

# Improving the impact of rental subsidies

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## Context and Summary

UN Habitat has been involved in the design and implementation of subsidy based strategies at all stages of post crisis shelter and housing recovery from emergency to reconstruction and in conflict displacement in several countries over the last two decades. UN Habitat advocates for adoption of subsidy based enabling approaches accompanied by appropriate support mechanisms, including in Haiti.<sup>1</sup>

The rental sector recovery in Haiti has been complex and challenging. The rental subsidy programme channels a key sector of the urban population. A high proportion of the rental funds are used by landlords to upgrade their buildings and therefore the initiative also represents a vital support for local economies and for physical regeneration of neighbourhoods of return.

The following analysis and suggestions by UN Habitat reflect on the broader housing sector in general and the use of subsidies. Where relevant, they also refer to the points raised in the *External evaluation of the Rental Support Cash Grant Approach Applied to Return and Relocation Programs In Haiti (Wolf Group)*.

- The high transaction costs results mainly from checks which address donor and agency accountability concerns in the short term: beneficiary whereabouts, basic verification of the building officially occupied for one year.
- There is no technical assistance to optimise subsidy funds invested by landlords, or to condition or support the subsidy investment in construction of new buildings and extensions to absorb the new demand.
- After one year, 75% of the returning families do not remain in the rental accommodation identified and approved under the subsidy scheme and are therefore accommodated in the general market which is not being targeted with any associated technical support strategy.

## Optimising opportunities for the next phase

The additional 26,000 rental subsidies committed represent over 20 million usd, a major investment in the shelter and housing sector in Haiti. The rental subsidy is currently conceived in terms of **'emptying camps' or 'ending displacement in camps'**. However, in order to arrive at lasting solutions for low income households and renters, we propose the objective be reconceived to optimise opportunities for **'reinforcing the housing sector: increasing and improving housing including rental housing.'** UN Habitat proposes that the design and operation, while scaling up the rental subsidy strategy, may be improved to optimise the process and funds in order to better address short term needs and leverage wider and longer term results, linking relief to reconstruction and development.

UN Habitat propose that **5% of the budget (1 million of 20 million)** be reprogrammed from current administrative and monitoring activities and used instead for technical support for landlords building extensions, for communities of return and for tracking analysis of the recovery of the low income sector. This would not reduce the number of households or the direct subsidy grant assistance available.

Knowing that 75% of families to date are not remaining in the verified accommodation after the expiry of the subsidy, and with the prospect of increased camp closures and accelerated pressure on the rental market, proposed strategic technical support for the rental sector and areas of return are mitigation strategies, as well as strategies to harness the opportunities of subsidy and private investment.

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<sup>1</sup> In the early planning of the 16 / 6 programme in 2011, UN Habitat supported the utilisation of subsidies for rental but also proposed technical advice and loan measures to stimulate micro rental or 'one extra room' construction in neighbourhoods of return.

## Issues

**1. Housing sector and market profile:** Camps are integral part of an overall housing sector and market in Haiti and reflect certain housing deficit issues. In order to empty camps, we need to understand the market. There is detailed data available on camps in terms of numbers, location and household profiling. However the level of quantitative and qualitative data and the analysis of the housing market, including the rental market are very limited. Reporting by the cluster reflects a deficit of data on auto construction, auto repair, and urban growth, in terms of figures, locations, typologies, funding and other critical information that would allow for a housing market profiling. This would be useful not only for the operation of the subsidy but also to contribute to housing policy and strategy development.

**2. The subsidy acts as a stimulus without adding value to the housing sector:** Fuelling demand can cause increased development in precarious neighbourhoods. This may be mitigated with advance technical accompaniment and subsidy mechanisms to leverage adherence to development and building control criteria. The current mechanism does not leverage investment by property owners or condition improved construction practices. Over 40,000 new homes are under construction since the earthquake as additional storeys in a process of uncontrolled and largely unsafe densification significantly increasing risk. The required technical advice is not provided or available. Can the rental subsidy and associated technical support be revised to guide this momentum?

**3. Risk: Individual subsidies, aggregated impacts :** In the 16 / 6 neighbourhoods there was risk mapping, community planning and social mobilisation to inform area development and the return process. In other areas, sudden large scale rental demand may have negative consequences (such as increased development of ravines). The consideration of risk is not only an issue of checking individual buildings, but also anticipating and evaluating the combined impact and the need to identify risks and engage at community level. <sup>2</sup>

**4. Monitoring and evaluation of what and for whom?** Monitoring and evaluation focused on the beneficiary is very short term and donor oriented compared to monitoring of the rental sector or quality assurance of buildings which could be of longer term and of public benefit. What is the cost and benefit of second checking beneficiary whereabouts? Can we streamline the monitoring steps where there is not clear added value for the beneficiary?

**5. Flexibility. Rent subsidies should not be the new T shelter :** The massive construction of T shelter in the Haiti shelter response has been criticised for being supply driven, inflexible and for consequences which were not adequately monitored or addressed mid-course. The scaled up operation of rental subsidies should avoid the same risks, ensuring flexibility, facilitating demand-driven options and monitoring progress for emerging problems and for new opportunities.

**6. Equity considerations across all camp and return packages :** In the menu of camp return solutions, rental subsidies are the lowest budget option. Can a variety of shelter options be implemented without becoming hugely differential packages ranging from 650 usd (rental subsidy) to 6500 + usd (retrofitting 4000-8000 and new construction 4000-40,000) usd? Do technical and risk rationales over-ride basic principles of equity?

**7. Is there an overall plan :** The Government plan (UCLBP closing camps), at 400+ million usd, may not be feasible. The phenomenon of camps is one of the defining indicators of the crisis used to measure recovery. Camps remain a humanitarian priority in Haiti with cases of extreme shelter vulnerability and sanitation concerns. Is it a political imperative for the Government and for the assistance community to take collective responsibility to prepare and implement a realistic and comprehensive programme. How might that jointly be planned and implemented as a process, at the end of which a formal end to 'camps' has to be declared?

**8. National leadership. The role of authorities :** The operation of the rental subsidy to date has been largely operated by international organisations. The roles of local and technical authorities in the planning and implementation of camp solutions, including the operation of subsidy programmes, needs to be strengthened. In terms of beneficiary and community engagement, inspection of building, general building and development control, technical assistance, redevelopment options, or grievance redressal.

**9. Responsibility longer term:** The design and operation of the subsidy assumes high levels of responsibility for and control over the beneficiary households by donors and implementing agencies for one year, and afterwards no responsibility at all. Considering 75% are not in the same accommodation after one year, should the responsibility be reconceived more widely to improving the rental sector in for the longer term.

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<sup>2</sup> See Champs de Mars / Fort National process

## Recommendations

### *Strategic monitoring*

**1. Monitor and analyse urban development and housing sector dynamics :** Collect and analyse quantitative and qualitative data on the informal and low cost housing market, track locations, typologies, funding and other critical housing market profile information. Engage with construction and finance stakeholders, local authorities and community representatives to identify bottlenecks and potential solutions.

### *Technical support*

**2. Community level engagement:** Ensure there are community engagement, neighbourhood planning and mitigation strategies in neighbourhoods with high caseloads of return.

**3. Technical assistance (i):** The investment of over 20 million usd in the housing sector has an impact on the housing construction sector and should have an associated technical support strategy which can benefit not only concerned individual landlord and beneficiary households but the wider areas of return and leverage construction improvements. Plan and budget at least 5% for technical support that can help to increase and improve the rental sector.

**4. Technical assistance (ii): Improve supply before you fuel demand.** Technical assistance including development of engineering advice, construction of demonstration buildings, public communication, loans or other measures should be promoted in advance of the distribution of subsidies. Optimise the sequence.

**5. Technical assistance (iii): Increased and improved building extensions:** Provide technical advice to landlords and potential landlords interested in upgrading existing or building new rental accommodation and services. Prepare and provide additional guidance, training and demonstration construction including the following elements:

*A) Building vulnerability assessment, B) Advice for retrofitting if required, C) Structural guidance for extension construction, D) Guidance for service provision and management, E) Tenure guidance for landlord and tenants*

Establish building inspection and development control mechanisms in association with the concerned authorities. Consider the establishment of conditional loan mechanisms to supplement this housing production process.

**6. Technical assistance (iv): Household subsidy, new construction, Canaan:** Consider operating the subsidy as a **household subsidy** not only limited to rental but to be used for new construction in key schemes integrated in the development of the north of Port au Prince (Canaan / Morne a Cabris), incorporating technical assistance and conditional tranche payment to guide construction. Leverage opportunities through investment to accompany the wider development and urbanization process.

**7. Improve the efficiency and accountability:** Reduce the high cost of monitoring and evaluation which is bespoke and administrative.

### *Process*

**8. Make the process more inclusive:** Take steps to ensure greater representation, participation and decision making by affected families and by concerned authorities, in the policy level planning, implementation, monitoring and evaluation of the subsidy initiative and the overall camp and return programme.

**9. A roadmap for all camps.** Commit to overall analysis of camps. Commit funding for a joint programme by all partners, accommodating a range of return or development options for all camps. Ensure a joint plan is phased realistically considering the absorption rate, plan for interim amelioration measures if necessary. Ensure a joint plan is communicated clearly and transparently.

**10. Subsidy programmes and learning:** Subsidy programmes have been implemented for post-crisis shelter and housing including rental and hosting for several years in various countries, usually designed as livelihood subsidies and with far lower transaction costs. Valuable expertise and experience is available with concerned agencies and governments, if not extensively documented in the public domain. The rental subsidy should be reviewed in the context of wider practice and not only in relation to the Haiti post-earthquake experience to better contribute to sectoral learning.

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