

## Technical Cooperation (TC) Document

### Regional

#### SOUTH KOREA AFFORDABLE HOUSING POLICIES: LESSONS FOR LATIN AMERICAN AND CARIBBEAN COUNTRIES (RG-X1210/RG-W1028)

#### I. BASIC INFORMATION

▪ Country/Region:	Regional	
▪ TC Name:	South Korea affordable housing policies: Lessons for Latin American and Caribbean countries.	
▪ TC Number:	RG-X1210 and RG-W1028	
▪ Team Leader/Members:	Nora Libertun de Duren, Team leader; Javier Leon; Andres Blanco; Dianela Avila y María Perrier (IfD/FMM); Andres Uribe Orozco (LEG/CLA), y Diego Valenzuela Raby (LEG/SGO).	
▪ TC Abstract authorization:	March, 2014	
▪ Beneficiary	Regional	
▪ TC taxonomy:	Research and Dissemination (R&D)	
▪ Executing Agency and contact	Inter-American Development Bank (IDB)	
▪ Donors providing funding:	Korea Research Institute for Human Settlements (KRIHS)	
▪ IDB Funding Requested:	US\$100,000 <sup>1</sup> to be allocated as follows:	
	<b>RG-X1210:</b>	US\$27,500
	<b>RG-W1028:</b>	US\$72,500 Externally - Funded Complementary Workforce (EF-CWE)
▪ Person responsible for supervision	Nora Libertun de Duren (nlibertun@iadb.org)	
▪ Disbursement period:	14 months	
▪ Execution period:	12 months	
▪ Required start date:	May 1st, 2014	
▪ Types of consultants :	Individual International	
▪ Prepared by Unit:	Fiscal and Municipal Management (FMM)	
▪ Unit of Disbursement Responsibility:	Institutions for Development (IfD)	
▪ TC Included in Country Strategy:	Yes	
▪ TC included in CPD:	Argentina (2012-2015); Brazil (2012-2014); Colombia (2011-2014); Ecuador (2012-2017); El Salvador (2010-2014); Mexico (2010-2012); Peru (2012-2016).	
▪ GCI-9 Sector Priority:	(i) Reduce poverty and inequality. The research will focus on the lowest income households living in cities.	

<sup>1</sup> These funds will be administered by the IDB through a non-reimbursable project-specific grant (PSG). KRIHS will contribute US\$100,000. This PSG will be administered by the IDB pursuant to document SC-114. In accordance with that document, the commitment of KRIHS for the PSG will be established through a separate Administrative Agreement. The Bank will charge an administrative fee of 5% of the contribution, which is duly identified in the budget of this project.

## II. OBJECTIVES AND JUSTIFICATION OF THE TC

- 2.1 **Objective.** The objective of this TC is to improve affordable housing policies in Latin American and Caribbean (LAC) countries through the analysis of the South Korea experience on incorporating the private sector in the financing of affordable housing, promoting community involvement in the design and implementation of affordable housing programs, and supporting a rental market targeted to the lowest income households.
- 2.2 **Justification.** Access to housing in LAC countries has improved—since 2000, the percentage of households with access to housing has risen in all quintiles (Bouillon, 2012).<sup>2</sup> Nonetheless, the absolute number of households in a housing-deficit situation has increased. The qualitative deficit affects 40 million households, who suffer from overcrowding (three or more people per room), or lack basic services or secure tenure of their homes. Moreover, there are a further 13 million households subject to a quantitative deficit, either because they live in makeshift housing, or because they share it with another household. The deficit is more prevalent the poorer the quintile, with one third of housing-deficit households belonging to the poorest quintile (Rojas and Medellin, 2011).<sup>3</sup> Nearly half of the housing deficit in urban areas is attributable to the high cost of homes, and lack of access to financing. The scant development of the mortgage market, which accounts for just 1.5% of mortgages worldwide (Warnock, 2008),<sup>4</sup> is probably associated with the high degree of economic informality that prevails in the region. Lastly, the region is falling behind in the use of sustainable construction techniques and the production of adequate housing. The stock of housing in the region amounts to 250 homes for every 1,000 inhabitants, half of that recorded in European Union countries (UN Habitat, 2010).<sup>5</sup>
- 2.3 Against this backdrop, IDB’s Housing and Urban development Sector Framework Document (IDB, 2013<sup>6</sup>), proposes to expand the access to housing finance for the poorest population, and expand the housing services offered—including the rental market; while promoting citizen participation. South Korea has successfully implemented policies in all these three areas. Its government has supported rental housing to meet the needs of low— income households since the 1970s (Park, 2007<sup>7</sup>). In 1998, following the Asian crisis, it revamped its housing policies to further include community participation in the design of affordable housing programs (PCWP, 2007). Last, in 2009, it created the Korean Mortgage Corporation (KoMoCo) in partnership with Merrill Lynch to successfully refinance affordable housing debt of the National Housing Bank in South Korea<sup>8</sup>

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<sup>2</sup> Bouillon, C. Ed. 2012. *Room for Development: Housing Markets in Latin America and the Caribbean*. IDB.

<sup>3</sup> Rojas, E., and Medellin, N. 2011. “Housing policy matters for the poor. Housing conditions in Latin America and the Caribbean 1995-2006.” *IDB Working Paper Series No. IDB-WP-289*.

<sup>4</sup> Warnock, 2008. “Markets and housing finance.” *Journal of Housing Economics*. Doi:10.1016/j.jhe.2008.03.001.

<sup>5</sup> UN Habitat, 2010. *State of the World’s Cities 2010/2011*. Nairobi: UN Habitat.

<sup>6</sup> Inter-American Development Bank, 2013. *Urban Development and Housing Sector Framework Document*. GN-2732-2

<sup>7</sup> Park, S. Y. (2007) *The State and Housing Policy in Korea*, in Groves, R., Murie, A. and Watson, C. (eds.) (2007) *Housing and the new welfare state: Perspectives from East Asia and Europe*, Aldershot: Ashgate.

<sup>8</sup> PCPW\_Presidential Commission on Public Welfare (2007) *The evaluation of Participatory Government’s living welfare policy*, Seoul: PCPW.

(UN\_Habitat, 2009).<sup>9</sup> This TC would extract lessons from these experiences towards the design and implementation of policies promoting affordable housing in LAC.

### III. DESCRIPTION OF COMPONENTS AND ACTIVITIES

- 3.1 The Project Specific Grant (PSG) from KRIHS (RG-W1028) will finance An Individual Consultant. This professional is expected to provide technical support and expertise in a joint KRIHS/IDB research project on the area of urban development and housing and as member of project teams for the development, evaluation, and dissemination of urban and housing projects and research. The consultant will contribute to the achievement of the stated objectives in the following two components and its contract will be for 12 months:
- 3.2 **Component I: Korean Week (KW).** This component will support activities related to the (i) **preparation** of the Korean Week, especially regarding KRIHS participation; and (ii) **posterior dissemination** of the main conclusions. The Korean week is jointly sponsored by the Institutions for Development Department (IfD) at the IDB and the Ministry of Strategy and Finance of the Government of South Korea, and it will be held in May 2014, at the IDB headquarters in Washington DC.
- 3.3 **Component II: Joint Research.** This component consists of two main activities:
  - a. **Carry out background research.** This aims to stockpile study various affordable housing policy practices for urban poor in Korea and analyze their potential applicability in LAC. The background research will include topics in the areas of community participation, private sector's role in expanding the affordable housing supply and financing; expanding the supply of rental housing, and housing related institutions and funds for urban redevelopment and developing new towns.<sup>10</sup> When applicable, these topics will incorporate community-driven practices as it becomes a key factor for affordable housing policies to sustain community and residential environment. These topics could be updated by the research team.
  - b. **Develop a toolkit for affordable housing in LAC.** A toolkit is a list of preconditions that housing practitioners and policy makers should consider to design affordable housing policies and measures for urban poor. It will be developed and adjusted to make it applicable to LAC countries by relying on existing research on housing policies in LAC. The toolkit would focus specially in defining under which conditions these policies could be implemented in LAC countries, understanding the different conditions in each of the region.
- 3.4 A FMM sector specialist will support the joint research, providing guidance and statistical information related the LAC cities.
- 3.5 **Indicative Results** Table I indicate the expected results of this TC, including indicators and goals. The disbursement time is 14 months.

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<sup>9</sup> UN\_Habitat, 2009. Concept Note on Affordable Housing, New York, 25 June 2009.

<sup>10</sup> See Annex I for details about these topics.

<b>TABLE 1. Indicative Results Matrix</b>					
<b>Product Indicators</b>					<b>Goal 2015</b>
<b>Component II. Korean Week</b>					
	<b>Base</b>	<b>Goal</b>	<b>Source</b>	<b>Impact indicator</b>	<b>#</b>
KRIHS participation in KW	0	1	IDB docs (KW program)	# of hits Korean Week blog	100
Dissemination of KW	0	3	Blogs, twitter, video		
<b>Component III. Joint Research</b>					
	<b>Base</b>	<b>Goal</b>	<b>Source</b>	<b>Impact indicator</b>	<b>#</b>
Research	0	1	IDB docs	# of references to toolkit in IDB/KRIHS documents	2
Toolkit	0	1			

#### IV. BUDGET

##### A. Indicative Budget

- 4.1 The total budget for the contract and benefits of this professional will be US\$72,500 cover with the RG-W1028, and the remaining balance of US\$27,500 with the RG-X1210.

<b>Detail budget for RG-X1210/RG-W1028</b>	
<b>Activity for the RG-W1028</b>	<b>IDB/PSG Funding</b>
EF-CWE – Individual consultant	
• Honorarium (12 months)	\$62,000
• Medical Insurance Allowance	\$3,000
• Airfare (economy fare)	\$7,500
<b>Subtotal for RG-W1028</b>	<b>\$72,500</b>
<b>Activities for the RG-X1210</b>	
Research activities	\$18,000
Publications	\$2,500
Contingencies	\$2,000
Administration Fee 5%	\$5,000
<b>Subtotal for RG-X1210</b>	<b>27,500</b>
<b>Total</b>	<b>\$100,000</b>

- 4.2 KRIHS expects to commit US\$100,000 to this project. Resources of this project to be received from KRIHS will be provided to the Bank through a PSG. The PSG is administered by the Bank according to the “Report on COFABS, Ad-Hocs and CLFGS and a Proposal to Unify Them as Project Specific Grants (PSGs)” (SC-114). As contemplated in these procedures, the commitment from KRIHS will be established through a separate administrative arrangement. Under such arrangement, the resources for this project will be administered by the Bank and the Bank will charge an administrative fee of 5% of the contribution, which is duly identified in the budget of this

project. The 5% administrative fee will be charged after the contribution has been received.

**V. EXECUTING AGENCY AND EXECUTION STRUCTURE**

- 5.1 The project team will be responsible for the preparation and submission to the donor of the project reporting in compliance with the stipulation of the Administration Agreement.
- 5.2 If at the end of project execution the project was closed with a positive uncommitted and unspent balance, the project team will be responsible for informing ORP/GCM to transfer the unspent balance as agreed to by the donor and the Bank pursuant to the terms of the PSG Administration Agreement”.
- 5.3 The procurement will be carried out by the Bank in accordance with the procedures set forth by Human Resources for the hiring of Complementary Workforce (AM-650) and for consulting and non-consulting services, being this R&D benefiting the Bank knowledge bank, the project team will follow procedures and IDB Corporate Procurement Policy (GN-2303-20).

**VI. MAJOR ISSUES**

- 6.1 None

**VII. EXCEPTIONS TO BANK POLICY**

- 7.1 None

**VIII. ENVIRONMENTAL AND SOCIAL STRATEGY**

- 8.1 No adverse environmental impact is expected from this TC. Therefore, it is recommended that this TC would be classified as “C” (IDBDocs #38724393).

**Required Annexes:**

Annex I. [Terms of Reference for activities](#)/components to be procured

Annex II. [Procurement Plan](#) RG-X1210/RG-W1028

**APPROVAL**

Approved :	<u>Original Signed</u> Vicente Fretes Cibils Division Chief Fiscal and Municipal Management Division (IFD/FMM)	<u>April/25/2014</u> Date
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