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BUILDING PROSPERITY

HOUSING AND ECONOMIC DEVELOPMENT



FOREWORD

For the first time in history, more than half of the world's population is living in towns and cities. In this new urban age, it is generally recognized that the provision of adequate shelter to rapidly increasing urban populations poses one of the greatest social challenges for humanity. Today, one out of every three urban dwellers – 1 billion people – lives in slum conditions.

The social challenges of housing provision are well understood by the international community. However, inadequate attention has been devoted to the central role of housing – particularly urban housing – in national economic development. Furthermore, while the linkages between housing and economic growth in developed countries are better understood, little is known about these linkages in developing countries and those in economies in transition.

This path-breaking book goes a long way towards filling this gap. With the support of detailed case studies and examples of best practices, it shows clearly that both the supply and consumption of housing interact closely with economic growth, notably through their impact on employment, income generation, investment and savings.

Employment is one of the key contributions of housing to the economy of developed and developing countries alike. The housing construction sector is a major industry throughout the world and accounts for a sizeable proportion of the gross domestic product in most countries. The recent sub-prime lending crisis in the US and the attendant ripple effects at all levels of society show clearly how central housing is to society and the potential it holds for countries at lower levels of development. Income generation is closely associated with housing; it includes payments to construction workers and construction suppliers, as well as home-based activities, some of which are linked to the global chain of production, such as garment production, telephone services and information technology.

The book shows that housing also makes a considerable contribution to national economic development in a variety of ways, including increases in capital stock, fixed investment and savings. In addition, there are significant interactions with financial systems, through housing banks, mortgage schemes, interest rates and consumption of housing services.

The provision of adequate housing can be critical for raising labour productivity, as it improves the economic efficiency of productive sectors. In other words, housing enables an economy to function smoothly by providing adequate places for employees to live in and thus work more productively. Also, the quality, price and convenience of a city's housing stock have a direct impact on the ability of businesses to recruit and retain the most productive employees. In this way, the available housing stock of cities and towns impacts on the location of economic activities, as well as on migratory flows of workers within and even between countries.

National development plans and policies need to incorporate a broader vision for the housing sector that goes beyond the traditional argument of social need and towards an enhanced contribution of housing to accelerated economic growth. This book identifies concrete policies and institutions to enable governments achieve that ultimate goal. In the process, it makes an important contribution to the international debate on the role of housing in economic development. It is my sincere hope that its contributions and recommendations will lead to greater prosperity across the world and translate into positive changes in the lives of the urban poor.

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