

Inclusionary housing financial mechanisms in developing city: a case study of Dhaka

Kasphia Nahrin*

Abstract: Inclusionary housing policy is practiced in many cities in the North in response to housing affordability. However, this policy is implemented in few cities in the South. It is needed to understand the financial approaches of this planning tool to implementing in the cities there, which is under researched. This research reviews the financial mechanisms for implementing inclusionary housing policy in a case study city Dhaka, the capital city of Bangladesh. A qualitative and thematic analysis of secondary data has been performed. This research has revealed that presently lack of financial capacity is the major challenge of implementing inclusionary housing in Dhaka. Different financial mechanisms can make it possible to introduce inclusionary housing in Dhaka, such as mobilizing revenue; mobilizing resources of the community; different types of partnerships; capturing the capital gains; cross subsidy; easy financial packages for the low-income bracket. The inclusionary housing financing mechanisms/components need to be integrated with each other for effective financial management.

Keyword: Finance, inclusionary housing, mortgage, cost recovery

Background of the research

Housing is not only a basic need; it is a right of humanity. Housing accessibility can create prosperity and social justice (De Soto, 1989) that have a snow-ball effects of well-being. However, 24 per cent of the global urban population were living in slums during 2018 (UN-Habitat, 2020). The reasons for the high occurrence of slums in developing countries are rapid urbanization; lack of affordable housing for the low-income bracket; ineffective urban planning; dysfunctional urban, land and housing policies; scarcity of housing finance, and poverty (UN-Habitat, 2020).

Implementation of effective urban planning can generate social and economic prosperity. Many local governments in the North are practicing inclusionary housing policy effectively. This planning instrument have produced wide range of affordable housing there. As a urban planning policy, inclusionary housing can produce affordable housing stock for the low-income people. After emerging inclusionary zoning policy in the USA during the 1970s, this policy implemented there extensively in developed countries. Some other developed countries like Canada, Israel, UK, Ireland, France, Spain, Italy, Netherland, New Zealand, and Australia also widely utilized inclusionary housing (Schwartz et al., 2012; Calavita and Mallach, 2010). According to Rahman (2001) 20 to 40 per cent of housing is provided to the low-income groups in Philippines, Indonesia, and Colombia through selling serviced sites at subsidized prices to the developers based on the condition that they partly build non-profit affordable housing. Basolo (2011) stated that more than hundred cities experienced a mixed record of success through adopting inclusionary housing policy.

* Professor, Department of Urban and Regional Planning, Jahangirnagar University, Savar 1342, Dhaka, Bangladesh. Email: kasphia_urp@yahoo.com

It is possible to strengthen the nexus between housing and urban planning (UN, 2017) through inclusionary planning. Many cities in the North are implementing inclusionary housing for producing affordable housing stock. However, this policy is hardly practiced in the cities in the South, where housing market is characterized by inadequacy, unaffordability, discrete, and exclusionary. There is a knowledge gap about determining financial techniques to introduce inclusionary housing in the cities in South. This research adopted case study approach and selected Dhaka, the capital city of Bangladesh as the case study city.

Dhaka is one of the fast-growing megacities that is rear-ground for capital accumulation and resulting dispossession of the marginalized and less-power people (Seraj, 2015). Dhaka city is the economically and administratively primate city of Bangladesh. Estimated population of this city is 16.839 million with a highest population density (Demographia World Urban Areas, 2021). 80 per cent low-income and 70 per cent of middle-income people in Dhaka cannot afford own housing (RAJUK, 2016). If the government of Bangladesh could improve mechanism for housing finance system, it might be possible to introduce inclusionary housing in Dhaka.

Aim and objectives of the research

This research aims to identify effective financial mechanisms for introducing inclusionary housing policy in Dhaka. The specific objectives are as follows:

1. To understand the housing situation, policy, and organizations in Dhaka.
2. To understand the existing housing finance systems in Dhaka.
3. To determine the effective financial mechanisms of inclusionary housing in Dhaka.

Methodology of the research

This is an exploratory and qualitative research. The research question is how an inclusionary housing policy can be financed in Dhaka? This research is divided into three phases: research problem development, data collection, and interpretation and recommendations development through a descriptive and thematic analysis of the available literature.

Theoretical background

Many cities in the North have adopted inclusionary housing policy for promoting housing affordability and social inclusion. However, this policy is rarely implemented in the cities in the South (Nahrin, 2018). Inclusionary housing (also known as inclusionary planning or inclusionary zoning) is a municipal and county planning ordinance that suggests that a given share of land will be affordable for the low- and middle-incomes (Basolo, 2011). Inclusionary policy is a component of the real estate market. Land use regulations can provide the mandate that the residential land developers will set aside a portion of the land projects for the households who cannot afford housing in the competitive market. Otherwise, the housing/land developers can choose to pay a fee or donate land in-lieu

fees¹ (Calavita and Mallach, 2010). It can be mandatory or voluntary for new housing projects. This policy generally offers the developers different incentives such as density bonuses, relaxation of development regulations, reduction or waiver of fees, and fast-tracking permits (Meda, 2010; Schwartz et al., 2012). The major principles of inclusionary housing are cross-subsidy and allowing market-driven housing. Direct subsidies are provided to increase the supply of affordable housing (Schwartz et al., 2012; Meda, 2010).

Inclusionary housing is focused to increase affordability and social-mix in the societies (Schwartz et al., 2012). Implementation of this policy creates driving forces to reduce concentration of poverty in the slum, and improves socio-economical mix in a residential project. The low-income bracket might be economically well-off (i.e., proximity of employment, getting social capital) due to residing closely with those of higher incomes. This policy encompasses socio-economic, racial, ethical integration (Nahrin, 2018).

There are controversies concerning the possibilities of achieving the purposes of inclusionary housing. Basolo (2011) mentioned that inclusionary housing is combative. Calavita et al. (2010) claims that inclusionary approach might not effective to achieve social integration, especially when substitutes of on-site constructions are utilized. On the contrary, Basolo (2011: iii) mentioned “Opponents typically claim that inclusionary housing increases the cost of housing in the regional market, chases away developers and depresses housing production. Advocates of inclusionary housing often claim it produces affordable units, has little impact on the production and price of single-family housing and allows developers to use expertise to give back to the communities from which they extract the profits”. He claims that although inclusionary housing has not always become successful (because of associated legal questions, controversies, and its effects on the existing city planning), inclusionary housing policy should not be eliminated.

Some constraints and potentials of inclusionary housing were identified by Mekawy (2014). He mentioned that insufficient public finance, unsuitable market situations, regulatory barriers, incompetency of local staff, market rate buyers’ opposition, and developer’s opposition are the potential constraints against the success of inclusionary housing. On the contrary, he assembled the significant arguments of previous studies and experiences on the inclusionary housing policy into two major groups: housing production and social inclusion. In conclusion, he claims that this approach is effective for housing production and social inclusion.

Direct public subsidy is the primary approach of inclusionary housing (Basolo, 2011) which is typically practiced in European countries (Calavita and Mallach, 2010). However, Middleton (2011) validates that an inclusionary zoning project can produce a meaningful amount of affordable housing without the need of public subsidy, if it is well-structured and applied in a suitable context. Huguen and Read (2013) and Schuetz et al. (2007) claim that inclusionary zoning programs do not reduce the developers’ profits by encompassing economic incentives (like cost offsets) provided by the public sector. Inclusionary housing do not increase housing prices in every circumstances. Nevertheless, possibility of impacts on housing prices might be lessened by density effects (Huguen and Read, 2013).

^{1 1} Cash paid by a developer to the locality to use for affordable housing activities

Housing situation and policy framework in Dhaka

It is necessary to understand the housing situation and policy practice in Dhaka to explore the finance sources of inclusionary housing policy. This discussion is divided into two parts: housing practice, and housing and planning in Dhaka.

Framework for housing and planning policy preparation and implementation in Dhaka

There are several public organizations responsible for the housing sector in Dhaka (Table 1). The organizational set up for housing promotion is not very well established and well-coordinated (Nahrin, 2018) that can be classified into four groups:

- Housing policy preparation- National Housing Authority (NHA) is responsible,
- Land acquisition for housing projects- Deputy Collector (DC) office is responsible;
- Area improvement and land development- City Development Authority (*Rajdhani Ummayan Kartipokkha* or RAJUK) is mainly responsible;
- Housing plot/flat development- Responsibilities can be divided into three groups:
 - Public housing construction-Public Works Department (PWD) is responsible;
 - Low-income housing- National Housing Authority (NHA) is responsible;
 - High- and middle -income housing – RAJUK is responsible.

Table 1: Development agencies in Dhaka responsible for housing

Function	Dhaka South City Corporation (DSCC)	Dhaka North City Corporation (DNCC)	Narayanganj City Corporation (NCC)	Gazipur City Corporation (GCC)	Savar Pourashava	Union Council area
Government housing	PWD	PWD	PWD	PWD	PWD	PWD
Mid/high income land development	RAJUK	RAJUK	RAJUK	RAJUK	RAJUK	RAJUK
Low-income land development	NHA, RAJUK	NHA, RAJUK	RAJUK	RAJUK	RAJUK	RAJUK
Area improvement and upgrading	RAJUK	RAJUK	RAJUK	RAJUK	RAJUK	NA
Land acquisition	DCS	DCS	DCS	DCS	DCS	DCS

There is no public authority with absolute responsibility for housing in Dhaka. The different public agencies such as NHA, PWD, Department of Architecture, Urban Development Directorate (UDD) and RAJUK under the Ministry of Housing and Public Works (MHPW) are involved. The responsibilities of different organizations are discussed below:

The NHA is the highest authority for housing policy preparation and implementation in Bangladesh. To implement the National Housing Policy (NHP) 2016, the NHA has constructed very limited low-income plots/ flats. Its responsibility is development of serviced residential plots as well as building houses and selling flats or nucleus houses, which is constrained due to limited resources. The NHA does not have the authority and capacity to compel other public organizations and private sectors to implement the NHP.

RAJUK is the special development agency in Dhaka metropolitan area. The organization retains the authorization power and responsibilities for physical planning and development control within its 1528 sq. km jurisdiction area. *Dhaka Metropolitan Development Plan (DMDP) 2016-2035* is the current structure plan for growth control of this city (RAJUK, 2016). The municipal organizations such as City Corporations, *Pourashavas* (local municipal governments), and utility service-providing organizations have discretionary powers of planning and housing. RAJUK has developed most of the public land as well as apartment projects in Dhaka.

The PWD is concerned with the construction and maintenance of government offices/institutional buildings and public housing. The Department of Architecture designs all government buildings and public housing. The UDD limits its role only to development programs in urban centers beyond city corporation areas. In addition, various governmental departments, autonomous bodies, sector corporations, nationalized banks and financial institutions, educational institutions have their own staff housing colonies.

Housing and urban planning situation in Dhaka

The housing market of Dhaka is characterized by ineffectively managed public land development projects, costly private housing, and insufficiency of affordable housing (Nahrin, 2018). The ownership pattern of housing is very speculative and unequal in the city (Islam, 2005; Islam, 2009). The reason is most of the housing properties are owned by the high- and higher-middle income brackets in Dhaka. About 56 per cent of the city dwellers have no land ownership in Dhaka and it is about 70 per cent if the slum and squatter dwellers are included (RAJUK, 2016). One third of the people in Dhaka live in informal settlements (Rahman, 2019). According to Islam (2009), the supply of housing is very insufficient in Dhaka although the demand for housing is excessively high. The government meets only 7 per cent of the annual housing demand and the private sector dominates to fill the giant gap (Rahman, 2019; RAJUK, 2016).

Housing and land prices have increased several times during the last five decades in Dhaka after liberation (also Seraj, 2007; Seraj, 2015). Thus, housing and land prices become unaffordable for the low- and middle-income bracket. However, the attraction of increasing housing prices could not mobilize investments of the low- and lower-middle income groups, as the inflation reduces their capacity to gain housing (Alam and Ahmad, 2010).

Housing delivery system is very fragmented (Rahman, 2019). The public housing projects (excluding limited low-income housing developed by the NHA), and private housing and/or real estate business could not produce affordable low-income housing in Dhaka. Negligible and discrete initiatives of housing units have been provided for the low-income brackets compared with the very high demand in Dhaka. The number of low-income housing stock produced by the NGOs and international donors is negligible.

RAJUK developed 13 residential projects in Dhaka for the high and middle-high incomes. The key impediments of the planning frameworks in Dhaka are excessive delays in detailed plan preparation, highly centralized institutional set-ups, lack of integration among public departments, inadequate financial resources, legal lacunas, lack of community participation, and predominantly lack of political will (Nahrin, 2018).

Housing finance systems in Bangladesh

Provision of low- and middle-income housing through urban inclusionary planning projects requires housing finance. Therefore, it is required to understand the housing finance systems in Bangladesh as well as financing housing projects and programs. Government, real estate developers as well as prospective buyers of houses/plots require housing finance. There are mainly three types of housing finance sources in Bangladesh.

1. **Informal:** Major portion of the finance for house construction/extension in Bangladesh come from informal sources that include cash savings; loans (and gifts) from relatives, moneylenders, shopkeepers, and so on. Moreover, the informal financial sources include private intermediaries and money lenders, which are completely unregulated, and sometimes from such financial transactions that are not legally permitted.
2. **The semi-formal financial institutions:** The semi-formal financial institutions do not fall into the jurisdiction of the Central Bank or any other enacted financial regulator. They are specialized financial institutions like Bangladesh House Building Finance Corporation (BHBFC), Palli Karma Sahayak Foundation (PKSF), Samabay (Cooperative) Bank, Grameen Bank, and non-governmental Microfinance Institutes (MFIs).
3. **Formal:** The formal financial institutions are regulated by the Central Bank. Financial market in Bangladesh consists of banks, non-bank financial institutions, and the stock market. This includes four State-Owned Commercial Banks (SCBs), four State-Owned Specialized Banks (SBs), 39 Private Commercial Banks (PCBs), nine Foreign Commercial Banks (FCBs), and 31 Non-Banking Financial Institutions (NBFIs). Moreover, two private housing finance companies have become public-limited-companies. They are Delta-BRAC Housing Finance Corporation Ltd. (DBH) and National Housing Finance and Investment Ltd. (NHFIL).

Housing finance organizations

The PCBs dominate in outstanding housing loans, with a market share of 75-80 per cent. They provided 47 per cent of the housing loan among the total outstanding housing loan. The SCBs have the second largest exposure. SCBs, Specialized housing finance institutions, FCBs, and MFIs provide housing loans of about 21 per cent, 19 per cent, 9

per cent and 4 per cent respectively. Banks are subject to restrictive and stringent regulations that curtail their exposure in housing finance and mortgages. Banks have large exposure in residential self-construction as opposite to purchase of apartments / land and house repair. The SCBs cater largely to the middle-income segments as compared to the private NBFIs, which are more focused on the upper-income segments. The SCBs give priority to corporate short-term lending, and a low ceiling of mortgage loans amount. The BHBFC traditionally dominated on the housing finance, but presently has a declining role because of the declining government support and operational ineffectiveness (Rahman, 2008).

Mortgage lending in Dhaka was never quite profitable for commercial and public banks. Therefore, excessive restrictions are imposed by the banks for mortgage business. As a result, housing loan is to only four per cent of their assets, though the recovery rate is approximately 70 per cent (Rahman, 2008). Housing loans are sanctioned for individual house construction, flat or land purchase, renovation, extension, and repair of housing for 10–20 years.

Micro-credit lenders

The MFIs have several comparative advantages for serving low-incomes groups. The MFIs in Bangladesh provide small, short-maturity loans (typically six months to two years) for incremental construction, home repair, and sanitation. However, they are hesitant in undertaking a new housing microfinance product. For the first, Grameen Bank introduced housing loan following a devastating flood in 1987. BRAC, Proshika and ASA Bangladesh, have launched long- and short-term credit products for housing (both in urban and rural). However, due to mixed success, some of these products have been scaled down or even discontinued. BRAC has started a sanitation loan for 6-12 months. Proshika has been accessing funding for housing loan under *Grihayan Tahbil*². Interest rates for housing microfinance are often lower than income-generating loans, as internally cross-subsidized within the MFIs. Utilizing micro-credit savings deposits, ARBAN (an NGO) built an apartment complex in Mirpur and is constructing another at Rampura Banasree area for the success of the previous project (Rahman, 2019).

Government funded housing programs

Government housing finance consisted of *Grihayan Tahbil* and occasional refinance facilities, funded by the Government and/or multilateral institutions. The *Grihayan Tahbil* provides loans to NGOs and MFIs at an interest rate of 2 per cent per annum. Another government program called Asrayan, funds the construction of low-income barrack-type houses. Bangladesh Bank started a refinance scheme for the middle-income households to buy housing in cities³ in 2007. This scheme encouraged banks and NBFIs to lower their interest rates for home loans. However, the scheme discontinued due to the long-term concessional interest rates, the huge funding gap and unmet the demand for housing finance of the target income segments.

Most of the housing projects in Dhaka are slum rehabilitation, and site and services schemes. After the independence of Bangladesh in 1971, the then government developed

² Housing fund of Government of Bangladesh started in 1998, administrated by Bangladesh Bank.

³ Divisional cities and Gazipur, Narayanganj, Savar, Tongi

some housing rehabilitation projects through providing un-serviced parcels of land in Mohammadpur and Mirpur. These areas have been developed as nothing but 'slums' with large population densities and minimum utility services. In early 1975, slum dwellers in the central part of Dhaka were evicted and resettled on three unutilized government-acquired sites on the fringes of the city. However, the project failed as resettlement camps had no job opportunities or commuting facilities (Hasnath, 1977 and Ullah, 1994 cited in Rahman, 2001). The military-backed government in 1977 planned to relocate the 1975 resettlement camp to Bhasantek, Mirpur (located on the peripheries of the then city). The project was highly subsidized, and as a result strongly convicted by the sponsors, and it was argued that the project was not replicable (Rahman, 2001).

'Site and services' scheme is another government intervention strategy that developed the major public housing projects in Dhaka. The schemes developed expensive neighborhoods with high hidden subsidies (Rahman, 1991, 1996 cited in Rahman, 2001). The beneficiaries of allotted plots are mainly high- and high middle-income groups. The low-income group cannot gain access to these projects, otherwise any projects are deliberately designed for this income group. The site and service schemes in Dhaka are not inclusionary in any sense.

Financial mechanisms of inclusionary housing policy in Dhaka

Insufficient and inaccessible housing finance is one of the biggest challenges for improving the housing condition in Bangladesh. It requires effective financial mechanisms for each stage of inclusionary housing such as project planning, initiation, implementation, monitoring, and effective distribution (Nahrin, 2018). Integration of housing policies with urban planning and fiscal policy can increase housing affordability for the low-income bracket. The later part clarifies the financial constraints and mechanisms for implementing inclusionary housing policy in Dhaka.

Financial constraints of inclusionary housing policy

A major component for promotion of inclusionary housing is producing land, which is cost intensive in Dhaka due to low land ownership ratio and the increasing land price (Seraj, 2015). Lack of allocation for housing budgets/funds (approximately five to six per cent, mentioned by Rahman, 2008). Lack of public financial capacity are the major reasons for the insignificant number of low-income housing projects in Dhaka. Housing investment and subsidy for the low-income bracket in the public housing initiatives are negligible in comparison with the growing demand in Dhaka (Nahrin, 2018). Housing mortgage lending is facing challenges due to high transfer cost for mortgage, high cost of property registration, high interest rate for housing loan, and rigidities in the legal framework of mortgage (Seraj, 2015).

The NHA has very limited financial capacity. The NHA failed to execute sufficient need-based actions in accordance with the *NHP 2016* for solving the housing crisis for the low-income population. The NHA developed plots and flats were subsidized compared to the private market. Therefore, it ignites competition and power practice in order to seize the units (Nahrin, 2018). Subsidies aggravate inefficiencies and hamper the extension of sustainable housing finance in Dhaka. These are neither transparent, nor equitable.

Major financial challenges for implementing government inclusionary housing are managing finance for purchasing land, constructing housing, distribution of housing units, managing the housing market, controlling the housing price, and last, not the least-cost recovery. Cost recovery and profit making are the significant issues that might reduce the willingness of the developer for implementing a private funded inclusionary project in Dhaka.

Potential financial mechanisms for introducing inclusionary housing

Inclusionary housing projects might be developed by the government or developers in general. Even housing can be developed by the private developers under the government's facilitator role.

1. Mobilizing blending funding sources:

The public housing funds are mostly generated from foreign aid compared to national revenues (Nahrin, 2018). Therefore, government can formulate finance from diverse revenue sources like local taxes, fees, and service charges, in a socially just and equitable manner; which enables private sector investments; capacity building of the local governments; aligning macro and micro economy, and tapping private capital (UN-Habitat, 2020). It needs encouraging diverse external financial institutions to invest in affordable housing projects (UN, 2017). It requires cooperation among all actors like the public sectors, private and financial sectors, civil society, residents, and communities. Government can provide support and empower the NGOs, private sectors, private banks, and cooperatives to mobilize finance for low-income housing. For enabling inclusionary housing financing, it requires vigorous national urban policies, urban and territorial planning frameworks; and facilitating legal and regulatory systems for functioning housing finance; enforcement of mortgage laws, and a coordinated and coherent approach.

It needs incentives for housing finance providers (UN, 2017). The developers can be offered incentives for complying with inclusionary obligations such as density bonuses, relaxation of development regulations, reduction or waiver of fees, and fast-tracking permits in Dhaka. Moreover, density bonuses and the payment of in-lieu fees (Basolo, 2011) could be utilized in the city to provide flexibility to the developers. Revised legal and institutional framework can create greater transparency in Dhaka (Nahrin, 2018).

2. Community resource mobilizes

Most of the slum dwellers (both on public and private land) pay rental or subscriptions as well as pay the utility bills (Rahman, 2019; Nahrin, 2018). The house rental in slums is not lower than that of the formal housing. It requires appropriate strategies to mobilize these resources. Effective domestic resource mobilization is essential to achieve the development agendas in cities (UN-Habitat, 2020). Recently, alternative finance systems have developed by the urban poor like local savings schemes, community-based savings in developing cities, which is a potential solution in Dhaka.

3. Partnerships

The government can generate low-income housing finance using effective partnering, collaborative efforts, and Public Private Partnership (PPP) investments. As low-income

housing investments by the government is constrained for its financial capacity, the PPP could be a potential financial strategy. *Bhashantek* Rehabilitation Project (BRP) in Mirpur is a form of PPP, where the construction of apartments was done by private companies on government-owned land. Yet, the project was delayed for irregularities and mismanagement (Rahman, 2019). As the target groups are not able to repay the costs, cost recovery of the BRP became impossible. An unaffordable project can provide access housing for the low-incomes only with a subsidy, thus not replicable. If the government can take the facilitator role to reorient the priority groups of the PPP projects and access affordable financial schemes, the PPP can be successful for low-income housing provision in Dhaka.

4. Cost recovery

The cost recovery of a housing program is unavoidable for improving the capacity of the developers (both private and public) for initiating new housing enterprises. At the same time, it is required to increase the stock of affordable housing for the low-income households (Kamruzzaman and Ogura, 2012). It needs promoting strategies to capture the capital gains achieved by the owners/developers due to housing price inflation. For instance, capturing the increased value through property taxes to increase the government revenue in developed housing projects. It requires promoting effective tools to capture the share of land and property value rise, generated through urban development, infrastructure development, and public investments (UN, 2017).

Calavita and Mallach (2010) proposed a two-tiered financing system of inclusionary housing cost recovery, which could be utilized in Dhaka. The first tier is similar to existing programs that offer cost offsets (economic incentives) to the developer by the public sectors (Hughen and Read, 2013; Schuetz et al., 2007). The second tier is to recapture a share of land value uprise. The value added by the public actions is recaptured by the community in inclusionary housing units. Both of the tiers require no public expenditures, as the private sector produce affordable units (Calavita and Mallach, 2010).

5. Cross subsidy

Housing subsidies (for purchase and rental) and housing mortgage are influential tools for housing affordability. In some developed countries, the low-income groups can be able to access the affordable mortgage finance under a well-regulated and subsidized housing finance system. However, due to high number of poor people and the limited public financial capacity (Nahrin, 2018) housing subsidies is not sustainable in Dhaka. Direct subsidy programs will minimize the government financial capacity for initiating inclusionary housing. Direct subsidy of settlement projects in Mirpur for the slum dwellers became less replicable (Rahman, 2001).

Instead of direct subsidy, many developed countries are using cross-subsidies in inclusionary housing programs for cost recovery (Schwartz et al., 2012; Meda, 2010). The government in Bangladesh can adopt this policy as it is sustainable. Commercial, industrial and residential plots for higher income bracket could be a bit higher priced and the counterpart be underpriced. Cost recovery of the housing projects will be possible by this mechanism, albeit providing favorable prices for the low-income brackets. This will increase housing affordability as well as social-mix of the low-income groups. Nahrin (2018) claims it needs government commitment, transparency, and effective legal and organizational reforms to introduce this financial strategy in Dhaka.

The NHA is constructing the '*Shopnonagar Residential Project*' at Mirpur. The project delivers 2600 flats of three different sizes- in two phases. The NHA has fixed the price of the flats according to size. Larger sized flats are higher priced than the smaller sized flats. Price of 1545 sqf., 1338 sqf. and 878 sqf. flat's price is respectively 4704.39 BDT⁴, 4681.66 BDT and 4524.43 BDT per square feet. Though the per square feet flat price variation for the smaller sized flat compared to the larger sized is not remarkable, this might increase the affordability of a residential flat of low-income bracket in a planned neighborhood.

6. Easy financial package for the low-income bracket

Easy financial packages such as long-term housing mortgage and rental-purchase (obtaining housing ownership by paying rentals) might be helpful for low-income people. For the first time, the NHA is constructing 533 'Rent based flats' for slum dwellers in Mirpur. However, it will be possible to evaluate sustainability of the projects after completion of the project.

Enabling inclusionary housing financial schemes

It is desirable to initiate of inclusionary housing in Dhaka through an integration between housing and urban planning policy. Effective urban governance underpinned by well-coordinated and well-managed fiscal, political, and administrative decentralizations will make it possible to generate and manage finance for inclusionary housing in Dhaka. The inclusionary housing financing mechanisms need to be integrated with each other for effective financial management (Figure 1). Based on the previous discussions, this research claims that resource generation for inclusionary housing enterprises might be possible in Dhaka though mobilizing blending funding sources, mobilizing community resources, and partnerships. These can create basis for cost recovery as well as providing incentives to the target groups and partners. Capital gain though cost recovery of an inclusionary housing increases project sustainability to generate finance for initiating new housing projects. Thus, it will be possible to provide easy access to the low- and middle-income brackets and incentives to partners. Providing incentives from resource generation and cost recovery to the low- and middle-income groups as well as partners will increase affordability and sustainability of inclusionary housing in Dhaka.

⁴ Bangladeshi currency. 1 US Dollar = 80 BDT (approximate)

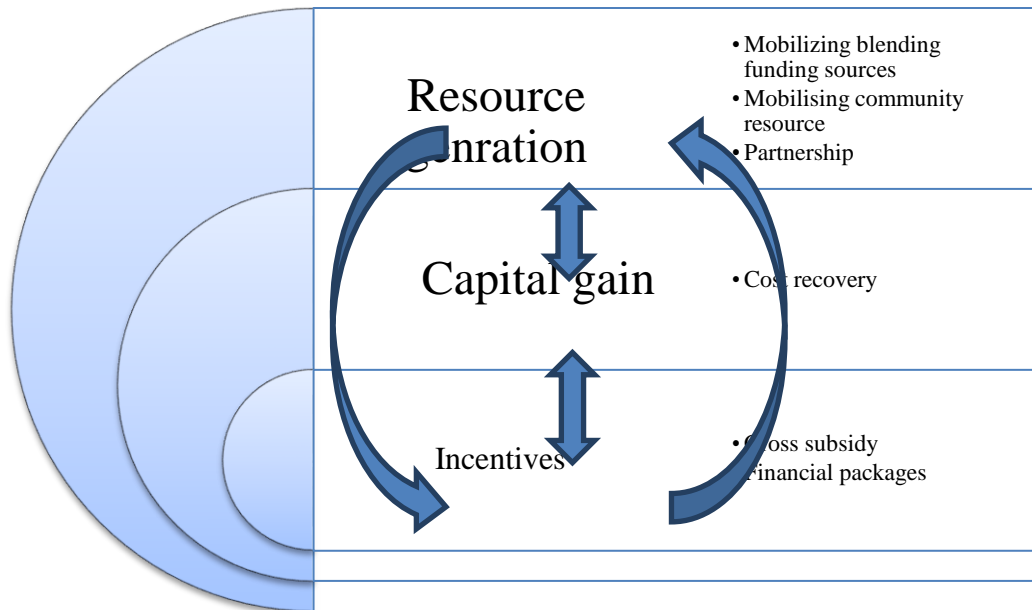


Figure 1: Integration process of inclusionary housing finance mechanisms

Conclusions

Inclusionary housing is an urban planning instrument targeting generation of housing affordability and social-mix of the low-income brackets. Housing provision in Dhaka is inadequate, discrete, unaffordable, and exclusionary. Inclusionary housing performed as an effective planning tool in the North. This can be utilized in developing cities for creating affordable housing. This research aims to determine the financial mechanisms to implement inclusionary housing in the South - with the context of Dhaka, the capital city of Bangladesh. This research has conducted a thematic and theoretical analysis of data, collected from secondary sources.

Dhaka is growing very rapidly. The city has inadequate housing facilities for the low- and middle-income bracket. This research claims that lack of financial capacity is the main constraint for implementation of inclusionary housing policy in the city. Different financial mechanisms might increase the possibility to introduce inclusionary housing in Dhaka, such as different types of partnerships; recovering capital cost; mobilizing resources of the community; cross subsidy; and easy financial package for the low-income bracket. This article explained the possibility of utilizing the ideas of financial mechanisms for promoting inclusionary housing in this city. For effective financial management of the inclusionary housing, the financing mechanisms/ components are needed to be integrated with each other.

This research could not claim applicability of inclusionary housing policy for land pricing and land supply, because the available literature of implementation of inclusionary housing explained housing supply or housing adequacy in the residential projects, not for the land prices. This research claims the suggested financial mechanisms could be taken while fixing price deliberately of public housing projects within the city. Moreover,

private housing could be facilitated by the government to provide/deliver certain units for the low- and middle- income bracket with a reduced price. However, the research has the limitation to compare the ideas of inclusionary housing finance mechanisms in the respect of other developing countries due to limited literature on the practice there. Therefore, further research is required to improve the knowledge and efficacy of inclusionary housing financial instruments in other developing cities.

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