

The National Housing & Habitat Policy-1998 : An overview

The Background

2.1 The housing situation and particularly the **housing shortage in India has been a matter of grave concern for the decision makers** as well as common populace for quite some time. The problem of housing shortage has been aggravated by the population explosion which rendered the public effort in housing and infrastructure development largely inadequate. The constant migration of people from rural areas to cities in search of jobs also puts housing and basic services in the urban areas under strain. A well-balanced housing policy, it is felt, has to be designed to conserve our increasingly depleted natural resource reserves to the extent possible while at the same time catering to the growing need for shelter. **The need was, thus, to ensure sustainable development of housing and human settlements in a balanced manner.** Keeping this in view, Government of India introduced the National Housing and Habitat Policy, 1998 in July, 1998 which is envisaged as a war against human indignity and individual servitude. In the longer run, it is envisaged that the ideal role of the government would be that of a facilitator and enabler rather than a provider. This Policy, therefore seeks to persuade the players in the private and cooperative sectors through fiscal concessions and other incentives to take on the responsibility to supplement government's initiatives. With the expected increased role of the private sector, the government's role of direct intervention for the benefit of the poor and deprived will be redefined.

2.2 As per the 1991 Census, the estimated figure of housing shortages in the country is pegged at 22.90 million units as on 31.03.1991. More than 90 % of this shortage is for the poor and the low income category. This deficit, along with the Ninth Plan provisions for housing, would require an investment of Rs. 1,51,000 crore. It has been estimated that not more than 25 % of this will flow from banks, financial institutions, Central and State governments. Thus, the mammoth requirement of urban and rural infrastructure investment necessitates increased private & informal sector participation in housing. In this backdrop, the Government through the National Agenda for Governance, declared 'Housing for All' as a priority area and set a target of construction of 2 million houses additionally every year with emphasis on the poor and deprived. **The National Agenda also emphasizes that housing activity would be an engine for employment generation in the country.** To this end, all legal and administrative impediments that stand in the way should be removed forthwith. The Government would provide fiscal concessions, carry out legal and regulatory reforms and create an enabling environment. The Private sector as the other partner would be encouraged to take up land assembly, housing construction and invest in infrastructure services.

The Objective

2.3 The National Housing & Habitat Policy aims at creation of surpluses in housing stock either on rental or ownership basis and provision of quality and cost effective housing and shelter options to the

citizens, specially the vulnerable group and the poor. The Policy emphasises on increased use of renewable energy sources and pollution free atmosphere with a concern for solid waste disposal and intends to exploit the potential of the housing sector to achieve skill up-gradation in housing and building activity. In order to make a progressive shift from a subsidy based housing scheme to cost sharing or Cost recovery-cum-subsidy schemes for rural housing, it is required to remove legal, financial and administrative barriers for facilitating access to land, finance and technology. This would require, on one hand, empowerment of the Panchayati Raj Institutions and village cooperatives to mobilise credit for adding to the housing stock and also basic amenities in the rural areas, on the other, a strong partnerships between private, public and cooperative sectors would enhance the capacity of the construction industry to participate in every sphere of housing and habitat.

2.4 The Policy also envisages to meet the **special needs of the backward and socially oppressed classes and to engage women at all levels of decision making** with a view to lighten their drudgery in homes. It also intends to preserve and promote our cultural heritage, architecture and traditional skills. Besides, establishment of a Management Information System in the housing sector to strengthen monitoring of building activity in the country is also expected to serve as a decision support system.

Government as the Facilitator

2.4 The Policy envisages that the Central Government would take steps to bring in legal reforms including formulation of effective foreclosure laws and devise macro economic policies to enable flow of resources and technology transfer to the housing and infrastructure sector. The Government envisages to evolve parameters for optimal use of available resources keeping in view the crucial issue of ecological balance in the environment and towards this end, it is to provide fiscal concessions for housing, infrastructure, innovative and energy saving construction materials and methods and also to set up a regulatory mechanism to ensure that the concessions are correctly targeted and utilised. Most significantly, the Policy envisages the role of the Government as the promoter of a secondary mortgage market for housing finance in the country to combat the growing need for resources in the fund-deficient housing sector.

2.5 The State Governments are also expected to come forward by way of liberalizing the legal and regulatory regime to give a boost to housing and supporting infrastructure and promote participation of private sector and cooperatives in housing activities. The immediate task in hand for the State Governments would be to undertake appropriate reforms for easy access to land and promote decentralised production and availability of building material. State Governments are also expected to facilitate training of construction workers by converging other development programmes through Building Centres and other agencies and empower the local bodies to discharge their responsibilities in regulatory and development functions. The full potential of 73rd and 74th Constitutional Amendments is envisaged to be utilised.

Other Agencies

2.6 The Policy envisages the **role for local bodies to identify specific housing shortages and devise programmes to meet housing shortages and augment supply of land for housing, particularly for the vulnerable group**. State Governments would also prepare District Housing Action Plans for rural areas and enforce effective regulatory measures for planned development. The housing finance institutions [HFIs] are expected to redefine their role and move away from their traditional approach to housing finance. Housing finance companies are required to adopt a more flexible approach and modify the present system of collateral, assessment of repayment capacity and system of creating mortgages. Housing finance companies may also earmark a part of their resource for rural housing projects. They are expected to develop the requisite skills to mobilize domestic savings through innovative methods. These dedicated institutions are expected to devise schemes to lend at affordable rates to those who are in need of housing finance support and to cover the poorer segments who depend on the informal sector. Any fiscal concession to HFIs or other support from Government would be linked to their readiness to finance the needy and the poor.

Supply Side Innovations

2.7 Extensive research needs to be undertaken to innovate cost-effective, environment friendly and energy efficient construction materials and technologies which would be responsive to the different climatic conditions in the country. Disaster mitigation techniques for new constructions as well as strengthening of existing houses are an urgent necessity to prevent continuing loss of housing stock and human lives from major natural hazards like earthquakes, cyclones and floods. Towards this end, in the rural areas it is proposed that shelter related forestry could be taken up with faster recycling on wasteland and other land unsuitable for agriculture. This would generate substantial employment also. Similarly watershed development must be accelerated to conserve water, stop soil erosion and re-generate tree cover

Land

2.8 Availability of usable land at affordable rates is the most critical input for housing. The Policy makes room for Public agencies to undertake land acquisition proceedings for housing and urban services. Other more feasible alternatives like land sharing and land pooling arrangements, particularly in the urban fringes, would be considered through public and private initiatives with appropriate statutory support. Land assembly and development by the private sector and optimization of urban land use, in turn, call for suitable amendment to town and country planning regulations.

Finance

2.9 Affordable finance is the next most critical input for housing and infrastructure services. Therefore, it is imperative to develop a debt market for housing and infrastructure, fully integrated

with the financial markets in the country. Thus, mortgage backed securitisation and development of a secondary mortgage market in the country is essential to provide and recycle finance for the housing sector. This would release the funds of HFIs locked up in mortgages and augment their capacity to provide more finance. These HFIs can also tap the resources from provident funds, insurance funds, mutual funds etc. Towards this end, the Policy pronounces the creation of a secondary mortgage market by the National Housing Bank in its capacity as the apex institution for housing finance in the country.

2.10 The Policy also envisages that a National Shelter Fund be set up to meet the requirement of low cost funds for the housing needs of the Poor. Fiscal concessions would be provided to the corporate sector for contributing to this Fund. The building material industry would also contribute to the corpus. Besides, the Government would consider setting up of a Risk Fund to underwrite or cover the risk in financing the rural and urban poor, considered risky by HFIs, if the exigencies of the situation so demand. This Fund would be built up by HFIs by surrendering a part of their profits.

2.11 Banks would also be asked to step up the quantum of funds being released under the priority sector for housing. Banks would be persuaded to consider fixing targets for disbursement of funds under priority sector for housing for the vulnerable group. Investment from Non Resident Indians/Persons of Indian Origin/Overseas Corporate Bodies would be encouraged in housing, real estate and infrastructure sectors. Foreign direct investment would be welcome in housing and infrastructure sectors consistent with national interests.

Legal and Regulatory Reforms

2.12 It is envisaged that legal and Regulatory reforms would form the backbone of housing activity as government becomes more of an enabler and creates a suitable environment for the private sector and others to shoulder more responsibility in the sector. Thus, it has been decided to repeal the Urban Land Ceiling Act to correct the distortions in the land market. The procedure of sanctioning building plans is to be made simplified to eradicate corrupt practices and professional responsibility will be vigorously enforced with heavy punishment imposed for false certification.

2.13 Rent Control Legislations in the States would need to be amended to stimulate investment in rental housing which is the viable shelter option for the low income groups in large and medium cities. New constructions should be specifically excluded from Rent Control in order to encourage investment in Rental Housing. Some states have taken steps to reform their Rent Control Acts. However most of the states have yet to bring in the rent control reforms. In case these States face difficulties, the Union Government could consider framing a National Rent Control Legislation to apply to these states.

2.14 It is required that a **land acquisition legislation would be drawn up for the urban areas.** Alternatively, the existing Land Acquisition Act would be suitably amended. The concerned **Town Planning laws and land-use regulations also are required to be amended to provide statutory support for land assembly, land pooling and sharing arrangements.** It is imperative

to amend foreclosure laws in the country for **speedy foreclosure procedures in case of defaults**. The National Housing Bank Act would be amended to facilitate this. The Transfer of Property Act would also be amended if necessary. Besides, **the Acts relating to the Insurance sector would be amended** to facilitate Mortgage Insurance in the country. In the same lines of all these proposed amendments, a special chapter on housing cooperatives would be added to the Cooperative laws in the States. **States will be strongly advised to rationalise the scale of stamp duty to eliminate large scale evasion**. They would also be advised to reduce the stamp duty on mortgage backed securitisation to help in setting up the secondary mortgage market. Besides, the states would be persuaded to simplify registration procedures in the conveyance of immovable properties. Since the housing activities in large towns and cities are increasingly taking the form of apartments and condominiums, the States would be persuaded to enact Apartment Ownership Legislations.

Technology

2.15 The primary aim of **technological innovations and technology transfer should be to provide affordable shelter for the poor**. The government would take an active lead in promoting and using building materials and components based on agricultural and industrial waste, particularly those based on fly ash, red mud, etc. besides reducing the use of scarce natural resources. In order to reduce energy consumption and pollution, low energy consuming construction techniques and materials would be used. Similarly the energy needed in providing lighting, ventilation, heating cooling and other services in buildings would need to be minimised so as to reduce overall energy consumption.

2.16 There are certain regions in the country which are prone to natural calamities like earthquake, floods and cyclones. The Code for **disaster resistant construction and land use planning** would be observed and enforced without exception besides augmenting public awareness in this area. With a futuristic outlook, the Policy proposes that innovative building materials, construction techniques and energy optimising features should be an integral part of curricula in engineering colleges and training institutions. Government would promote use of such **innovative and eco-friendly materials** through fiscal concessions and levy concessional tax on such materials which are high consumers of energy.

Sustainability

2.17 In order to guarantee a balanced and sustainable growth, the scarce natural resources need to be conserved and utilised in a prudent manner. Thus, human settlements would be planned in a manner which **minimizes energy consumption in transportation, water supply and other services**. Decongestion of metro and mega cities is urgently needed through **development of satellite townships** which would also help in stemming uncontrolled migration leading to unmanageable densities in the large cities.

Employment

2.18 The housing sector provides employment to 16 % of the work force (absolute number 146 lakhs - 1997). It is growing at the rate of 7 %. Out of this, the housing sector alone accounts for 85.5 lakhs workers. However, nearly 55 % of them are in the unskilled category. Therefore, **skill up-gradation** would result in higher income for the sector. The workers also need to be trained to keep up with the technological advancement in this sector.

2.19 The building industry is the biggest employer of women workers and is perhaps their biggest exploiter in terms of gender disparity in wages. The solution lies in skill upgradation and induction of women at supervisory levels and also encouraging women as contractors. This can be materialised with active support from public agencies and preferential treatment extended to women by the training institutions. It is also expected of the concerned authorities to make adequate provisions for the safety and health of women engaged in hazardous construction activities.

2.20 In line with the national policy to prohibit the **evil practice of child labour the exploitation of children in the construction sector** will be strictly banned. Appropriate steps would be taken to provide them with educational and other facilities for their healthy growth.

Other issues

2.21 The **planning and design of buildings and public places** must take care of the needs of persons with disabilities. Allotment of Government accommodation should provide preferential treatment to the families belonging to the Scheduled Castes/Scheduled Tribes communities.

2.22 The Government would encourage setting up an **independent rating agency for builders/promoters** to inspire public confidence in, their activities. Similarly, a professional body would be needed to undertake demand assessment and survey for housing projects. This step would help in reducing speculative pressures created in the land and the housing market. The housing finance institutions, while financing a project or the local authorities while approving a project, would take into account such independent assessment.

2.23 **Relocation of industrial units** which provide substantial employment would be considered in the context of regional planning so as to avoid over-congestion of the large and metro cities. The Corporates should provide housing for employees as a part of their industrial projects. Fiscal concessions could be provided to them.

2.24 The nation-wide **Management information System (MIS)** on house building activities would be strengthened to help in designing and developing housing programmes and also assist in decision making. The Ultimate goal of this '**Shelter to All**' is to ensure that the basic necessities of all citizens are taken care of and a better quality of life is assured for all.