormitories for female garment workers, BRAC's program for poor renters have worked well. It would be useful to foster the piloting of additional programs aimed at improving land and housing conditions for the poor with careful monitoring and evaluation so they can be scaled up over time.

Other potential partners include Dhaka City Corporation and utility companies. DCC officials seem eager to do something for the poor; however, the DCC owns very little land in the city. A pilot project could focus on the upgrading of the semi-slums in the 4th class city workers quarters around the city. Dhaka Water Supply and Sewerage Authority (DWASA) has 4,000 acres of land of its own surrounding water plants, in which WASA employees could be housed. However, most of the land has been squatted

over time. More broadly, there are 500,000 public employees in Dhaka city, most of whom live in slums, which could be the target of pilot projects run by DCC.

*Improving legal and regulatory framework.* From existing material and discussion with experts, there is clear scope for efficiency gains in the land and housing markets, due to constraints caused by the existing laws and regulations applying to zoning, land subdivision, and building. In a first stage, it is worth examining possible “quick gains” which could arise from the removal of well-identified constraints which increase the cost of formality and reduce the fluidity of the housing market. Those include:

- Suppressing of minimum lot size for land subdivisions;
- Allowing for the possibility of bringing utilities to housing units built without title / building permit;
- Lowering registration fees for land;
- Lowering transfer fees for land and housing;
- Reviewing of the existing regulations, with the aim of removing the main obstacles to the smooth functioning of the market.