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**Comparative Analysis of Housing
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for Turkey**

Ayşe Pamuk

The data and information incorporated in this research were obtained by the author during a short-term assignment with the World Bank. The findings, interpretations, and conclusions expressed in this paper are entirely those of the author and should not be attributed in any manner to the World Bank.

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All the above are, of course, absolved from responsibility for any remaining errors.

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EXECUTIVE SUMMARY

This paper attempts to compare alternative government strategies for increasing access to housing for the urban poor, with a particular emphasis on their usefulness for formulating low-income housing strategies in Turkey, and attempts to formulate critical policy questions that the government must ultimately address. The objectives of the study can be summarized as follows: (a) to analyze successful low-income housing strategies in other countries that face similar constraints to Turkey's and to identify possible policy directions for the future; (b) to identify major urban housing problems in Turkey; (c) to gather data on key housing market performance indicators in Turkey; (d) to identify the key institutions in the housing sector in Turkey; (e) to identify the key factors constraining the efficient and equitable operation of housing markets in Turkey; (f) to suggest possible future approaches to address the housing needs of low-income households in Turkey.

The major housing problems identified in Turkey are as follows: (a) unfinished housing; (b) the low affordability of housing; (c) a high density of "informal" housing settlements without provision of adequate infrastructure; (d) the absence of policy or institutional framework at present that encourages the organization of housing cooperatives among the urban poor.

Ensuring access to three critical inputs to the housing production process, *land, finance, and unambiguous property rights* (i.e., legal title to land in "informal" housing settlements), has been on the policy agenda in Turkey since the late 1960s. An integrated strategy encompassing each of these critical aspects, however, has not yet been formulated. The two key institutions at the national level responsible for land and finance for housing are the Land Office and the Housing Development Administration (HDA), respectively. Regularization of "informal" housing settlements is the responsibility of each municipality.

The importance of the housing sector in the economy in Turkey is well-recognized and is illustrated with the increasing role of the public sector in the 1980s. As a result, housing investments constituted 5.5 percent of GDP in 1990, and 23 percent of gross capital formation in 1991. The increased role of the government in the housing sector in the 1980s generated employment from housing construction through the stimulation of the construction sector, but also served to increase inflationary pressures and distort the housing market through subsidies that were provided. It appears increasingly critical to define the role of the government in the housing sector, not only to assess its impact on the economy, but also to formulate strategies to reach low-income households: those in the lowest two quintiles of the income distribution.

The experience of other countries facing similar constraints to Turkey's can offer insights into formulating an "enabling" housing strategy encompassing specially tailored programs that target very poor households. The experience in low-income housing policy formulation and imple-

mentation includes both successes and failures. Even with well-formulated policies and well-targeted programs, difficulties in implementation may emerge reflecting the character of the administrative system in a particular country. The cases discussed in this paper represent programs with good objectives, and serve to focus discussion on critical constraints in low-income housing delivery. The implementation experience is highly context-driven, however, and the implementation period of these innovative schemes has not been long enough to make a definitive judgment about their success or failure.

Several key policy areas that demand immediate attention in lower-middle-income countries such as Turkey are highlighted in this paper: strategies to increase access to credit and land, two key inputs in housing production; and regularization (legalization and upgrading) of "informal" housing settlements. Strategies designed to increase access of the urban poor to affordable housing in other developing countries are discussed through case studies in housing finance (Chile and Mexico), land development (South Korea), and regularization of "informal" housing settlements (Jordan and Morocco). The cases discussed illustrate the importance of at least five factors which contribute to a successful low-income housing strategy: (1) a guiding policy framework; (2) well-targeted low-income beneficiaries; (3) built-in mechanisms to induce household savings and mobilize resources from beneficiaries; (4) land development for future urban growth; and (5) infrastructure and service provision in existing low-income housing settlements to encourage housing investments.

The major constraints at present on low-income housing delivery in Turkey are as follows: (a) unavailability of housing credit for consumers and producers; (b) unavailability of serviced land for urban housing; and (c) a large volume of "informal" housing settlements. High land prices and a reluctance on the part of banks to lend for real estate construction or acquisition in a high inflationary environment make housing development costly and discourage developers in the formal housing industry from building affordable low-income housing. Full compliance with current zoning, building, and housing regulations in the formal sector appears to increase housing prices even more, forcing low-income households to locate in "informal" housing settlements. The large scale of "informal" housing settlements in major cities and the densification trends, without the provision of adequate infrastructure, argue for the formulation of strategies that enable the private sector to serve low-income households rather than a strategy of direct low-income housing production by the government.

A successful low-income housing approach might entail at least the following: (a) formulating a sector-wide policy framework for housing delivery, fundamental objectives of which are "enabling" the private sector to function and the provision of low-income housing; (b) formulating the institutional framework for the implementation of the low-income housing policy, and expanding the mandate of current key institutions in low-income housing delivery; (c) a transparent set of subsidies targeted to low-income households; (d) a well-conceived and simple means of income

verification and beneficiary selection; (e) reassessing building and housing codes, and providing incentives for low-income housing production (e.g., granting higher than allowed densities, "density bonus," or granting permits for units built at lower but acceptable standards for low-income housing construction); (f) enabling private banks in extending well-targeted housing loans to low-income households; (g) developing an inventory of public land holdings and providing land for low-income housing financed through cross-subsidization schemes such as in public-private joint developments; (h) granting security of tenure to low-income households in existing "informal" housing settlements, providing basic infrastructure and facilitating improvement of the existing low-income housing stock; (i) considering rental housing as a viable housing option for low-income households; (j) including measures to increase the Loan-to-Value ratio in housing finance schemes to improve housing affordability and housing construction completion rates.

COMPARATIVE ANALYSIS OF HOUSING DELIVERY SYSTEMS FOR LOW-INCOME HOUSEHOLDS: POLICY OPTIONS FOR TURKEY

Ayşe Pamuk

I. INTRODUCTION

Over the last four decades, cities in developing countries have experienced very high rates of population growth while local governments have had little financial and technical resources to meet the demand for urban services, infrastructure, and housing. Meanwhile, responses at the national level ranged from no explicit housing policy to turn-key public housing programs. Although there is no single successful strategy, there are certain commonalities contributing to a successful¹ housing outcome. The objectives of this study can be summarized as follows:

- (a) to analyze successful low-income housing strategies in other countries that face similar constraints to Turkey's and to identify possible policy directions for the future;
- (b) to identify major urban housing problems in Turkey;
- (c) to gather data on key housing market performance indicators in Turkey;
- (d) to identify the key institutions in the housing sector in Turkey;
- (e) to identify the key factors constraining the efficient and equitable operation of housing markets in Turkey;
- (f) to suggest possible future approaches to address the housing needs of low-income households in Turkey.

The two dominant views on the most effective approach for alleviating the housing problem of the urban poor underlies the discussion throughout this paper, which attempts to formulate critical policy questions that policy-makers ultimately must address. The indirect approach emphasizes the efficient operation of housing markets as a whole as the best approach to increasing access to housing for the poor. The second, more direct approach stresses the importance of explicitly addressing the needs of the urban poor and tailoring policies that meet their housing needs directly. The most successful strategies incorporate elements of both approaches within the framework of a comprehensive shelter strategy.

Efficient Housing Markets for the Urban Poor

It is widely argued that efficient housing markets create more options for all income groups and, subsequently, alleviate the low-income housing shortages.² In this context, it is critical to look at the operation of housing markets as a whole and to identify key bottlenecks that limit their operation. The efficient operation of housing markets require ample land and credit for builders and buyers: two key inputs to the housing production and consumption process. These should be available in a conducive legal and regulatory environment that increases choices for housing consumers and producers. The government's role in ensuring these conditions should be one of facilitator

rather than direct provider of the finished housing product. The government's "enabling" shelter strategy can facilitate the provision of housing by all actors in the shelter production and improvement process, and encourage the operation of multiple private housing delivery systems. This strategy implies the need for institutions that support the market mechanism for housing delivery and phasing out institutions that restrain the efficient operation of markets.

High land and housing prices, which adversely affect low-income households, are indicative of inefficiencies in land and housing markets. Strategies to lower housing costs include lowering the cost of inputs to the housing production process, particularly land and finance, and reducing regulatory bottlenecks.

Specifically Tailored Housing Programs for the Urban Poor

While identifying bottlenecks that limit the efficient operation of housing markets as a whole is critical in designing sector-wide policies for the benefit of all income groups, an explicit formulation of the housing options and problems of low-income groups— here defined as households in the lowest two quintiles of the income distribution— should also be an integral part of the sector-wide policy.³ A specially tailored program targeting very poor households is a fundamental component of a comprehensive shelter strategy.

Examples of direct housing assistance for the urban poor discussed in this paper include, *inter alia*, the regularization of "informal" housing settlements and the extension of housing certificates to low-income households. Ambiguous land tenure, which adversely affects the efficient operation of housing markets, is a major constraint, and contributes to worsening housing conditions of the poor in most developing countries as well as in Turkey. Regularizing "informal" housing settlements fosters resource mobilization by such households and enables the poor to get access to commercial housing finance and services. The availability of affordable long-term credit in the market, on the other hand, depends on the degree to which the markets are operating efficiently, indicating the interconnected nature of direct and indirect approaches to reach the urban poor. The efficient operation of the housing sector as a whole (in the presence of ample and affordable land and finance) and meeting specific needs of the urban poor (secure title, basic infrastructure) demand both types of measures.

The next section of the paper reviews strategies designed to increase access of the urban poor to affordable housing in other developing countries through case studies in housing finance (Chile, Mexico), land development (South Korea), and the regularization of "informal" housing settlements (Jordan, Morocco). Part III analyzes some common features of successful approaches for low-income housing strategies. Parts IV-VII focus on the housing problem of Turkey, the evolution of housing policies in the 1980s, major constraints affecting housing delivery at present, and, finally, possible applications of successful approaches elsewhere for Turkey.

II. STRATEGIES IN LOW-INCOME HOUSING DELIVERY: LESSONS FROM OTHER COUNTRIES

A. INTRODUCTION

Low-income housing policy formulation and implementation experience in different countries has had mixed success. Strategies to increase access to two key inputs in housing production, land and finance, and the regularization of "informal" housing settlements, are highlighted in this paper as key policy areas that demand immediate attention in lower-middle-income countries such as Turkey.⁴ However, experience to date in other countries indicates that successful and replicable approaches have yet to be developed. The case studies discussed below represent for the most part new approaches whose efficacy has yet to be demonstrated in practice.

B. HOUSING FINANCE: INCREASING ACCESS TO CREDIT FOR LOW-INCOME HOUSING: MINVU IN CHILE AND FONHAPO IN MEXICO

Ensuring competitive input markets for production is critical for efficiency in housing markets; thus, an adequate supply of credit for residential construction by developers and long-term mortgages for buyers is crucial. A satisfactory housing finance system should fulfill at least two objectives. It should simultaneously be affordable for producers and households, and provide adequate profits for financial institutions.⁵ Commercial banks are often reluctant to lend to low-income households or small housing producers without guarantees, although their network and relatively well-established procedures for assessing credit risk make them potentially efficient intermediaries. In the absence of formal sector financing, low-income households are usually forced to turn to "informal" credit markets, while housing developers operate in more profitable markets catering to high-income households. "Informal" moneylenders extend financing that is generally short-term and at higher interest rates, reflecting their asset mix, the perception of higher repayment risk from low-income households, the poor or no collateral provided by poor households, and the lack of competition in the market. Short-term credit provided in "informal" credit markets is unsuitable for long-term housing finance.⁶ Thus, government intervention may be justified to overcome banks' reluctance to lend for housing.

Encouraging commercial banks to make long-term loans to households for housing is even more difficult in highly inflationary environments, given the maturity mismatch problem between banks' loans and deposits. Offering Adjustable Rate Mortgages is one possible means of addressing this mismatch.⁷ A Dual Index Mortgage instrument,⁸ a fixed-term loan that allows for adjustable payments, has also been introduced in Mexico, Ecuador, Chile, and Turkey⁹ to encourage commercial banks to lend, but such loans may still be unaffordable for households in the lowest quintiles of the income distribution, given the substantial down payments that are generally required and the monthly payments of about 25 percent of household income. The payment schedule is also

not tailored to fit the irregular income stream of non-wage earning households in the informal economy.

Chile and Mexico have both developed targeted programs to address two housing finance problems of low-income households: *unaffordable down payments* and *commercial loans at unfavorable terms*. In Mexico, loans are distributed to households through intermediary institutions, while in Chile housing certificates are extended directly to households by the Ministry of Housing and Urbanism (MINVU). Funds in both cases are drawn from the national budget.

The Ministry of Housing (MINVU) in Chile administers two major programs designed to increase the access of lower- and moderate-income families to housing produced by the private sector: the Allocated Subsidy Program (ASP) and the Basic Housing Program (BHP).¹⁰ Under ASP, MINVU issues subsidy certificates to each household with some savings capacity that may be used in turn to purchase houses directly from private owners. Households are eligible to receive housing certificates to be used in their home purchase or new home construction after they accumulate the required amount of savings (25 percent of the unit cost) in a housing account at a private bank. For the remaining balance, MINVU extends a below-market rate mortgage at 8.5 percent for 20 years for lowest-income groups.¹¹ Other beneficiaries of ASP seek complimentary bank financing to purchase or construct their housing units. ASP certificates generally do not exceed 25 percent of the unit cost. Thus, a typical household would pay 25 percent down, receive a matching grant from the government (25 percent), and receive a fixed-rate loan for the remaining balance (50 percent). Under this program, certificates of about \$1,440-2,700 have been distributed to lower- and middle-income families in a market where about 70 percent of the houses cost less than \$7,200.

Under BHP, the government purchases finished houses of a certain minimum standard from the private sector and then sells them to beneficiaries meeting the income eligibility criteria. The cost of BHP units are \$3,000 on average, and the beneficiaries contribute about \$750. Under the BHP, the government also contracts with the private sector for construction of low-cost housing units (28-35 square meters). By encouraging the private sector to build low-cost housing, MINVU aims to alleviate shortages in basic housing for the poor.

Key innovative aspects of the overall Chilean experience has been the explicitly stated policy of the government on housing subsidies, and the carefully designed beneficiary selection system. The beneficiary selection criteria for housing and certificate programs are transparent, simple, and well-publicized. Standard points are given for prior savings, duration of savings, condition of existing unit, sex of head of household, income profile, amount of subsidy sought, unit cost, and so forth.¹² The need is determined based on a national system of socioeconomic stratification measuring poverty. With this mechanism, targeting of beneficiaries is robust and more reliable.

The enforced savings scheme to generate the down payment under the ASP is another innovative aspect of the Chilean low-income housing strategy. The housing certificate thus operates like

a matching grant, which encourages the households to save for housing and mobilizes resources, and ASP assures credit on reasonable terms to those who qualify. While lending to the lowest-income groups remains in the domain of MINVU, reliance on private sector banks for other ASP beneficiaries provides an opportunity for low-income households to demonstrate their credit worthiness to formal sector lenders. Furthermore, this approach stimulates the supply of housing by the private sector.

The conclusion about the success of the Chilean experience carries at least two caveats. First, despite the carefully designed beneficiary selection process, a significant proportion of beneficiaries was found to be renting their entire unit and living elsewhere; thus, during implementation, poor targeting occurred. As a result, increases in housing prices and rents were observed signaling the capitalization of subsidies into real-estate values. Second, loan recovery was low. The average arrears of 90 days or more were observed to be greater than 70 percent or more for every beneficiary group. Such difficulties illustrate the importance of carefully considering the effective implementation of programs in early phases of program design.

In the case of Mexico, public sector housing activities are coordinated by the Ministry of Urban Development and Ecology, the institution empowered by the 1983 Federal Housing Law to develop and administer housing policies, to coordinate the housing programs of public agencies, and to participate in the formulation of investment programs. The housing needs of the poorest segment of the population (earning up to 2.5 times the minimum wage) are addressed by Fondo de Habitaciones Populares (FONHAPO), Mexico's major low-cost housing agency. FONHAPO operates a trust fund through the National Bank for Works and Public Services, and channels credit through intermediary federal and local public institutions. FONHAPO's sub-borrowers include federal public sector entities such as the Public Housing Agencies, state and municipal governments, and cooperative housing associations, in addition to authorized banks. FONHAPO is authorized to finance land reserves, sites and services, finished housing, and production and distribution of materials to assist self-help construction. FONHAPO's conventional lending program and special investment programs include complementary finance for municipalities to undertake urban expansion, urban regularization, and upgrading.¹³ To meet FONHAPO's eligibility criteria, beneficiaries must earn less than 2.5 times the minimum wage, want to purchase a residence, and own no other real estate. Since non-wage earning households are targeted by the program, verification of income for eligibility is potentially problematic; however, the program does appear to be meeting its target group, as the median income of FONHAPO beneficiaries was about 1.5 times the minimum wage. Furthermore, FONHAPO met 22 percent of the national housing demand for households earning less than 2.5 times the minimum wage.¹⁴

C. LAND DEVELOPMENT AND THE ROLE OF PUBLIC LAND DEVELOPMENT AGENCIES: KLDC IN SOUTH KOREA

Although housing finance is a key ingredient in the efficient operation of markets, it should not be addressed in isolation from land development and property rights issues. Rapid population growth in major cities,¹⁵ large-scale conversion of land from agricultural to urban uses,¹⁶ rapidly increasing land prices,¹⁷ and the proliferation of informal housing settlements¹⁸ in developing countries point to the need for the government to take the lead in assuring that ample serviced land is available in a timely and orderly manner at affordable prices for urban development and particularly for low-income housing. The predominant objectives of the public sector should be to assure efficient and equitable release of land for development (at the right price, location, and time), consistent with the general urban development plan (Master Plan), and to establish the legal/regulatory and institutional framework for the maximum participation of the private sector in land development. Land Development Agencies, if properly managed, can be catalytic in assuring fast and affordable delivery of land consistent with general urban planning principles.

A Land Development Agency (LDA) is a policy-implementing organization charged to facilitate the provision of serviced land for urban development. Land supply can be increased through at least three approaches;¹⁹ first, by direct public provision of serviced land; second, by enabling the private sector to provide serviced land through public-private partnerships; and third, through more efficient use of existing urban land resources. Increasing the land supply through direct public actions can be affected *inter alia* through LDAs, through regulatory and taxation systems making urban land an unattractive investment for speculative purposes²⁰ (successfully implemented in Sweden, the Netherlands, and Singapore), and with the support of a good cadastral and land registration system.

The experience with LDAs around the world reveal mixed results, clearly indicating that such institutions are not appropriate in every context. While the Korean Land Development Corporation (KLDC) is a relatively illustrative case of an efficient and effective LDA operating at a national scale, the operations of Perumnas in Indonesia, the Karachi Development Authority (KDA) in Karachi, and municipal Housing and Urban Development Corporations (HUDC) in Turkey have been less successful. Major problems of government urban land development programs can be characterized as "poor conceptualization of [land delivery and servicing] problems, such as failing to consider market forces; poor coordination between government agencies and between government agencies and private organizations, both formal and informal; and not enough funds to undertake the appropriate execution."²¹

KLDC is a national parastatal agency with broad powers, established in 1979 in South Korea, a country that experienced an average annual urban population growth rate of 5.8 percent between 1965 and 1980. KLDC's objective was and is to increase the serviced land supply on a massive scale.

The primary function of KLDC is land acquisition and development for residential,²² commercial, and public uses. The agency earmarks a part of its land holdings for low-income housing (about 30 percent) and sells them to the Korean National Housing Corporation (KNHC) for the provision of affordable housing to the lowest 20 percent of the income distribution. The remaining land holdings of KLDC are sold as land for commercial use or as residential plots for middle-income households. The sale of plots at market prices for these uses allows the agency to cross-subsidize low-income housing.

KLDC operates in an environment of inter-agency coordination where a Ministerial Committee (Housing Policy Review Committee) reviews and approves an annual housing construction plan consistent with the general goals defined in the national five-year Social and Economic Development Plan. KLDC has focused its attention on secondary cities in its land acquisition program, and the periphery of the two largest cities: Seoul and Pusan. Its close monitoring of demand for serviced land on a city-specific basis and, accordingly, the proper identification and selection of sites for acquisition have been the critical factors in its success. KLDC has a policy to refrain from excessive land banking (purchasing and keeping land for long-term use) and focuses instead on sites where viable housing projects could potentially be developed in the near term.

The agency is self-financing and carefully coordinates acquisitions and production. It generates 30 to 40 percent of its financing from internal sources such as land sales. In addition, KLDC issues two kinds of land debentures (bonds) for financing its land acquisition and development activities, and practices cross-subsidization to make cheaper serviced land available for housing development for low-income households. As a result of successful financial management, government paid-in capital has dropped to 5 percent of total sources of KLDC in 1984 from 80 percent in 1979.²³ Less reliance on direct government funding was achieved through correct pricing of land through careful land appraisal procedures.²⁴

While KLDC is an efficient institution on its own terms, the general housing market indicators in Korea do not indicate favorable housing conditions. Median housing prices are 5.5 times the household income, denoting the low affordability of housing.²⁵ There have been claims that KLDC's land holdings in recent years may have created a scarcity in land supply, thereby exacerbating housing price increases.

D. REGULARIZATION OF INFORMAL HOUSING SETTLEMENTS: JORDAN AND MOROCCO

A substantial portion of the population in major cities in developing countries live in informal housing settlements. Earlier attempts to clear these settlements and relocate residents to public housing were gradually replaced by policies of upgrading the existing low-income housing stock. Recognizing the impossibility of providing turn-key housing units for all citizens at socially accepta-

ble standards, many governments increasingly directed their limited resources to upgrade informal housing settlements as part of their strategies to increase the housing supply for low-income households. Granting *security of tenure* and introducing *basic infrastructure and services* in informal housing settlements are two key policy levers available to governments to encourage savings and investments by households and the private sector in the existing low-income housing stock. The mobilization of private resources may be particularly strong in countries where the housing units in informal housing settlements are built by relatively substantial building materials (e.g., Turkey), encouraging further investments. The first step in regularization of informal housing settlements is legalization, or the granting of security of tenure to low-income households.²⁶ Once legal title has been granted, the provision of basic infrastructure and services will encourage further investments by the households in their housing.²⁷ Provided that project costs can be recovered from beneficiaries,²⁸ through water tariffs or user charges, service provision can also be sustained by the municipalities.

Jordan and Morocco have established relatively successful upgrading programs. In both cases, the housing units in informal areas were originally built with solid materials and were generally in compliance with formal regulations, sharply differentiating them from shantytowns found in many developing countries. In Jordan, by allowing smaller plots and *higher density development* than would be allowed in "planned" areas of the city, it was possible to reconcile the development trends with the Master Plan. Provision of legal title to smaller plots also enabled low-income owners to apply for housing loans from the Jordan Housing Bank, using the land as collateral. In addition to small lot-sizes, *land redistribution/readjustment* was another tool that the government effectively utilized to regularize informal housing settlements. Land was subdivided and redistributed to owners after adequate land was allocated for infrastructure provision.²⁹

The Moroccan case is illustrative of effective community input in the design and implementation of an upgrading program facilitated by the public sector. The Montfleuri neighborhood in Fez is a case where unauthorized subdivisions and plots were regularized. The Neighborhood Residents' Association in this case used a step-by-step "de-facto" legalization process.³⁰ The community was involved in three phases. The education process legitimized the upgrading process and organization of the Residents' Association for implementation of the project. The education phase involved a temporary moratorium on new subdivision development and housing construction to allow time for planning the area to achieve compliance with minimum standards. The second phase involved a series of discussions between the public and private sector participants in the redevelopment of the area; and in the final phase the decisions were operationalized for implementation. Different committees were established to devise strategies for implementation. The advantage of involving the community to a large extent in the conception, design, and planning and implementation of the upgrading program ensured more realistic technical regulations, simple and efficient way of

financing infrastructure, and the utilization of private sector resources to a maximum extent in neighborhood improvement. Acceptable compromises were reached easily, given the close working relationship with the community.

III. COMMON FEATURES OF SUCCESSFUL LOW-INCOME HOUSING STRATEGIES

Housing Policy Framework

The previous sections highlighted key policy areas that need to be addressed by governments in developing countries if they are to make a meaningful contribution towards alleviating the housing problems of the urban poor in rapidly expanding and densifying cities. Ample and affordable land and credit for housing, secure title to land, provision of basic infrastructure and services at affordable rates, and a conducive legal/regulatory and institutional framework constitute the fundamental building blocks of a successful housing strategy. The detailed strategies in each policy area (housing finance, land development, and regularization, as discussed in this paper), on the other hand, need to be couched in a policy framework at the national level, addressing the overall housing-sector performance affecting all income groups. The mandate of formulating the housing policy framework can be given to a single ministry, such as MINVU in Chile, or carried out by an interministerial grouping such as the Housing Policy Committee composed of several ministries in South Korea.

A successful strategy often includes the leadership of an institution at the national level to address and formulate policies tailored specifically for the housing needs of low-income households. Such institutions at the national level (MINVU in Chile, FONHAPO in Mexico, and KNHC in Korea) can potentially provide the framework for different actors in the housing sector to participate in local low-income housing delivery. Establishment of such an institution does not imply that a government should involve itself in direct provision of housing for the poor, but such an institution may facilitate, *inter alia*, credit provision, savings mobilization, land release, and upgrading through its targeted programs.

Targeting of Low-Income Beneficiaries

A successful strategy will require accurate targeting of beneficiaries. This is the most important and perhaps the most challenging aspect of low-income housing strategies in developing countries. In the absence of reliable income data, other socio-economic indicators can serve as proxies for household income which can be compared to a national system of socioeconomic stratification measuring poverty, as in ASP in Chile. The beneficiary selection criteria should be transparent and well-publicized. It should also be simple yet precise.

Savings and Resource Mobilization

Another common feature in successful low-income strategies is the capacity of the scheme to mobilize and channel resources for low-income housing delivery. The enforced savings scheme to generate the down payment for housing in Chile is a good example, where households are encouraged to save for housing and keep their savings in the banking system, thereby serving a dual purpose of establishing their credit worthiness with formal sector financial intermediaries.

Granting security of tenure and the provision of basic infrastructure and services in regularization of informal housing settlements is another mechanism through which private resources can be mobilized. Evidence suggests that having a registered title to land is equivalent to about 60 percent of the value of a residential plot, and significantly affects the likelihood of housing investment.

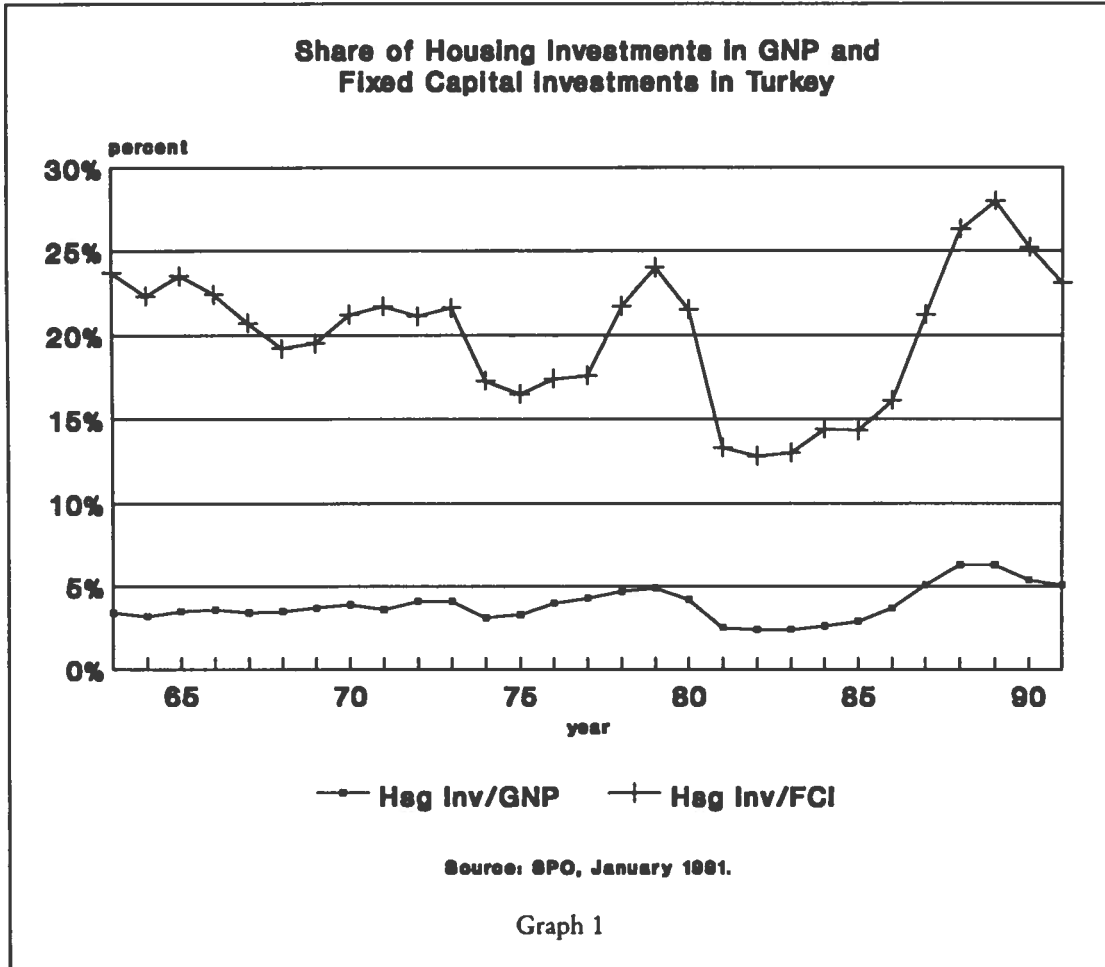
Land Development and Infrastructure Provision

Trunk infrastructure provision can be pivotal in guiding urban development, and an accurate prediction of city growth is fundamental for planning land allocation and infrastructure investments. LDAs at the national level and Public Works Units at the local level can potentially foster or limit urban growth patterns through monitoring demand and supply of serviced urban land in coordination with Planning Departments. Areas already developed without adequate infrastructure—informal housing settlements—introduce other challenges. Given the fact that infrastructure provision in informal housing settlements facilitates housing investments and leads to improved housing quality and higher property values, trunk infrastructure provision in informal housing settlements can be catalytic in improving housing conditions for low-income households. The dual effect of infrastructure provision with improving housing quality and guiding city development needs to be addressed jointly.

IV. THE HOUSING PROBLEM IN TURKEY

A. HOUSING CONDITIONS/INDICATORS IN TURKEY

Housing is an important sector of the Turkish economy. Housing investments constituted 5.5 percent of GDP in 1990. Similar to other developing countries, where housing investments typically comprise 2 to 8 percent of GNP and from 10 to 30 percent of gross capital formation, in Turkey, housing investments/GNP have ranged from 2.4 to 6.3 and housing investments/fixed capital formation from 17.3 percent to 28 percent since 1963 (see Graph 1 and Appendix Table 2.1). The substantial jump in housing investments after 1986 as depicted in Graph 1 can be attributed to the availability of financing by the Housing Development Administration (HDA) while the more recent drop since 1989 reflects the substantially reduced volume of loans it extended for cooperative housing development.



Unfinished Housing

The formal housing industry in Turkey is not producing an adequate volume of housing at acceptable standards to meet the growing demand. Moreover, more than half of housing starts face significant delay during construction. During the last decade, while an annual average of 289,382 units received construction permits nationally, only 53 percent of these (154,711 units annually) were completed (i.e., obtained occupancy permits) (see Graph 2 and Appendix Table 2.2). The gap has declined since 1987, but this is more due to a falloff in new starts rather than a substantial increase in the pace of completions. The current backlog of unfinished housing stock is about two million housing units, sufficient to meet the housing needs of the country for about the next five years.

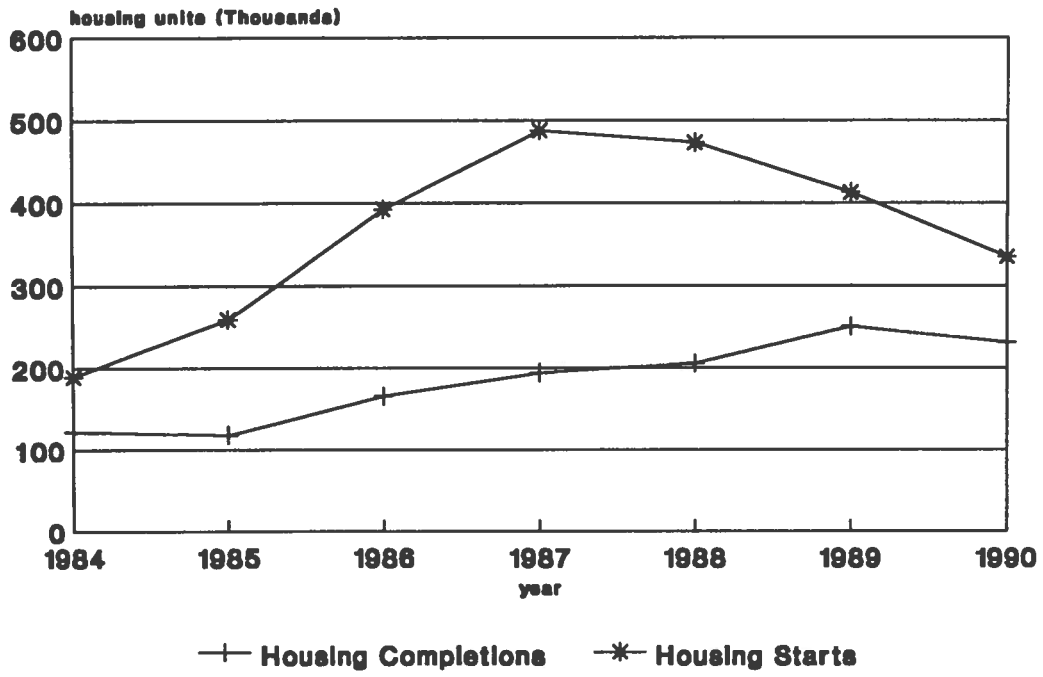
The problem of unfinished housing units is predominantly related to the insufficient credit available for cooperative housing development. The declining Loan-to-Value ratio of HDA loans since 1984 has exacerbated the affordability problem for prospective homeowners and adversely affected completion rates. Housing construction costs have generally been above the inflation rate, and HDA loans have been unable to sustain a high loan-to-value ratio in such a high inflationary environment.

Another factor contributing to the unfinished housing problem is the widespread prevalence of "build-as-you-pay" method — a housing finance solution where purchasers can build only at the rate they can accumulate equity. A recent study of housing cooperative associations in Izmir³¹ depicts the lengthy process required to complete cooperative housing projects. On average, a 14.5-month lapse was common between land purchase and the establishment of the housing cooperative association. The average time reported from inception of the association to the completion of all housing units³² was 77.5 months. In more than half of the cooperatives studied in Izmir, housing loans covered 40-60 percent of housing costs, while the balance was financed by the savings of association members.³³ Construction of units for speculative purposes was common, as indicated by the finding that 27 percent of memberships on average were sold for profit during construction. About one-third of the units were subsequently found to be occupied by renters. Seventy-five percent of the owner-occupant cooperative members were renters in their previous residence, indicating that housing cooperative associations are catalytic in increasing opportunities for first-time home buyers, despite the long process entailed.

The Dynamic Private Sector

In Turkey, the private sector accounts for the bulk of housing sector investments (95 percent on average between 1980 and 1990), despite the fact that the share of public investments in the formal housing market increased from 5.3 percent in 1980 to 7.0 percent in 1990 (see Graph 3 and Appendix Table 2.3). If both the formal and informal housing investments were categorized as part of private housing investments, the share of the public sector would decrease even further,

Housing Starts & Completions in Turkey, 1984-1990

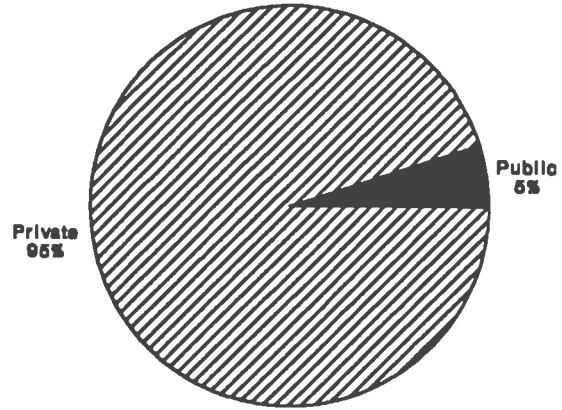


Source: SPO, SSI, 1991.

Graph 2

**Public & Private Investments
in the Formal Housing Sector**

1980-90



Source: GPO, 1991.

Graph 3

but the magnitude of informal housing investments is difficult to estimate, given limited data on informal housing stock and values.

Housing Cooperatives and the Poor?

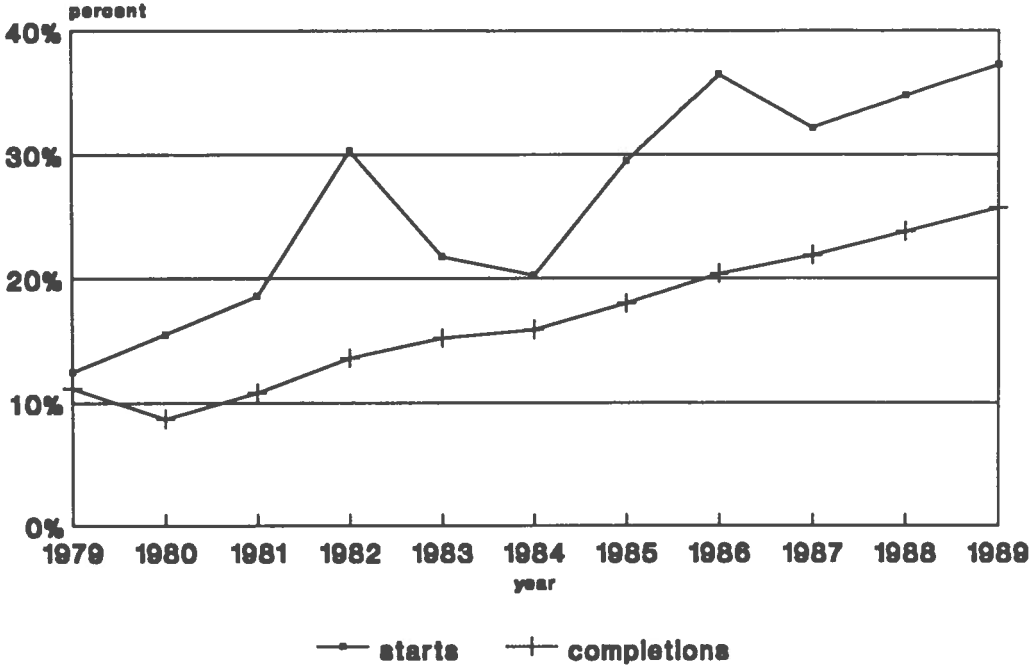
Cooperative housing development has grown to represent an increasing share of total housing production in Turkey in the late 1980s.³⁴ The share of cooperative housing in total housing starts increased to 37.3 percent in 1989 (see Graph 4 and Appendix Table 2.4), depicting the increased activity of cooperative housing associations. During the 1985-90 period, cooperatives represented 23 percent of all housing starts. Completions by cooperatives have, however, lagged far behind (see Appendix Tables 2.5 and 2.6).

Housing cooperative associations in Turkey operate under the Commerce Law, which defines them as partnerships. Multiple housing cooperative associations can unite to form unions.³⁵ Municipalities can also found or join housing cooperative associations. The life of the association typically ends, however, with the transfer of titles to individual homeowners. Each member owns his/her flat under the Flat Ownership Law, and, upon the completion of the construction and title transfer, the housing cooperative disbands.

Individuals typically join a housing cooperative association with the purpose of owning a home and benefit from being able to spread out payments on housing over a long period. The rapid growth of housing cooperative associations in the late 1980s can be attributed partly to the lack of alternative housing finance options for individuals, but more importantly, the targeting of loans specifically to individuals who were members of housing cooperatives by the Housing Development Administration (HDA).

Cooperatives in Turkey have not, in general, facilitated access to housing by low-income groups. Households that organize cooperative housing associations and mobilize their resources for housing development are most often middle-income families that can afford to accumulate the substantial amounts of equity required for the "build-as-you-pay" method of housing finance. Another constraint facing the uneducated poor in organizing themselves into a cooperative housing association is the arduous bureaucratic procedure necessary to establish such an organization. There is no specialized entity in Turkey with a mandate to assist and encourage such organizations among low-income households, despite the potentially catalytic role such organizations can play in promoting homeownership as evidenced by large number of first-time homeowners in higher-income groups. As a complement to targeted measures to alleviate the housing finance constraint for low-income households, the government may consider policies/institutions that facilitate and encourage the organization of housing cooperatives among the urban poor as part of its housing policy framework.³⁶

**Share of Cooperatives in Housing
Production in Turkey, 1979-1989**



Source: SSI Construction Statistics

Graph 4

B. LOW AFFORDABILITY OF HOUSING IN TURKEY

The major problem for low-income households in Turkey is the low affordability of housing produced in the formal sector. A typical housing unit (i.e., 11 years old, 100 square meters, 3 rooms) had a value of 62.5 million T.L. (US\$14,205) in 1991,³⁷ affordable only by the upper 60 percent of the population. The housing requirements of the lower 40 percent of the population are therefore not catered to by the public or the formal private sector in Turkey.

The housing affordability problem stems from two factors: *low household income* and *high cost of housing*. The ratio of housing price-to-household income is one measure of the efficiency of the housing market. A high ratio indicates that the household needs to save for the down payment longer to be able to finance the balance with a mortgage loan if available. Countries with high housing price-to-income ratios are also those where markets tend to be highly regulated (e.g., Egypt, India, and Malaysia) or where severe land constraints exist (e.g., Japan) (see Table 1). The ratio tends to be lower in countries where the regulatory environment allows housing supply to be responsive to demand such as in the United States and Thailand. Turkey fits somewhere in the middle. Housing prices on average are 4.2 times the average household's income in Turkey,³⁸ indicating the relatively long period of time necessary for a household to save in order to become a homeowner.

The Urban Institute has recently carried out a study for the Housing Development Administration (HDA) analyzing housing affordability in Turkey. The study concludes that, on average, the lowest quintile is unable to afford housing at market prices. While households in the lowest

Table 1
Housing Price/Income Ratios of Selected Countries

<u>Country</u>	<u>Ratio</u>
Tunisia	7.8
Egypt	7.5
Japan	6.6
Malaysia	6.0
Chile	5.7
Korea	5.5
Philippines	4.5
Germany	4.4
United Kingdom	3.7
France	3.4
United States	2.8
Thailand	2.5
Sweden	2.4

Source: Urban Development Division, The World Bank, 1991.

quintile can afford a unit below 15 million T.L. (US\$3,409), assuming a Dual Index Mortgage and a loan-to-value ratio of 90 percent, the market price of a 60-square-meter unit is a minimum of 52 million T.L. (US\$11,818) in the formal sector. Only those in the top 20 percent of the income distribution can easily afford such a unit. Even when a 40 percent down payment by the borrower is assumed, households in the lowest quintile of the income distribution can barely afford a 60-square-meter house (see Appendix Table 2.7).

Another factor contributing to the low affordability of housing in Turkey is the attractiveness of housing as an investment hedge against inflation. In high inflationary environments such as Turkey, housing becomes an attractive investment where growth in property values typically exceed general price increases in the economy. Besides being viewed as an attractive investment in an inflationary environment, homeownership has a strong intrinsic value in Turkey, albeit increasingly difficult to realize. An increasing trend toward renter occupancy is observed, particularly in metropolitan areas and fast-growing medium-sized cities.³⁹ While more than 70 percent of the households were owner-occupants in 1987 throughout Turkey, the ratio was 60 percent in urban areas (see Appendix Table 2.8).

Limited data on rental housing indicates disturbing trends of reduced affordability in recent years. The most recent housing survey⁴⁰ reports that the median rent in Turkey is 250,000 T.L. per month (US\$57) in 1991, about 20 percent of household income on average. Although these figures indicate that rent payments constitute a relatively small share of the household budget, they neither capture market differences nor variations in household income; thus, they may not accurately reflect the hardships faced by households living in major cities such as Istanbul, Ankara, and Izmir.⁴¹ Another study carried out by the State Institute of Statistics (SIS) gives clues about the variation in rent burden among different income groups⁴² and over time. It reports that overall housing expenditures constituted on average 25 percent of total household expenditures⁴³ in 1987 compared to 13 percent in 1978, indicating the increased financial hardship. While housing expenditures⁴⁴ constituted 19 percent of total household expenditures for the high-income group, it was 24 percent for low-income households in 1987. Another study indicates that all income groups have experienced significant increases in their rent payments between 1978 and 1987. While the share of income allocated to rent has increased three-fold for the low- and low-to-medium-income groups between 1978 and 1987 in Turkey, it has increased by four times for the high-medium income group (see Appendix Table 2.9).⁴⁵

Despite data limitations on rental housing markets, two facts appear prevalent: (a) renters constitute a larger share of total households in metropolitan areas and rapidly growing secondary cities than in Turkey as a whole; (b) rent burden among all income groups has gone up dramatically during the period 1978-87. Low affordability of housing appears to be a problem for renters as well as for prospective homeowners.

C. GECEKONDU HOUSING

Large Share of Gecekondu Dwellings

Currently, the unmet demand of low-income households in the formal housing sector is being supplied by the informal sector.⁴⁶ The share of unauthorized housing has increased over the years in Turkey. While a total of 600,000 unauthorized housing units were reported by 1970, the number had almost tripled by 1990 with a total stock of 1,750,000 (see Appendix Table 2.10). It is estimated that 58.3 percent of the population currently live in gecekondu dwellings⁴⁷ in Ankara (see Appendix Table 2.11). In other major cities of Turkey as well, about a third of the population resides in gecekondu dwellings (see Appendix Table 2.12).

Low Quality/Price of Gecekondu Dwellings

The quality of housing in gecekondu neighborhoods in Turkey is significantly higher than that observed in slum areas of countries of similar income levels such as Thailand, but the neighborhoods where these units are located nevertheless have serious infrastructure deficiencies, particularly with respect to water supply, sewerage, and roads. Due to infrastructure deficiencies, low building standards, and a lack of secure title to land, informal housing units are sold at low prices, thereby providing an affordable alternative to formal housing for low-income households. The price difference between the formal and informal housing units (*ceteris paribus*) is generally the premium paid for infrastructure and security of tenure.

Data from various sources on gecekondu dwellings and formal housing prices in Istanbul in 1987 give some indications of the magnitude of prevailing price differences in the market. In 1987 formal sector housing units in Istanbul ranged from 50-500 mi. T.L.⁴⁸ (US\$11,364-US\$113,636), while a majority of the gecekondu dwellings were sold at prices below 6 mi. T.L.(US\$1,364) the same year (see Appendix Table 2.13). In other words, the informal housing sector was producing housing units at a fraction of the cost of formal sector housing units in 1987. The difference between formal and informal housing unit prices of similar structural and neighborhood characteristics would give a more accurate empirical measure of the magnitude of price differences in the housing market; however, land and housing price differences in formal and informal housing settlements have not yet been systematically studied in Turkey.

Declining Growth Trend in New Gecekondu Starts

Although the share of gecekondu dwellings in urban areas of Turkey is quite significant today, the growth of gecekondu units has slowed significantly over time. This marked trend is evident both in national level statistics and in data collected at the municipal level in Ankara. The rate of growth in gecekondu dwellings declined steadily from an average of 7 percent per annum

during the period 1970-80 to 4 percent during 1980-90 in Turkey. A similar trend is observed in Ankara, where the average growth rate fell from 19 percent (1950-1960) to 2.4 percent (1980-1990) (see Graph 5 and Appendix Tables 2.10 and 2.11).

The trend in construction of new gecekondü dwellings reflects the general slowdown in housing construction in the late 1980s. A survey of gecekondü dwellings in major cities in 1987 shows that about half of the gecekondüs have been built during the 1970-79 period (see Appendix Table 2.14). New gecekondü construction has clearly dropped in Istanbul, Ankara, and Izmir in the last decade.

The New Trend in Gecekondü Settlements: Densification

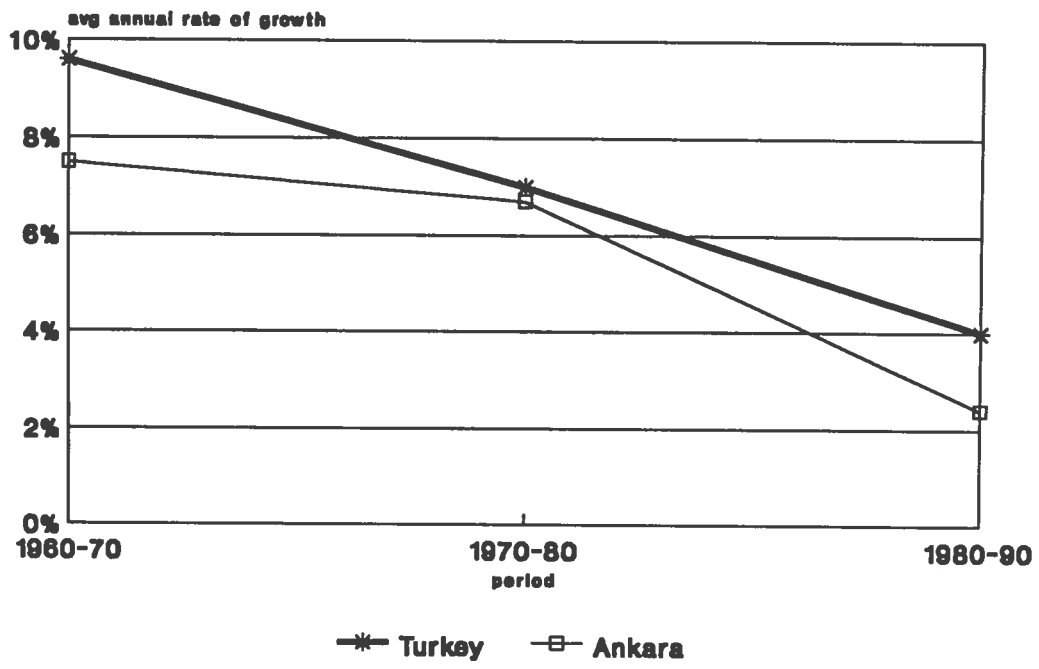
Despite the decline in the number new gecekondü settlements, one observes a new trend toward densification of existing settlements. The era of the traditional gecekondü construction—that is, a single-family house built overnight with communal help on public land—has changed considerably in the last few years in Turkey. "Apartmankondü," or the construction of multi-story buildings, now characterizes the housing construction activities in informal settlements as a result of rapidly increasing land prices. The proliferation of rental housing markets, densification, and commercialization of informal housing production are the predominant characteristics of informal settlements in Turkey today. The illegal marketing of subdivided public land at affordable prices by the informal land agents and real estate developers has become a common practice, particularly in Istanbul.

V. KEY ACTORS IN HOUSING DELIVERY FOR LOW-INCOME HOUSEHOLDS IN TURKEY

Ensuring access to three critical inputs to the housing production process—*land, finance, and unambiguous property rights* (i.e., title to land in informal housing settlements)—have been on the policy agenda in Turkey since the late 1960s. An integrated strategy encompassing each of these critical aspects, however, has not yet been formulated. The two key institutions at the national level currently responsible for land and finance for housing in Turkey are the Land Office and the Housing Development Administration (HDA), respectively. Regularization of informal housing settlements is the responsibility of each municipality.

HDA, established in 1984 under the Prime Ministry, extends housing loans to housing cooperatives and individuals who are members of housing cooperative associations. It carries out its lending activities from the headquarters office in Ankara; thus, it has no branch network at the local level to interact more closely with its borrowers or the municipalities and staff involved in their urban development programs. The total revenues of HDA in 1990 were 3.6 trillion T.L. (US\$821,103,581). Housing loan advances constituted only 21 percent of total revenues in 1990,

Growth In Gecekondu Dwellings In Turkey & Ankara, 1960-1990



Source: Kales, 1990:369.

Graph 5

while about half of total revenues were allocated for land and direct housing production expenditures. HDA is financed by an extra-budgetary fund through earmarked taxes.

Since its inception in 1969, the Land Office has had a mandate to provide land for housing, industry, tourism,⁴⁹ and government facilities, and to moderate rapidly rising land prices. Resource constraints, however, have historically hampered its achievements. In 1989, it was detached from the Ministry of Public Works and Settlements (MPWS) and placed under the Ministry of Finance and Customs (MFC), resulting in an increase in its resources. While the capital of the Land Office was 9 billion T.L. (US\$2 million) in 1985 and the government approved a capital increase of 500 billion T.L. (US\$113.6 million) in 1990, the revenue sources for this increase have yet to be identified. The 1990 budget was 250 billion T.L. (US\$56.8 million), about half of what was planned originally.

The third key actor in the housing delivery system in Turkey is local government, namely municipalities. Particularly in the major metropolitan areas, local governments have attempted to formulate and integrate housing programs with their Master Plans. All municipalities have assumed full responsibility for master planning since 1987, when the government accelerated its decentralization policy despite technical constraints at the local level.⁵⁰ Legalization and upgrading of informal housing settlements is undertaken by municipalities.

VI. CONSTRAINTS ON LOW-INCOME HOUSING DELIVERY IN TURKEY

A. INTRODUCTION

The three major constraints on housing delivery for low-income households in Turkey are as follows: (a) the unavailability of housing finance; (b) the unavailability of land for urban housing; and (c) the need to regularize large number of units in informal housing settlements. This section discusses the efforts of the government to address these constraints in the 1980s.

B. UNAVAILABILITY OF HOUSING FINANCE

Stimulating the Construction Sector: First Housing Law: 1981-83

Historically, the percentage of housing units built with the help of long-term housing finance schemes in Turkey has remained small.⁵¹ Four major public institutions were involved in housing finance during the period 1963-1984: BAG-KUR (Social Insurance Agency of Small Merchants and Artisans), OYAK (Social Security Agency of the Armed Forces), SSK (Workers' Social Insurance Agency), and Emlak Bank. Nearly 18 percent of housing starts before 1984 were financed by one of these institutions, but the overall approach to housing finance during this period was somewhat fragmented or piecemeal.

The First Mass Housing Law, enacted in 1981, marks the beginning of a housing finance policy in Turkey. In enacting the law, the government attempted to alleviate the housing problem

for low-income households as well as to stimulate the construction sector, hence the economy, through extending housing loans. The law was not effectively implemented, however, for three years, until HDA was established in 1984.

The major objective of the First Mass Housing Law (1981) was to stimulate the construction sector by encouraging the construction of *large-scale* (hence "mass") housing projects. Although the law intended to solve the housing problem of low- and middle-income households, these groups were not targeted effectively, and the large down payment requirement in fact eliminated them from the scope of the program. The 1981 law administered by the Ministry of Public Works and Settlement provided for:

- (a) finance for construction of housing units smaller than 100 square meters
- (b) differential interest rates in large and small municipalities with higher rates charged in cities above 500,000 population⁵²
- (c) priority attention to housing cooperatives and their unions

Five percent of the national budget was expected to be channeled to the MPWS for the implementation of this law, but budgetary constraints at the national level did not allow sufficient funds to be allocated for this purpose.

Establishing the Earmarked Fund For Housing: Second Housing Law: 1984-89

During the period 1981-83, the government had begun to articulate policy directions for housing finance, but it found that without a specialized institution and assured sources of finance, such policies could not be implemented. This realization prompted the passage of the Second Housing Law in 1984. This law provided for the establishment of HDA and an earmarked fund based on a number of taxes and budgetary sources, the Mass Housing Fund (MHF), to finance its activities (see Table 2).

Table 2
Distribution of the Earmarked Sources of Revenues of the MHF, 1990

1. Petroleum Products Tax	20.0 %
2. Tobacco, Alcoholic & Nonalcoholic Drinks Tax	6.0 %
3. Import Taxes	21.0 %
4. International Travel Tax	4.0 %
5. Loan Repayments	15.0 %
6. Transfer from Housing Assistance Fund	16.0 %
7. Other	18.0 %
	100.0 %

Source: HDA, 1991.

The Second Mass Housing Law also departed somewhat from the social objectives of the First Housing Law by increasing the unit size eligible for credit from below 100 to below 150 square meters, and by allowing finance for the purchase/construction of second homes. The lending practices of HDA gradually led to the erosion of the resources of the MHF it administered. Loans with below-market fixed rates over long periods in an inflationary environment led to the need for recurrent subsidies from the central budget, increasingly difficult given growing fiscal constraints. In terms of beneficiaries, HDA also began to finance second-home cooperative associations and middle-income households, as opposed to low-income households originally targeted by the Mass Housing Law of 1981.

Meeting the Challenges of Housing Finance in an Inflationary Environment: Amendment to the Second Housing Law, 1989

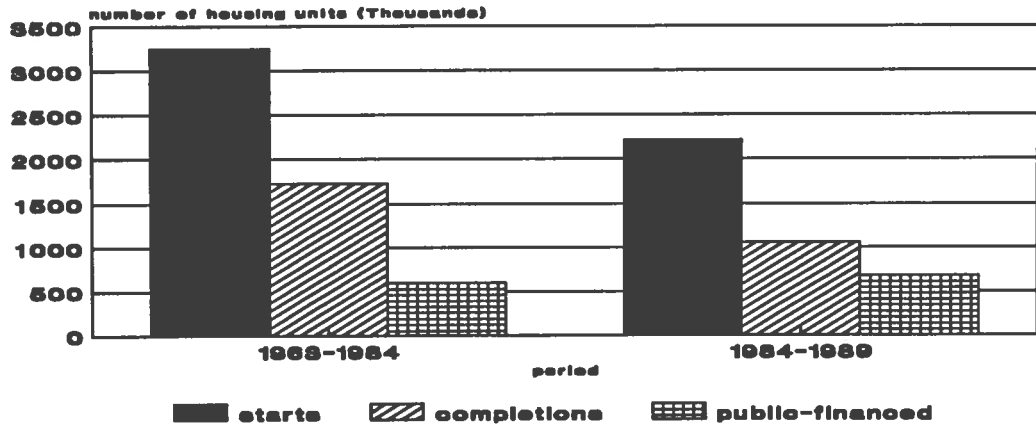
An amendment to the Second Housing Law was passed in 1989 after the government recognized the need to ensure lending practices that account for the effects of inflation to preserve the capital of HDA. The change stemmed from concerns about eroding funds over the years, due to loans being offered at fixed rates significantly below the rate of inflation.⁵³ The amendment also attempted to restore some of the original social objectives of the 1984 law by including articles that explicitly prohibited the extension of loans for second homes⁵⁴ and housing units greater than 100 square meters. In the case of second-home finance, some leakage may still be present due to the interpretation of what qualifies as a second or vacation home plus ongoing construction of units already approved.

Since 1989, HDA has strictly limited its new lending to those households who can make the debt-service payments, which are calculated based on a dual-indexed system. However, limited funds allowed new loan applications to be accepted only for a short period of time, between May and September of 1990. As of August 1991, no new applications were being processed, a symptom of the government's tight fiscal constraint.

Lending Volume and Type of Housing Financed by HDA

In a relatively brief period of seven years, HDA financed as many housing units as had been partially financed by the government in the previous 40 years. Since 1963, a total of 1,361,404 housing units have been financed by all public institutions in Turkey, of which 55 percent were financed by HDA.⁵⁵ While before 1984 about 18 percent of housing starts were financed by one of the public institutions in Turkey, publicly financed housing units increased to 30.5 percent after 1984, indicating the increased role of the public sector in housing delivery. Ninety-eight percent of the publicly financed units after 1984 were financed by HDA. HDA accounted for almost one-third of all housing starts in Turkey since 1984 (see Graph 6 and Appendix Table 3.1). The majority of the

**Public Financed Housing in Turkey
Before & After 1984**



Source: GPO, 1991.

Graph 6

units financed by HDA were 81 to 100 square meters, whereas about one-third were larger than 100 square meters (see Graph 7 and Appendix Table 3.2). The bulk of HDA's lending activities occurred within the context of the 1984 law. Housing units financed under the 1989 amendment constituted only 22.6 percent of all HDA-financed units since 1984 (see Appendix Table 3.3).

Overall, a total of about 820,057 units were partially financed by HDA⁵⁶ since 1984, with the balance of the financing in most cases coming from households' own savings. The percentage of construction cost that HDA loan can cover has dramatically decreased over the years from 62 percent to 12.7 percent in 1991. This sharply declining percentage has made MHF finance increasingly irrelevant for potential homeowners (see Graph 8 and Appendix Tables 3.5abc).

Although the volume of housing construction initiated by HDA financing is phenomenal, the fact that 45 percent of the units remain incomplete is also troubling (see Table 3). As a result, HDA has increasingly begun to concentrate financing on projects already under construction. Since 1984, the majority of the mass housing projects financed by HDA were at least 50 percent completed (see Appendix Table 3.4).

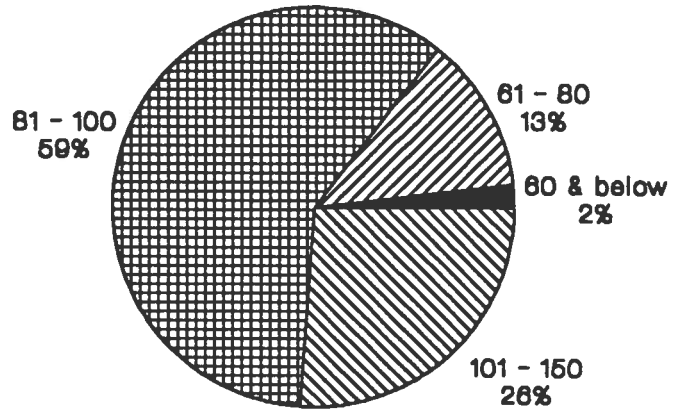
The Future Role of HDA

As mentioned earlier, HDA's current lending activity consists mainly of lending for completion of ongoing projects, an area which certainly should not be neglected given the large backlog of unfinished housing. Recently cooperative members who have received loans before the 1989 amendment became eligible to receive 6 million T.L. (US\$1,364) per unit if they have already completed 50 percent of their construction, and 4 million (US\$909) if 75-90 percent of the construction is completed. Cooperative members who have received loans under the 1989 law were eligible for up to 11 million T.L. supplementary loan if at least 20 percent of the construction has been completed. Such recent lending operations reflect the importance given by HDA to the completion of buildings already under construction.

Repayments for the old loans today constitute only about 15 percent of HDA's revenues and are insufficient to sustain its activities/lending in the long term. Furthermore, the share of revenues channeled to the national budget to cover the deficit have increased over the years, reducing the amount of funds available for lending for housing.

Concurrent with the implementation of the new regulations, the institution's future role is being examined and the feasibility of establishing primary and secondary mortgage markets is being studied by the government. One of the benefits of modifying the role of HDA from a public credit supplier to a semi-private secondary mortgage institution will be to free up funds that can then be channeled to lower-income groups more effectively. Currently, the U.S. Federal National Mortgage Association is analyzing the feasibility of developing a market-oriented housing finance system in Turkey under the supervision of the World Bank. The primary objective is defined as to "encourage

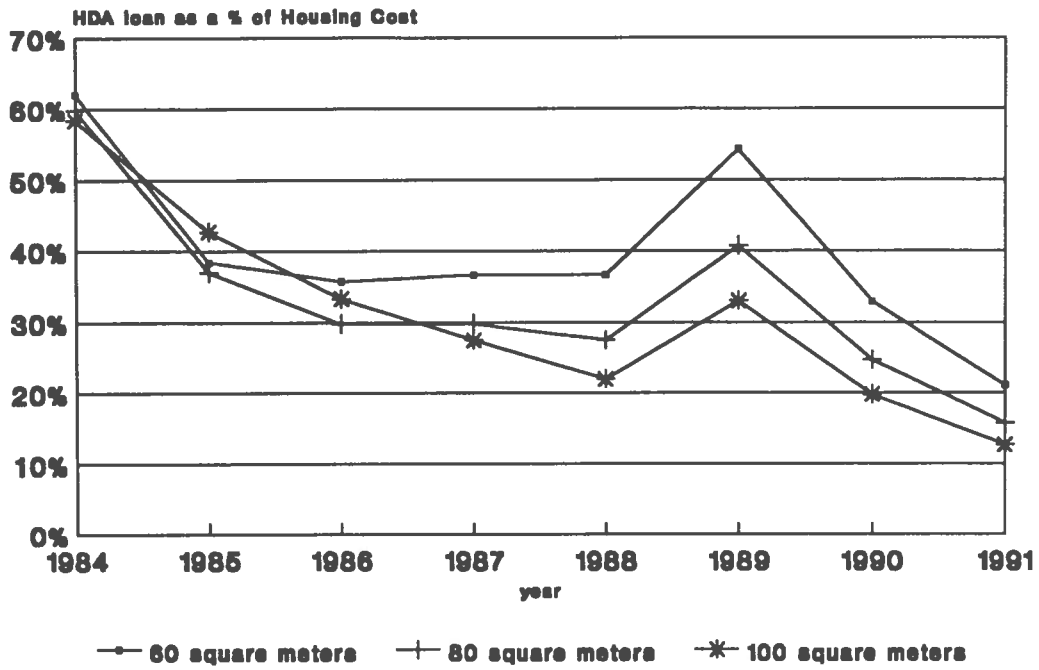
**HDA-Financed Units by Size
1984-1991 (square meters)**



Source: HDA, 1991.

Graph 7

Housing Costs & HDA Loans In Turkey, 1984-1990



Source: HDA, 1991.

Graph 8

Table 3
HDA-Financed Housing, 1984-1991

	<u>No. of Housing Units Using HDA Loans</u>	<u>No. of Housing Units Completed</u>
1984	142,659	7,350
1985	113,021	50,384
1986	158,964	84,262
1987	156,841 (*)	47,938
1988	61,697 (*)	109,703
1989	31,524 (*)	83,386 (*)
1990	124,844 (*)	67,052 (*)
1991	47,279	13,796
Total:	836,829	463,871 (55 %)

(*) includes the Eryaman (4,740), Atakoy (2,950), Yahya Kaptan (4,902), and Halkali Projects (4,180).

Source: HDA, 1991.

interest and motivation by primary lenders in the origination of mortgage and construction loans." Towards this end, the conference on "Housing Finance in Turkey" was organized in Antalya on July 11-14, 1991, gathering together representatives from 12 major banks, the Treasury, and the Capital Markets Board to discuss alternative housing finance models and their applicability in Turkey. The discussions highlighted areas where modifications in the legal and institutional framework will be necessary. Major questions posed included various approaches to mobilize resources and types of mortgage instruments that will minimize subsidies and maximize affordability.

While establishing primary and secondary mortgage market institutions may solve the housing finance problems of middle- and higher-income groups, the proposed housing finance schemes are unlikely to reach low- and very-low-income households. Simultaneously, targeted strategies will therefore need to be formulated which ensure that the housing finance requirements are available for this group as well.

C. UNAVAILABILITY OF LAND FOR HOUSING

Currently, as in many other developing countries, a dual land market operates in major cities in Turkey, formal and informal land markets. In informal land markets, land agents subdivide and sell private as well as public land, offering an affordable alternative to the urban poor, but with inadequate infrastructure and insecure tenure. The widespread operation of the informal land markets can be interpreted as a symptom of serious land delivery problems in Turkey. Rapid increases in land prices further substantiate such problems. Land prices, for example, have

increased by 100 percent annually in Ankara between 1986 and 1990, while they have risen eight-fold in Istanbul during the same period.⁵⁷

The institutional structure to address rapid land price increases and the delivery of serviced land for housing was set up with the establishment of the Land Office in 1969, but the Land Office has historically been unable to cope with the demand for its services with limited resources.

Since its reorganization in 1989, the major project of the Land Office has been the *Urban Land Development Project* (ULDP). The objectives of this project were to encourage savings for housing through issuing land certificates, to develop Treasury land through the provision of infrastructure, and to sell serviced plots to the public. The project has faced serious problems in implementation and currently is at an impasse. The provinces where the Land Office gave priority under ULDP contain larger cities: Istanbul, Ankara, Izmir, Adana, Bursa, Gaziantep, Eskisehir, and Konya, where land delivery problems are most acute. The provinces where the Land Office focused secondarily are Çanakkale, Kocaeli, Manisa, and Tekirdag. Two types of land certificates were offered by the Land Office to the public under ULDP: A-E Group (detached single-family house), and F Group (multi-unit), allowing construction at different densities regulated by the Planning Law. Plot sizes varied, but 300- and 500-square-meter plots were typical.⁵⁸

The key deficiency of the program leading to the current impasse was the attempt to price and sell land certificates without linking them to a particular location in Turkey. It is not surprising therefore that the public has generally been reluctant to buy such certificates.

Although approximately 140,000 certificates were offered under this project for sale since October 19, 1989, the sale volume has remained low. In the first two-and-a-half months, 13,399 certificates were sold, but by the end of one year, a total of 15,539 certificates had been sold; this generated an income of about 30 billion T.L. (US\$6,588,409), which was considerably below original expectations.⁵⁹

Meanwhile, 19,850 plots were serviced in 12 provinces for distribution. As the plots were ready to be allocated, certificate holders were invited to apply for specific plots. Only 5 percent (1,022 plots) of the plots were actually distributed to certificate holders in four cities: Ankara, Istanbul, Çanakkale, and Kocaeli (see Table 4).

Initially, plots were announced to be distributed within four months, but this could not be realized due to delays in land preparation. In fact, the mismatch between the supply of plots and the demand for such plots by the certificate holders impaired the project.⁶⁰ For example, in Istanbul and Bursa the number of certificates sold exceeded the amount of land available, leading to the distribution of plots through lottery. In other cities the reverse was true; land available exceeded demand. Type F certificates allowing for multi-family housing construction were sold to individuals who could not organize themselves for the construction of multi-family housing units.

Table 4
Urban Land Development Project Performance, 1990

<u>Province</u>	<u>Certificate Sold</u>	<u>Plot Produced</u>	<u>Plot Sold</u>
Priority 1:			
Istanbul	10,162	2,616	401
Ankara	581	1,990	120
Izmir	1,164	1,008	0
Adana	32	0	0
Bursa	2,892	299	0
Gaziantep	42	0	0
Eskisehir	35	0	0
Konya	29	0	0
Others:			
Canakkale	483	504	483
Kocaeli	118	5,457	118
Manisa	0	730	0
Tekirdag	<u>0</u>	<u>7,246</u>	<u>0</u>
Total	15,539	19,850	1,022

Source: Land Office, 1991

The certificates were clearly not perceived by the public as a viable means for getting access to an affordable house or even as attractive for investors. Currently, the sales have dwindled. From the perspective of the Land Office, several factors slowed down their land development activities. First, a complete inventory of Treasury land was difficult to assemble, partly due to underreporting of Treasury land holdings by the Provincial offices. Second, completion of the subdivision plans, obtaining the necessary permits, and servicing the land proved to be a lengthy process.

D. REGULARIZATION OF INFORMAL HOUSING SETTLEMENTS IN TURKEY

While the rate of increase in new gecekondu building starts have declined in Turkey, informal housing settlements still house more than half of the population in major cities and show continued signs of densification which may more than offset the slowdown in starts underlying the urgent need to address this objective. Regularization (legalization and upgrading) of informal housing settlements generally involve granting security of tenure to the land, illegally occupied or subdivided, and providing infrastructure and services. While both have been addressed in Turkey at various times and places, they have not been addressed in a coordinated and integrated manner under a national policy framework.

The 1966 Gecekondu Law set the framework for the government's regularization policies in Turkey. The law required the categorization of two types of gecekondu neighborhoods: those

marked for upgrading and those for demolition. Two separate funds were established to address the problems of gecekondus: the Municipalities' Gecekondu Fund and the MPWS's Gecekondu Fund now under the authority of HDA.

With the transfer of planning and plan-approval authority to the municipalities within the context of the decentralization policies of the government in 1987, legalization and upgrading of informal housing settlements are also now addressed at the local level. Financially and technically stronger local governments in major cities, where the gecekondu neighborhoods are also concentrated, must therefore address the problem locally. For example, the Greater Ankara Municipality has implemented a large-scale Land Titling (GETAP) Project under which 82,802 titles⁶¹ had been granted to gecekondu dwellings by the end of 1990.

As part of the regularization of informal housing settlements in Ankara, residents have been allowed to build up to four or five stories on their plot after they obtain their title, thereby considerably increasing densities. The possible implications of this policy on urban population density are staggering. Consider the fact that currently in Ankara, 1,750,000 people live on 12,656 ha. of gecekondu neighborhoods, mostly in single-family dwellings. The current density of 138 people/ha⁶² could increase significantly to 443 people/ha when the economic rent of land where these houses are situated increases, leading to their demolition in order to build structures with more units. A strikingly similar trend was observed after the Flat Ownership Law was enacted in 1955. Single-family dwellings were demolished to make way for apartment buildings on a massive scale, thereby permanently changing the landscape of Turkish cities. It appears increasingly likely that this process will be repeated during the next decade in gecekondu neighborhoods, increasing the densities by almost three times and compounding already-serious urban infrastructure deficiencies.

VII. SUMMARY AND CONCLUSIONS

The major housing problems in Turkey as identified and discussed in this paper are the following: (a) the large stock of unfinished housing; (b) low affordability of housing; (c) densification in informal housing settlements without provision of adequate infrastructure; and (d) the absence of a policy or institutional framework at present which targets the urban poor. In addressing these problems, the following appear important:

(1) Formulating a Housing Policy Framework and Defining an Institutional Framework.

The strong commitment to alleviate the housing problems for poor urban low-income households should be grounded in a sector-wide housing policy framework, of which the low-income housing strategy constitutes the central component. The implementation of the low-income housing strategy can be coordinated and funded through a specialized housing agency

(e.g., MINVU in Chile and FONHAPO in Mexico) charged with enabling low-income housing delivery.

(2) Targeting Beneficiaries.

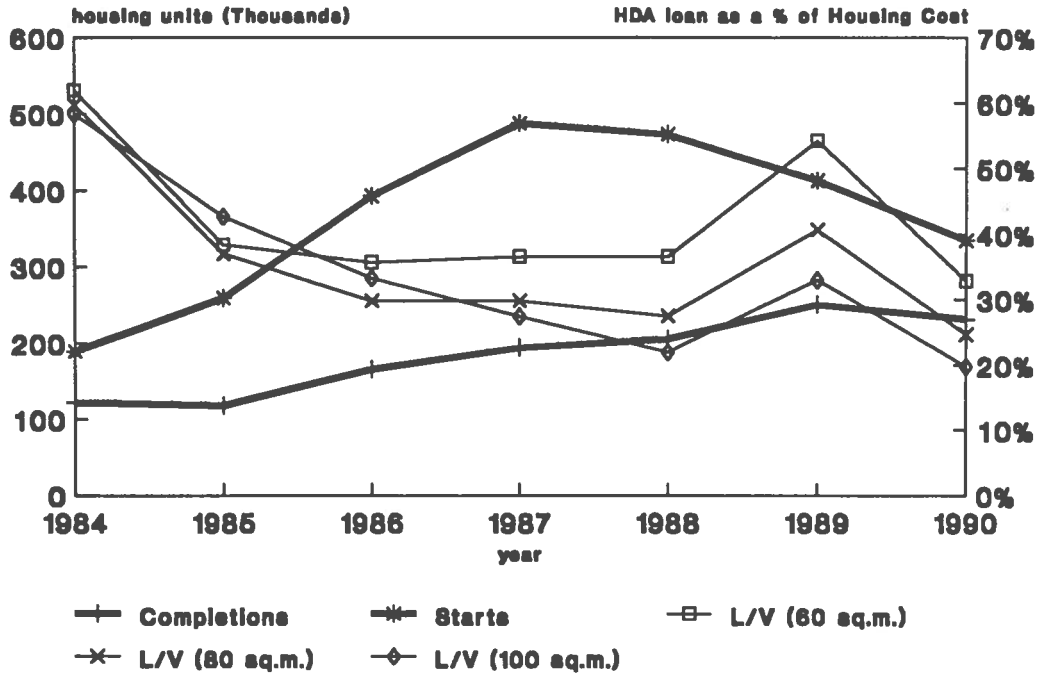
Targeting beneficiaries is one of the most critical aspects of any low-income housing strategy. In the absence of reliable income data, the government needs to develop a careful income verification system to correctly identify urban poor households for housing assistance. Socio-economic indicators can serve as proxies for household income which can be compared to a national system of socioeconomic stratification measuring poverty. The beneficiary selection criteria should be simple, transparent, and well-publicized.

(3) Speeding the Completion of Unfinished Housing.

Stimulation of the construction sector and the subsequent increase in housing investments in the mid-1980s, followed by a decrease in housing starts in the late 1980s corresponding to the limited flow of public funds for housing, demonstrate the significant role of the government in the housing sector in Turkey. The gap between starts and completions was the greatest during the period 1986-88, indicating a positive correlation between the existence of housing finance and new housing construction (see Graph 9). Availability of housing finance alone, however, is not enough. It is necessary but not sufficient for the timely completion of housing, as was illustrated by the absence of a similar jump in housing completions despite the availability of housing finance during the same period. The current backlog of unfinished housing stock has reached about two million housing units, equivalent to meet the housing need of the country for the next five years.

In addressing the unfinished housing problem, the government may also consider other aspects of the housing production process slowing down housing completions, one of which is the organizational structure of the housing cooperative associations. While the share of housing starts by cooperatives in total housing production in Turkey have increased between 1979 and 1989, their share of completions has decreased during the same period. In other words, while more units were being started by housing cooperative associations, less units were being completed by them. Thus, a closer examination of the housing cooperative associations appears as a critical item in the housing policy agenda in Turkey in order to add the nearly two million unfinished housing units into the market. Housing cooperative associations currently operate under minimal government regulation/oversight and may thus be susceptible to misconduct by their managing partners. The process of housing development—i.e. land search and acquisition, construction finance, and so forth—currently appears to be undertaken nonprofessionally by housing cooperative associations.

Housing Completions & Loan to Value Ratio in Turkey by Unit Size, 1984-1990



Source: SPO, SSI, HDA, 1991.

Graph 9

(4) Increasing the Affordability of Housing for Renters and Prospective Homeowners.

The low affordability of housing for households has two facets: *a rent burden for renter households* and *the down-payment barrier for prospective homeowners*.

High land and housing costs also impede access of households to housing. Lowering housing costs necessitates lowering the cost of inputs to the housing production process (land and finance), and reducing regulatory bottlenecks. The Land Office and the Housing Development Administration appear to be well-suited to expand their operations within the framework of a sector-wide housing policy. The degree to which they will be able to allocate resources for very-low-income households will depend upon the financial sustainability of each institution over the long term.

(5) Guiding Urban Development by Serviced Land Development and Trunk Infrastructure Provision.

Skyrocketing land prices exceeding the general price increases are symptoms of serious land delivery problems in major cities in Turkey. The lack of serviced land adversely affects the operation of land and housing markets. Land development and infrastructure investment plans, based on a sound prediction of city growth patterns, can be pivotal in guiding urban development. Providing basic infrastructure in densifying gecekondu neighborhoods should also be a part of infrastructure investment plans, given the evidence that improvements in informal settlements facilitate housing investments by the private sector and households.

(6) Inducing Savings and Mobilizing Resources.

The level of investments in informal housing settlements illustrates the great value households attach to housing that can easily be increased by the provision of basic infrastructure through upgrading and legal title through legalization (e.g., Jordan and Morocco) schemes. The densification trends in informal housing settlements in Turkey may have alarming public health and safety consequences. Thus, providing infrastructure and services appears to have the utmost urgency in informal settlements. Laws permitting adequate cost recovery for infrastructure and services (e.g., water, sewerage, solid waste) in unplanned gecekondu areas need to be re-examined and strengthened in order to assure that utilities have adequate resources to expand public service networks and operate/maintain them. While very high residential density may threaten compliance with public health and safety standards, it may also provide opportunities if public health risks can be minimized. Through well-designed regularization programs, informal housing settlements can be transformed into upgraded and well-serviced low-income housing neighborhoods.

CONCLUSION

This paper attempted to highlight critical constraints in the low-income housing delivery system in Turkey, and examined several cases to gain insights from well-formulated policy designs in other countries. Recent evidence, however, suggests the prevalence of some difficulties in the implementation process of some of these innovative approaches, and an analysis of their implementation experience may be informative for future policy formulation in Turkey.

Several new areas of research emerged as a result of this study which deserve special attention in future public action: (a) impact of land use and housing regulations on the operation of housing markets in Turkey; (b) operation of rental housing markets in Turkey and the impacts of particular constraints in this market on household mobility patterns and vacancy rates; (c) the role of housing cooperatives in low-income housing delivery in Turkey; (d) land market assessment in Turkey; and (e) informal housing delivery systems in Turkey and their integration to the formal economy through property taxation and municipal service delivery.

NOTES

- ¹Successful low-income housing strategies are defined here as those increasing access to housing by the urban poor through the allocation of minimum resources, and at the same time that are socially and politically acceptable. Successful strategies would also be consistent with the objective of improving the performance of the housing sector as a whole (World Bank, 1991b).
- ²Mayo, Malpezzi, Gross, 1986.
- ³UN, 1988.
- ⁴The choice of the specific cases was made based upon interviews of key-informants predominantly at the World Bank in Washington, D.C. Please refer to Appendix Tables 1.1 and 1.2 for key economic and urbanization indicators of the countries where land, finance, and regularization issues have specifically been addressed in the context of low-income housing policies, and Turkey.
- ⁵Renaud, 1984: 99.
- ⁶The operation of informal credit markets in urban areas, their links to the formal banking sector, and the extent to which households borrow from these sources for housing purchase and production are little-explored areas. Any new financial instrument designed to reach low-income households needs to address the current financing practices in the informal credit markets.
- ⁷See the analysis of alternative mortgage instruments and a simulation of their application in the Turkish economy during 1970-90 by Telgarsky and Mark (1991).
- ⁸The Dual Index Mortgage (DIM) is an Adjustable Rate Mortgage instrument which allows the interest payments to change over time, but which ties payment increase to an index, for example wages. The term of the loan is fixed. If payments cannot increase due to the wage index ceiling, the loan principle is increased. If there is a remaining loan balance at the end of the fixed term, the government forgives the debt; thus, government subsidies may be required for a DIM system. The DIM addresses the "repayment tilt problem" (the case of being locked out of the housing market by the cash flow constraint in the early years) for the borrower, and ensures that the real value of the loan is not affected by inflation for the lender. The amount of DIM loan that a typical low-income household could qualify for, however, is very low compared to the cost of housing. The allocation of 25 percent of household income for a unit about four times the median household income to amortize a 20-year loan for 70 percent of the house value would require substantial government subsidies to reach the households in the lowest 20 percent of the income distribution. Affordability of the DIM loan is also highly sensitive to changes in the inflation rate.
- ⁹In the case of the DIM offered by the Housing Development Administration in Turkey, the loan repayments of borrowers are indexed to wage increases and the interest rate charged by the lender is indexed to the inflation rate. If the wage increases remain lower than the inflation rate, the loan balance may increase over time. In such an event, the government has decided to forgive any outstanding debt at the end of 20 years.
- ¹⁰MINVU is provided with annual funds from the government budget for financing ASP and BHP.
- ¹¹The average annual rate of inflation in Chile between 1980 and 1989 was 20.5 percent (World Bank, 1991a).
- ¹²In this case, to determine eligibility, the municipal social worker visits the home of the applicant and fills out a rating form, including 30 factors indicating the need of the applicant.
- ¹³Since its inception in mid-1981 to 1988, FONHAPO has extended 1,400 loans to institutional sub-borrowers and invested \$126 million through its conventional program. Twenty-one percent of finance was for serviced plots, 34 percent for starter dwellings, and 45 percent for home improvement.
- ¹⁴While the annual demand for housing by households earning less than 2.5 times the minimum wage is estimated at about 500,000 units in Mexico, a total of 108,000 housing units financed by FONHAPO were completed in 1988 and 1989 combined, meeting 22 percent of the demand.
- ¹⁵While urban population growth rates in more developed regions of the world declined from 2.5 percent in 1955 to 1.5 percent in 1990, urban population growth in less developed countries grew at rates ranging from 5 in 1955 to 4 percent in 1990. The population growth rates in metropolitan areas in Turkey (Istanbul, Ankara, Izmir, and Adana) are projected to decline from 3.3 percent to 2.7 percent between

1995 and 2010, while in "other urban areas" (with population greater than 20,000 and excluding the four metropolitan cities), population growth rate is projected to decline only slightly from 3.8 percent in 1995 to 3.4 percent in 2010 (Ravicz & Struyk, August 1991: Table 1). This indicates the strong demand for housing in metropolitan areas and particularly in "other urban areas" in Turkey by 2010.

¹⁶Rapid urban population growth leads to high rates of land conversion. 32 square km of agricultural land was converted to urban land use in Bangkok annually between 1974 and 1984 while the land conversion rate in Karachi was 24 square km per year (Dowall, April 1991). The 3.8 percent average population growth rate in secondary cities in Turkey in 2010 will require large amounts of land to be converted to urban uses.

¹⁷Land prices are critical in housing production. Land costs can constitute more than 50 percent of total development costs in some land markets. High land prices adversely effect affordability. The annual percentage increase in land prices varies widely among developed and developing countries; 10.3 percent (1970-80) in the Federal Republic of Germany, 14.5 percent (1975-80) in the United States, 25.7 percent (1973-77) in Caracas, Venezuela, and 34.2 percent (1976-81) in residential areas in Tokyo, Japan (Doebele, 1987: 117). Variations in land price increases in different parts of the world partly reflect the nature of the ownership patterns (monopolized versus fragmented land markets).

¹⁸Large proportions of urban households in major cities in developing countries live in informal (unregulated and sub-standard) housing settlements; 23 percent in Karachi (1970), 33 percent in Nairobi (1970), 40 percent in Ciudad Guayana (1969), 90 percent in Adis Ababa (1968) (Grimes, 1976: 116-117), and more than 58 percent in Ankara (1990). Large land price differentials between informal and formal settlements lead low-income households to locate on illegally subdivided land which is the only affordable alternative. In Indonesia a 35 percent premium is attached to formal housing units. Within informal settlements in Jakarta, having a registered title to land adds about 45 to 60 percent to the value of a residential plot.

¹⁹Doebele, 1987: 120.

²⁰E.g. "vacant land taxation": taxation of land "ripe" for urban development but being held off the market; and "site value taxation": equal taxation of all land that is similarly situated (Doebele, 1987).

²¹Dowall (April, 1991: 7-8).

²²Housing constituted 28 percent of KLDC's total land development activities in 1980 and more than 90 percent in 1982 (in volume of hectares) (Meurs, 1986).

²³See Meurs (1986: 44) for details on KLDC's capitalization and sources of funds.

²⁴Dowall (April, 1991).

²⁵World Bank, 1991b: 32.

²⁶Different forms of traditional land holdings make the direct transfer of tools of legalization difficult from one country to another. The specific legal system governing land ownership, and planning laws regulating land use, need to be addressed concurrently to devise mechanisms for titling suitable for each locality.

²⁷Past experience with project-based upgrading approaches had limited replicability on a city-wide basis. Limiting the regularization efforts to "projects" increased the economic value of housing in these settlements, making them more attractive for middle-income households. Project beneficiaries often sold or rented their improved and more expensive housing to middle-income households, whose housing needs are not met by the formal private sector, only to build a new squatter dwelling elsewhere in the city. Thus, "projects" inadvertently contributed to the reproduction of poor living conditions in other parts of cities, particularly in the presence of political tolerance towards informal housing.

²⁸In Tondo, Manila, a project was designed to match beneficiaries' actual ability to pay for services ensuring cost-recovery. In a six-year period, the project neighborhood has been transformed from being a slum to a well-built neighborhood, and fostered home-based income-generating activities.

²⁹The area to be upgraded was first studied by the Department of City and Village Planning, which was later approved by the Minister of Municipal and Rural Affairs and Environment. The plan was later officially published by the Governor for public review and the municipality incorporated the plan in its infrastructure and service programs. Plot retitling was administered by the Department of Lands and Survey.

³⁰Erbach, 1990.

- ³¹Koc, 1991.
- ³²Land search entailed, on average, 10.5 months.
- ³³In the event that the member cannot make the payment, he/she loses membership rights. This situation occurred in only 4 percent of households surveyed.
- ³⁴The earliest housing cooperative goes back to 1934, the Bahcelievler housing cooperative, which was founded to house the civil servants of the new Republic. The number of housing cooperatives increased from 1,750 in 1960 to 40,000 in 1990.
- ³⁵This was the case, for example, for eighteen housing cooperative associations who united to form the Housing Cooperatives Central Coordinating Unit (KONUTBIRLIK) in 1988 to provide technical assistance and guide new cooperative associations as well as facilitate the flow of information among cooperative members on the sector's performance.
- ³⁶Historically, Workers' Social Security Institution (SSK) had encouraged workers' housing cooperative associations but the system was not financially sustainable. The socially defined lending terms and rates, very low fixed interest rates, favoring poor households were maintained at the cost of institutional self-sustainability.
- ³⁷HDA, 1991.
- ³⁸Median housing price and median household income (HDA, 1991) were used to construct this ratio:
Median house value (1991) = 62,500,000 T.L. (US\$14,205), Median annual household income (1991) = 15,000,000 T.L. (US\$3,409).
- ³⁹The relationship between increasing rental occupancy rates and housing prices is difficult to specify with limited trend data on both variables in different cities in Turkey.
- ⁴⁰HDA, August 1991.
- ⁴¹The raw database was currently not available for other end-users' analysis.
- ⁴²Two household surveys on expenditures were conducted by the State Statistical Institute in 1978 and 1987.
- ⁴³Household expenditures include food, expenditures in restaurants and similar places, clothing, house furnishings, goods and services for household operation, health, personal care, transportation and communication, culture, education, and entertainment, in addition to housing expenditures.
- ⁴⁴Housing expenditures include central heating, LPG, fuel-oil, kerosene, wood, coal, dried dung, and other miscellaneous expenses in addition to rent payments.
- ⁴⁵Very little data exists on rental housing markets in Turkey to cross-check the accuracy of these figures.
- ⁴⁶Between 1980-90, 1,775,891 housing units have been completed (SPO, SSI) by the formal sector. During the same period about 600,000 new gecekondü units have been constructed (Keles, 1990: 369) indicating on average an annual total housing production of 237,589 units in formal and informal housing sectors together. This production is slightly below the average estimated annual need in the last seven years (300,571) by SPO. This may be due to an inaccurate count of gecekondü dwellings and reporting their number lower than their actual magnitude. In fact, Ravicz and Struyk (August 1991), using the Housing Needs Assessment Methodology, project the need to be about 426,000 new dwelling units annually for the next five years in urban areas. The unmet demand will most likely be supplied by the informal sector unless the government enables the private sector to function and formulate a policy framework to increase access to formal sector housing by the poor.
- ⁴⁷"Gecekondü" literally means "built overnight" in Turkish and refers to unauthorized (informal) housing settlements.
- ⁴⁸Milliyet Newspaper, July 25, 1987.
- ⁴⁹In the last six years, the responsibility for servicing land for tourism facilities has been transferred to the Ministry of Tourism.
- ⁵⁰It has been reported that while 33 percent of the municipalities employ only one urban planner, 25 percent have none (Keles, 1990: 133).
- ⁵¹SPO and SSI report that between 1963 and 1984, 3,248,375 housing units received construction permits, and during the same time 595,890 housing units (18 percent) received housing loans from either BAG-KUR, OYAK, SSK, or Emlak Bank. After 1984, housing units receiving public finance increased to 30.5

percent. However, the statistics do not reflect new housing units in the informal sector, and the total number of units built with the help of some form of public finance is large due to double-counting by each institution. It is not uncommon to get financing from multiple sources, particularly after 1984. Thus, the percentage of housing units receiving formal public financing is most likely smaller.

⁵²The differences in interest rates and terms were insufficient, however, to affect the migration patterns significantly as was originally intended by the law.

⁵³Concurrent with the implementation of the new regulations, the institution's future role is being examined and the feasibility of establishing primary and secondary mortgage markets is being studied by the Federal National Mortgage Association (Fannie Mae) under the supervision of the World Bank.

⁵⁴Second-homes outside of the urban Master Plan boundaries located on individually subdivided land are no longer financed. The law states that loans shall not be extended to individuals for second-home construction until larger cities' housing needs are met. Some leakage may still be present, however, due to the interpretation of what qualifies as a second home or vacation home in addition to ongoing construction of units already approved.

⁵⁵The role of the MPWS and Social Security Institutions (SSK, BAGKUR, OYAK) in housing delivery was reduced in the 1980s.

⁵⁶Although principally a housing finance intermediary, HDA is also involved in direct housing production. For example, as a pilot project, HDA produced about 3,000 completely furnished turn-key housing units in Atakoy, Istanbul. Direct production, however, constituted only 2 percent of housing financed by HDA.

⁵⁷The CPI was 35, 39, 75, 70, and 64 percent in respective years between 1986 and 1990 (SIS, 1991).

⁵⁸The certificate prices by type are as follows:

Type A: 10 mi. T.L. (US\$2,273)

Type B: 8 mi. T.L. (US\$1,818)

Type C: 6 mi. T.L. (US\$1,364)

Type D: 4 mi. T.L. (US\$909)

Type E: 2 mi. T.L. (US\$455)

Type F: 2 mi. T.L. (US\$455)

⁵⁹27 percent of the revenues came from remittances by Turkish workers in Germany and Netherlands.

⁶⁰As of August 8, 1991, a total of 14,910 certificates have been sold in eight cities. The drop in the sale volume from 15,539 at the end of the first year to 14,910 certificates is due to the return of certificates by unsatisfied consumers to the government.

⁶¹The 1988 SSI construction statistics show that 5,477 units received building permits after the Amnesty Law, indicating that the majority of the titles were granted between 1988 and 1990 in Ankara. The 1988 figure is low also, due to the fact that not every household who receives title immediately applies for a building permit for construction in some cases to avoid the titling costs.

⁶²Compare this to different housing settlements: two-story walk-up: 389 people/ha; five-story apartment building: 443 people/ha.

APPENDIX I

**Appendix Table 1.1
Select Economic Indicators**

	1989 <u>GNP p.c.</u>	<u>Avg. Annual Rate of Inflation (%)</u>	
		<u>1965-80</u>	<u>1980-89</u>
Mexico	2,010	13.0	72.7
Chile	1,770	129.9	20.5
So. Korea	4,400	18.4	5.0
Jordan	1,640	n/a	n/a
Morocco	880	5.9	7.4
Turkey	1,370	20.8	41.4

Source: World Development Report, The World Bank, 1991.

**Appendix Table 1.2
Select Urbanization Indicators**

	1989 <u>Population</u> <u>(millions)</u>	<u>% Urban</u>		<u>Avg. Annual Growth Rate</u> <u>of Urban Population</u>	
		<u>1965</u>	<u>1989</u>	<u>1965-80</u>	<u>1980-89</u>
Mexico	84.6	55	72	4.4	3.0
Chile	13.0	72	85	2.6	2.3
So. Korea	42.4	32	71	5.8	3.6
Jordan	3.9	46	67	4.4	4.6
Morocco	24.5	32	47	4.3	4.3
Turkey	55.0	34	60	4.1	6.0

Source: World Development Report, The World Bank, 1991.

APPENDIX II

Appendix Table 2.1
Share of Housing Investments in GNP and
Fixed Capital Investments in Turkey

<u>Year</u>	Hsg Inv./GNP (%)	Hsg Inv./FCI (%)
1963	3.4	23.7
1964	3.2	22.3
1965	3.5	23.5
1966	3.6	22.4
1967	3.4	20.7
1968	3.5	19.2
1969	3.7	19.5
1970	3.9	21.2
1971	3.6	21.7
1972	4.1	21.1
1973	4.1	21.6
1974	3.1	17.3
1975	3.3	16.5
1976	4.0	17.4
1977	4.3	17.6
1978	4.7	21.7
1979	4.9	24.0
1980	4.2	21.5
1981	2.5	13.3
1982	2.4	12.8
1983	2.4	13.0
1984	2.6	14.4
1985	2.9	14.3
1986	3.7	16.1
1987	5.1	21.2
1988	6.3	26.3
1989	6.3	28.0
1990	5.4	25.2
1991	5.1	23.1

Source: State Planning Organization (SPO), January 1991.

Appendix Table 2.2
Housing Need & Production in Turkey

	<u>Annual Need</u>	<u>Housing Starts</u> <u>(a)</u>	<u>Housing Completions</u> <u>(b)</u>	<u>Backlog</u> <u>(a-b)</u>
1975		181,685	97,431	
1976		224,584	102,110	
1977		216,128	119,409	
1978		237,087	120,615	
1979		252,846	124,297	57,388
1980		203,989	139,307	85,277
1981		144,394	118,778	97,350
1982		160,078	115,986	121,101
1983		169,037	113,453	139,393
1984	272,000	189,486	122,580	81,409
1985	280,000	259,187	118,205	26,189
1986	290,000	392,825	165,903	-5,825
1987	298,000	488,240	194,239	-25,202
1988	305,000	473,582	205,483	-15,997
1989	318,000	413,004	250,480	8,707
1990	341,000	(*)335,000	231,477	
Total:				569,790

(*) estimate

The backlog is calculated with the assumption that on average construction takes 4 years in Turkey. At any one year, during 1975 and 1989, the average number of unfinished housing was about 130,000.

Sources: SPO, SSI

Appendix Table 2.3
Public and Private Housing Investments in the Formal Sector
(billion T.L.)

	<u>Public</u>	<u>%</u>	<u>Private</u>	<u>%</u>
1980	9.9	5.3	176.2	94.7
1981	17.2	10.4	147.8	89.6
1982	15.8	7.5	195.3	92.5
1983	20.4	7.2	262.5	92.8
1984	46.0	9.7	427.2	90.3
1985	85.5	10.7	712.1	89.3
1986	107.8	7.4	1,355.5	92.6
1987	119.6	4.0	2,857.2	96.0
1988	207.7	3.3	6,141.0	96.7
1989	323.7	3.0	10,412.5	97.0
1990	999.7	7.0	14,342.7	93.0

Source: SPO, 1991.

Appendix Table 2.4
Share of Cooperatives in Housing Production in Turkey
1979-1989 (percent)

<u>Year</u>	<u>Starts</u>	<u>Completions</u>
1979	12.5	11.2
1980	15.5	8.7
1981	18.6	10.8
1982	30.3	13.6
1983	21.8	15.2
1984	20.3	15.9
1985	29.5	18.0
1986	36.5	20.4
1987	32.2	21.9
1988	34.8	23.8
1989	37.3	25.7

Source: SSI Construction Statistics

Appendix Table 2.5
Housing Production by Housing Cooperatives in Turkey
Starts (Building Permits)

<u>Year</u>	<u># of Cooperative Associations</u>	<u>Housing Starts (units)</u>
1934-50	12	638
1950-55	93	4,977
1955-60	245	15,442
1960-65	126	13,570
1965-70	523	23,378
1970-75	1,794	77,965
1975-80	1,631	113,276
1980-85	3,216	213,664
1985-90	20,426	547,719

Source: KENTKOOP, 1991: 12.

Appendix Table 2.6
Housing Production by Housing Cooperatives, 1980-1987
Completions (Occupancy Permits)

	<u>No. of Cooperatives</u>	<u>Housing Units Completed</u>	<u>Average No. of Members Per Coop</u>
1980	287	12,056	42
1981	314	12,874	41
1982	348	15,826	45
1983	435	17,201	40
1984	490	19,456	40
1985	365	21,273	58
1986	627	34,311	55
1987	648	41,931	65

Source: SSI, SPO, 1991.

Appendix Table 2.7
Affordable Costs by Income Class in the Availability of Housing Finance
1990

	<u>Metropolitan and Other Urban Areas</u>	
	<u>Loan/Value=90%</u>	<u>Loan/Value=60%</u>
Quintile 1	15 mi. T.L. (US\$3,409)	55 mi. T.L. (US\$12,500)
Quintile 2	24 mi. T.L. (US\$5,455)	84 mi. T.L. (US\$19,091)
Quintile 3	31 mi. T.L. (US\$7,045)	112 mi. T.L. (US\$25,455)
Quintile 4	48 mi. T.L. (US\$10,909)	171 mi. T.L. (US\$38,864)
Quintile 5	107 mi. T.L. (US\$24,318)	385 mi. T.L. (US\$87,500)

Source: Urban Institute, August 1991:16.

Appendix Table 2.8
Housing Tenure in Turkey

	<u>Turkey</u>	<u>Urban Areas</u>
Homeowner	71.2%	60.6%
Renter	21.9%	33.0%
Government/Company Housing	2.7%	2.5%
Other	4.2%	4.2%

Source: SSI, 1987.

Appendix Table 2.9
Rent Burden in Turkey, 1978 & 1987
(percent)

<u>Income Group</u>	<u>1978</u>	<u>1987</u>
Low	6.3	16.9
Low-Medium	5.9	17.5
Medium	5.4	19.0
High-Medium	5.12	20.6
High	4.42	13.6
Average	5.39	17.0

Excessive rent burden is defined as households spending 20-25 percent of their income on rent.

Source: Geray, KONUTBIRLIK, December 1990. (based on the 1978 & 1987 SSI Surveys).

Appendix Table 2.10
Stock of Gecekondu Dwellings in Turkey

<u>Year</u>	<u>Total # of Gecekondu dwell.</u>	<u>Gecekondu Population</u>	<u>Share of Urban Pop. Living in Gecekondu Dwell.</u>
1955	50,000	250,000	4.7
1960	240,000	1,200,000	16.4
1970	600,000	3,000,000	23.6
1980	1,150,000	5,750,000	26.1
1990	1,750,000	8,750,000	33.9

Source: Keles, 1990: 369.

Appendix Table 2.11
Gecekondu Dwellings in Ankara

<u>Year</u>	<u>Number of Gecekondu Dwell.</u>	<u>Gecekondu Population</u>	<u>Share of Population Living in Gecekondu Dwell.</u>
1950	12,000	62,400	21.8 %
1960	70,000	364,000	56.0 %
1970	144,000	748,000	60.6 %
1980	275,000	1,450,000	72.4 %
1990	350,000	1,750,000	58.3 %

Source: Keles, 1990:369.

Appendix Table 2.12
Urban and Gecekondu Population in Other 8 Cities
with High Proportions of Gecekondu Dwellings, 1990

	<u>Total</u> <u>Population</u>	<u>Number of</u> <u>Gecekondu Dwell.</u>	<u>Gecekondu</u> <u>Population</u>	<u>Share of Population</u> <u>Living in</u> <u>Gecekondu Dwell.</u>	
Istanbul	6,847,200		141	25	
Izmir	2,179,058		174	36	
Adana	1,302,409		20	26	
Bursa	1,080,007		27	9	
Gaziantep	841,950			45	40
Antalya	501,132			56	21
Diyarbakir	513,453			11	34
SanliUrfa	503,395			14	17

Source: UNICEF, April, 1991: 357.

Appendix Table 2.13
Share of Gecekondus by 1987 Sale Values
(percent)

<u>T.L. ml. (1987)</u>	<u>Istanbul</u>	<u>Ankara</u>	<u>Izmir</u>
1 - 5.9	38.44	64.75	60.08
6 - 9.9	28.49	30.20	9.87
10 - 14.9	14.39	5.05	30.05
15 +	18.68	0.00	21.75
	100	100	100

Source: SPO, May 1991: 115.

Appendix Table 2.14
Proportion of Gecekondu Dwellings by Year of Construction

	<u>Istanbul</u>	<u>Ankara</u>	<u>Izmir</u>
1915-49	1.1	1.5	0.7
1950-59	7.1	4.5	5.8
1960-69	21.7	16.9	19.6
1970-79	47.3	58.7	45.7
1980-87	22.8	18.4	28.2
	100	100	100

Source: SPO, May 1991: 113.

APPENDIX III

**Appendix Table 3.1
Public Financed Housing Starts & Completions
in the Formal Sector in Turkey, 1963-89**

	<u>Starts</u>	<u>Completions</u>	<u>Public-Financed</u>
1963-1984	3,248,375	1,730,721	595,890
1984-1989	2,216,324	1,059,584	676,190

Source: SPO, 1991.

**Appendix Table 3.2
Distribution of HDA-Financed Housing Units
by Housing Unit Size
(since 1984)**

	<u>No. of Housing Units</u>	<u>%</u>
61-80 square meters	102,206	14.5
81-100 square meters	483,994	59.4
101-150 square meters	<u>212,659</u>	<u>26.1</u>
	814,306	100.0

Source: HDA, 1991.

**Appendix Table 3.3
HDA-Financed Housing Units According to the
Second Housing Law (1984) and the Amendment (1989)**

Second Housing Law (1984):	630,309 (77.4%)
Amendment (1989):	183,997 (22.6%)
"Other" Areas	147,197
Squatter Prevention Areas	8,442
GAP & Areas with Development Priority	28,358
Total:	814,306 (100%)

Source: HDA, 1991.

Appendix Table 3.4
Distribution of HDA-Financed Housing Units
by Percentage of Construction Completed
(since 1984)

<u>% of Construction Completed</u>	<u>No. of Housing Units</u>	<u>%</u>
0-10	18,937	2.3
11-20	20,555	2.5
21-24	15,409	1.9
25-49	76,053	9.3
50-74	88,748	10.9
75-89	73,242	9.0
90-97	60,303	7.4
98	6,672	0.8
100	<u>454,387</u>	<u>55.8</u>
	814,306	100.0

Source: HDA, 1991.

Appendix Table 3.5a
HDA Loans as a Percentage of Construction Costs
1984-1990

	<u>60 sq.m.</u>	<u>80 sq.m.</u>	<u>100 sq.m.</u>
1984	62.0	59.8	58.4
1985	38.4	37.0	42.7
1986	35.7	29.8	33.3
1987	36.6	29.8	27.5
1988	36.6	27.5	22.0
1989	54.3	40.7	33.0
1990	32.9	24.7	19.8
1991	21.1	15.8	12.7

Source: HDA, 1991.

Appendix Table 3.5b
HDA Loans by Size of Unit
1984-1991
(T.L.)

	<u>60 & Below</u>	<u>60-80</u>	<u>81-100</u>	<u>101-150</u>
1984	1,750,000	2,250,000	2,750,000	3,250,000
1985	1,750,000	2,250,000	2,750,000	3,250,000
1986	2,250,000	2,500,000	3,000,000	3,500,000
1987	3,000,000	3,250,000	3,500,000	3,750,000
1988	4,500,000	4,500,000	4,500,000	4,500,000
1989	11,000,000	11,000,000	11,000,000	11,000,000
1990	11,000,000	11,000,000	11,000,000	11,000,000
1991	11,000,000	11,000,000	11,000,000	11,000,000

Source: HDA, 1991.

Appendix Table 3.5c
Construction Costs of Low-Cost Social Housing
1984-1990
(T.L.)

	<u>60 sq.m.</u>	<u>80 sq.m.</u>	<u>100 sq.m.</u>
1984	2,823,750	3,765,000	4,706,250
1985	4,563,000	6,084,000	7,605,000
1986	6,300,000	8,400,000	10,500,000
1987	8,190,000	10,920,000	13,650,000
1988	12,285,000	16,380,000	20,475,000
1989	20,270,250	27,027,000	33,378,375
1990	33,390,000	44,520,000	55,650,000
1991	52,110,000	69,480,000	86,850,000

Source: MPWS, January 1991.

Appendix Table 3.6
Share of Housing Loan Advances in Total MHF Revenues
1984-1990

1984	77.3 %
1985	83.7 %
1986	76.1 %
1987	93.1 %
1988	49.0 %
1989	31.6 %
1990	21.0 %

Source: HDA, 1991.

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2. Ministry of Public Works and Settlement (MPWS)
3. Housing Development Administration (HDA)
4. General Directorate of Cadastre
5. Workers' Social Insurance Agency
6. State Statistical Institute (SSI)
7. Land Office
8. Emlak Bank
9. TUBITAK, Building Research Institute
10. Planning Office of Greater Metropolitan Municipality of Ankara
11. KENTKOOP, a major housing cooperative association in Ankara
12. Planning Professors at the Middle East Technical University and Ankara University.