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IMPLEMENTATION COMPLETION REPORT

REPUBLIC OF KOREA

HOUSING PROJECT
(LOAN 3329-KO)

JUNE 20, 1995

Infrastructure Operations Division
Country Department I
East Asia and Pacific Region

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CURRENCY EQUIVALENTS

US\$ = Won 716 (December, 1990)
= Won 762 (May, 1995)

WEIGHTS AND MEASURES

m = meter = 3.2808 feet
km = kilometer = 0.62 mile
m² = 10.76 square feet
km² = square kilometer
ha = hectare = 2.47 acres
py (pyong) = 3.3 square meters

FISCAL YEAR OF THE GOVERNMENT OF KOREA

January 1 to December 31

ABBREVIATIONS AND ACRONYMS USED

KHB = Korea Housing Bank
KLDC = Korea Land Development Corporation
KNHC = Korea National Housing Corporation
KRIHS = Korea Research Institute for Human Settlements
MOC = Ministry of Construction
NHF = National Housing Fund
PAIC = Public Administration Innovation Committee
PDS = Policy Development Statement

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Preface

This is the Implementation Completion Report (ICR) for the Housing Project in the Republic of Korea, for which Loan 3329-KO in the amount of US\$100 million equivalent was approved on July 19, 1991, and made effective on October 16, 1991.

The loan closing date is June 30, 1995 but the loan was fully disbursed as of December, 1993.

The ICR was prepared by Jed David Kolko (consultant) of the Urban Development Division in the Environmentally Sustainable Development Vice Presidency and reviewed by Mr. Vineet Nayyar, Chief, EA1IN and Mr. Mohammad Farhandi, Acting Projects Advisor, Country Department I, East Asia and Pacific Region.

Preparation of this ICR was begun during the Bank's final supervision mission in November, 1994. It is based on material in the project file. The borrower contributed to preparation of the ICR by performing statistical analysis, commenting on the draft ICR, and submitting its own evaluation of project implementation (see appendix).

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Evaluation Summary

Introduction

- i. This project was designed to introduce regulatory reform into the Korean housing sector. Few Bank projects anywhere have focused so directly on regulatory reform, and this project took an innovative approach to designing and monitoring a reform program.
- ii. As in many countries, the Bank's strategy for housing in Korea shifted away from physical, site-specific, public-sector-focused projects toward policy-reform projects that enabled the private sector to function more efficiently. In most places, an "enabling" strategy meant reforming or redesigning the roles of public agencies, strengthening their commitment to assisting poorer households, and introducing new pricing policies or financial instruments. This project embodies such an enabling strategy. (paragraphs 1-7.)

Project Objectives

- iii. The project objectives were to support the Government's objectives in the sector by providing additional resources for the National Housing Fund's (NHF) lending for lower income housing and by assisting the Government in formulating a framework for housing policy development and an agenda for policy reform in the sector. The Government's broad objectives for program and policy reform are reported as being: (i) to better target public housing assistance to the poor in terms of the needs of the recipients and to minimize the cost of providing the assistance, and (ii) to improve regulation of the sector in order to increase the efficiency with which the market provides housing services to the entire population.
- iv. To meet these objectives, the project included two components. The first, the investment component, provided support for an ongoing program of targeted lending through the National Housing Fund (NHF), the government's account window for low-income borrowers. NHF is overseen by both the government's Ministry of Construction (MOC) and the public Korea Housing Bank (KHB). NHF loans are long-term mortgages on residential properties for targeted beneficiaries.
- v. The second component involved developing a program of policy and regulatory reform and a capacity for implementing that program and monitoring the results. The government proposed a strategy, developed with the Bank, for the policy and regulatory review. This strategy, the Policy Development Statement (PDS) consisted of four areas to

study: (i) government housing programs; (ii) housing sector regulations; (iii) the land supply system; and (iv) other housing-related policies, such as capital gains taxation. Out of these studies would emerge the major areas needing reform, and, ultimately, the government's reform agenda.

vi. Progress in carrying out sector reform would be monitored using five key sector performance indicators: (i) the ratio of average house price to average household income; (ii) the ratio of average rents to average household income; (iii) the ratio of the price of residentially zoned land to the price of adjacent raw land; (iv) the ratio of the market price of housing to the factor cost of housing; and (v) the rate of progress in assisting target households in the bottom half of the income distribution. These indicators would be collected regularly by the Ministry of Construction and might also be used to reveal additional aspects of the housing system in need of reform. They would replace the physical indicators that the government had traditionally used to describe the housing market, such as new housing units constructed and the ratio of households to housing stock.

vii. The Korean government planned to fund the studies entirely itself. Thus, the total Bank loan was \$100 million, the amount lent under the investment component. (See paragraphs 8-16.)

Implementation Experience and Results

viii. The objectives were achieved. The investment component was implemented as planned, with the loan disbursed even more rapidly than projected. Under the policy development component, studies were completed, policy dialogue conducted, and reforms promulgated. The precise steps, though, diverged in some ways from the process envisioned in the project design.

ix. The studies, described by the government and Bank in the PDS, were modified during project implementation by MOC, with Bank agreement, and though somewhat different in substance, were still wholly in line with the project's development objectives. MOC was slow in initiating these studies, but they were completed. These studies did reveal the inequity and inefficiency of many housing programs and regulations and led to proposals for and actual reform. Indicators have been collected, but their use in policy development is not fully institutionalized in MOC. But these indicators have taken on an unexpected political importance: in discussions on housing policy, "indicators" have become an established part of political rhetoric.

x. Major housing and land reforms have taken place in Korea during the project period. First, the new government (1993) elevated regulatory reform in all sectors to primary importance and assigned this work to a Public Administration Innovation Committee which relied to some extent on the concepts and people involved in this project's studies. Second, the land-use law was changed in late 1993, raising the fraction of developable land from 16% to 41% of total supply, and decentralizing the zoning and permitting processes

thus addressing one of the fundamental issues identified at project identification. Third, the government began allowing and encouraging private provision of infrastructure, thus facilitating the development of raw land further expanding the supply of serviced land. Fourth, in 1994, as part of the reform of government housing programs studied under the project, the government began phasing out its deeply subsidized "permanent rental" housing units, on which the interest rate charged was often negative. This change removed an inefficient and poorly targeted subsidy. (See paragraphs 17-29.) The studies raised many of the housing issues acted upon by the government during the project period and the results and experience gained by the study team were important inputs to the reform process.

xi. It is highly likely that this project's achievements will endure. The changes that have taken place already are permanent. Many of the specific regulatory reforms already undertaken are difficult or impossible to reverse and are therefore very likely to be sustained. In the strict financial sense, sustainability has been achieved because the on-lent funds are being repaid and the proceeds are available for other uses. (See paragraphs 30-32.)

xii. Both the Bank and the borrower performed well. The project design was straightforward and the details well outlined in the project documents and the Policy Development Statement. The Bank was careful to insure that its own strategy was consistent with the government's and to involve the government in designing the project. The government took responsibility for funding and structuring the technical assistance elements. Overall, the government demonstrated its commitment to regulatory reform, the fundamental objective of the project. Housing regulations have been under scrutiny at the highest level of government, and regulatory reform has become high profile. (See paragraphs 33-38.)

xiii. This project is rated satisfactory. (See paragraph 39.)

Summary of Findings, Future Operation, and Key Lessons Learned

xiv. Two main lessons emerge from this project's experience. First is the unpredictability of the process of policy-making. This project attempted to increase the technical capacity for policy-making but still found the initiative and timing for reform driven by political mandates.

xv. Second is that projects emphasizing policy and regulatory reform cannot be evaluated in the same way that investment projects can. One of the clearest signs of this project's impact—the adoption of indicators in the political rhetoric—is nearly unquantifiable, short of performing content analysis of political speeches. And one traditional method of judging a project's impact—the economic rate of return—is somewhat misleading in this context.

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A. STATEMENT AND EVALUATION OF OBJECTIVES

1. This project was designed to introduce regulatory reform into the Korean housing sector. Few Bank projects anywhere have focused so directly on regulatory reform, and this project took an innovative approach to designing and monitoring a reform program. Two conditions made this sector ripe for this unusual kind of project: the structure of the Korean housing and land markets, and the relationship between Korea and the Bank.

The structure of the Korean housing and land markets

2. Korea's economic development in recent decades has been impressive by any standard. GNP growth has averaged 8% between 1960 and 1989. Even more remarkable was Korea's 12% growth rate in the late 1980's, just before the project was designed. With this rapid growth came urbanization. The proportion of Koreans living in cities grew from 38% in 1960 to 73% in 1989. This urban population boom resulted in high urban residential densities and significant pressure on the urban housing and land markets.

3. Housing and other policies in Korea intensified housing demand above even the level attributable to macroeconomic and demographic factors. Very low effective real estate gains taxes and property taxes made real estate an attractive investment. Financial sector controls on interest rates inadvertently made real estate investment even more attractive. Furthermore, price controls on new units stimulated demand by implicitly offering a subsidy to buyers equal to the difference between the controlled price and the market value of units.

4. On the supply side, several policies reduced the responsiveness of supply. Primary among these was the rigid land supply system, under which conversion of land zoning to use for residential purposes was difficult and minimal compared to demand. An example was the establishment of green belts around major cities, which made a ring of land on the city's outskirts unavailable for development and resulted in higher prices and densities within the city. This restriction on supply was aggravated by the near-monopoly the public sector had on developing large tracts of land, which prevented the private sector from supplying developable land in response to increasing demand. Price controls, mentioned above, also reduced supply responsiveness by lowering the profitability of producing housing.

5. These inappropriate policy responses to rapid growth and urbanization resulted in a badly distorted housing market. Rapidly increasing housing demand resulted not in rapidly increasing output but rather in rising prices. Housing prices rose faster than general inflation—in real terms, house prices grew almost 6% per year from 1974 to 1989. In urban areas, the fraction of households owning their homes fell from 50% in 1970 to 40% in 1989.

A good measure of distortion is the ratio of average house price to average household income, which is higher when housing supply is less responsive to demand. This ratio was 9.3 in Seoul, compared to 4.1 in Bangkok, 5.0 in Kuala Lumpur, 7.4 in Hong Kong, and 2.8 in Singapore, according to the UN Habitat–World Bank Housing Indicators Program.

The relationship between Korea and the Bank

6. This project was the fifth in the housing sector. With the sector and the government in general, the Bank developed a mature relationship, and this project was one of the last Bank loans to Korea. Previous projects focused on low-cost housing methods, the land development agency, and the housing finance system. As in many countries, the Bank's strategy for housing in Korea shifted away from physical, site-specific, public-sector-focused projects and toward policy-reform projects that enabled the private sector to function more efficiently. In most places, an "enabling" strategy meant reforming or redesigning the roles of public agencies, strengthening their commitment to poorer households, and introducing new pricing policies or financial instruments.

7. Another element of the Bank's mature relationship with Korea is the Korean government's desire to fund its own studies and technical assistance rather than relying on Bank financing, as other countries often do. There are several reasons for this. First, Korea is in better financial position than most countries and therefore need not rely as heavily on Bank financing. Second, the technical staff in and available to the Korean government is highly trained and generally extremely competent. Korea, therefore, has a great capacity to carry out its own studies with less technical advice from the Bank. Third, the Koreans prefer to use Bank technical assistance as training for its own staff, and by funding studies themselves can guarantee that the training benefits are conferred on their own staff.

The project's objectives

8. The Bank sought to design a project that would tackle the regulatory barriers to a more efficient housing market and, at the same time, augment Korea's significant technical capacity.

9. The SAR listed the project's objectives as supporting the Government's objectives in the sector by providing additional resources for the NHF's lending for lower income housing and by assisting the Government in formulating a framework for housing policy development and an agenda for policy reform in the sector. The Government's broad objectives for program and policy reform are reported as being: (i) to better target public housing assistance to the poor in terms of the needs of the recipients and to minimize the cost of providing the assistance, and (ii) to improve regulation of the sector in order to increase the efficiency with which the market provides housing services to the entire population.

10. To meet these objectives, the project included two components. The first, the investment component, provided support for an ongoing program of targeting lending through the National Housing Fund (NHF), the government's account window for low-income

borrowers. NHF is overseen by both the government's Ministry of Construction (MOC) and the public Korea Housing Bank (KHB). NHF would on-lend the loan proceeds for housing construction; these development loans would be converted into mortgages for targeted beneficiaries. The Bank would offer \$100 million in financing, which was estimated to fund 15,000 housing units. Bank involvement would represent a small fraction of NHF's expected business during the project period (1991-1995), estimated to be \$15 billion.

11. The second component involved developing a program of policy and regulatory reform and a capacity for implementing that program and monitoring the results. The Ministry of Construction would perform or contract out several studies to evaluate the impact of several kinds of government intervention in land and housing markets. The government proposed a strategy, developed with the Bank, for the policy and regulatory review. This strategy, the Policy Development Statement (PDS) consisted of four areas to study: (i) government housing programs; (ii) housing sector regulations; (iii) the land supply system; and (iv) other housing-related policies, such as taxation of housing. Out of these studies would emerge the major areas needing reform, and, ultimately, the government's reform agenda.

12. Progress in carrying out sector reform would be monitored using five key sector performance indicators: (i) the ratio of average house price to average household income; (ii) the ratio of average rents to average household income; (iii) the ratio of the price of residentially zoned land to the price of adjacent raw land; (iv) the ratio of the market price of housing to the factor cost of housing; and (v) the rate of progress in assisting target households in the bottom half of the income distribution. These indicators would be collected regularly by the Ministry of Construction and might also be used to reveal additional aspects of the housing system needing reform. They would replace the physical indicators that the government had traditionally used to describe the housing market, such as new housing units constructed and the ratio of households to housing stock.

13. The Korean government planned to fund the studies entirely itself. Thus, the total Bank loan was \$100 million, the amount lent under the investment component.

Evaluation of objectives

14. The objectives and components of the project were realistic and low-risk. The investment component was designed to finance a portion of NHF loans rather than trying to set up new administrative or institutional channels for a different lending structure. The policy development component was also low-risk because it was developed in collaboration with the government during preparation and had significant support by the time of Board presentation as evidenced by the official letter of commitment to the PDS. Government commitment to the technical aspects of the project is further evidenced by the fact that the Bank loan represented an insignificant 0.6% of NHF's expected income during the project period, pointing to the government's interest in the continued involvement of the Bank in the housing sector for technical reasons unrelated to resource transfer.

15. The objectives were also innovative. Regulatory reform is a more complicated and difficult basis for a project than either physical construction or the creation or elimination of sector agencies. Success is therefore more troublesome to measure than in more concrete projects. Still, the project design did incorporate yardsticks for gauging overall improvements in the sector.

16. In a sense, the project proposed a strengthening of the policy-making process for Korea. By assigning to MOC the tasks of overseeing policy studies and collecting indicators, out of which policy reform might be developed, the project introduced a policy-development process that was innovative for Korea. Typically, policy is driven almost solely by political mandates, as in most countries, and the various government ministries respond to reforms initiated at the top of government. This project, though, called for technical work within a ministry to steer policy reforms or, at least, to provide the substantive argument for or against specific reforms.

B. ACHIEVEMENT OF OBJECTIVES

17. The objectives were achieved. The investment component was implemented as planned, with the loan disbursed even more rapidly than projected. The remainder of this section will therefore elaborate on the policy development component. Under the policy development component, studies were completed, important policy dialogue begun, and some reforms promulgated. The precise steps, though, diverged somewhat from the process envisioned in project design.

18. The studies described by the government and Bank in the PDS were modified, with Bank agreement, and though somewhat different in substance, were still wholly in line with the project's development objectives. The first two studies, those on government housing programs and on housing sector regulations, were combined in order to take advantage of a common methodology which applied cost-benefit analysis both to programs and regulations; the third, on land supply regulation, was replaced with the analysis of a housing demand survey for the formal purposes of this project but, in fact, another study by KRIHS during the project period did address the agreed land issues and ultimately provided input to the important reforms in this area of housing-related policy. The fourth study, on other policies affecting housing, primarily taxation, was excluded from the project because government responsibility for such matters was not easily assembled under MOC to direct this study. However, a researcher involved in the identification of the studies for this project and then employed at the research institution affiliated with the Ministry of Home Affairs (called the Local Government Research Institute) took the lead on local property and transaction taxation of land and housing and produced a study during this period which was an input to the reform process. The studies directly associated with this project and related analytical work were discussed with Bank supervision missions through an organized association of housing and land policy specialists in Korea.

19. The studies of housing programs and regulation, and housing demand survey were contracted out to the Korea Research Institute on Human Settlements (KRIHS), a research

agency owned by MOC but independently managed. A project ambition to create capacity within Korea as close to the policy-makers as possible was achieved by contracting the studies to an organization with a good working relationship with the relevant ministry. Though MOC was slow in initiating these studies, they were completed in a fashion consistent with the development objectives of the project. These studies did reveal the inequity and inefficiency of many housing programs and regulations and led to proposals for reform.

20. The collection and tracking of sectoral performance indicators was also contracted out to KRIHS. Indicators were collected for the introductory portion of the housing program and regulation study and have been collected for all years of the project period (see Table 5). Their use, however, has not yet been institutionalized at MOC as envisaged at the outset. Nevertheless, these indicators have taken on an unexpected political importance: in discussions of housing policy, "indicators" have become an established part of political rhetoric. The government cites these data as evidence of the need for further reform and has made the public aware of their meaning and importance.

21. Though some of the originally proposed studies were not completed under the formal arrangements for this project, the issues identified and both the results and skills acquired by Korean analysts associated with this project are closely linked to the major housing and land reforms which have taken place in Korea. First, the new government (1993) elevated regulatory reform in all sectors to primary importance and assigned this work to a Public Administration Innovation Committee (PAIC). Second, the land-use law was changed in late 1993, raising the fraction of developable land from 16% to 41% of total supply, and decentralizing the zoning and permitting processes. Third, the government began allowing and encouraging private provision of infrastructure, thus facilitating the development of raw land. Fourth, in 1994 the government began phasing out its deeply subsidized "permanent rental" housing units, on which the interest rate charged was often negative. This change removed an inefficient and poorly targeted subsidy. The studies raised many of the housing policy and regulatory issues acted upon by the government during the project period and the results and experience gained by the study team were formal inputs to the reform process. The primary linkage between project studies and reforms is perhaps the staffing of the technical committee on housing for the PAIC by the researchers working on the studies under this project.

22. The data collected on the indicators provide a quantitative view of the performance of the housing sector during the project period. The recent numbers are drawn from studies or exercises undertaken in conjunction with this project while earlier references use other sources. In addition to the specific trends noted, the use of indicator type data reflect a different view of how to measure housing sector performance. House prices (for Seoul) climbed rapidly from 1988 to 1991 falling back nearly 30% by 1994 while income rose steadily through the period. The result is a dramatic reversal of the price-to-income ratio from over 9 to less than 5 in the past four years in contrast to previous times in Korea where income and the price-to-income ratio were both rising. The indicator on the relative level of rents shows the opposite trend, where over a nine year period, the rent-to-income ratio has

almost doubled to .29 in Seoul though stabilizing in other major cities at .20. For the ratio of residentially zoned to adjacent raw land in the sample of three cities reported, there is no clear trend with the ratio varying among cities from 3.3 to 5.4. Falling housing prices, along with stable building and land costs, meant that the ratio of market value of new houses to factor cost has narrowed from 2.2 to 1.1. And the fraction of NHF borrowers in the bottom half of the income distribution has stayed rather constant during the project in the 48%-58% range, up from around 30% in the mid-to-late-1980's.

C. MAJOR FACTORS AFFECTING THE PROJECT

Factors beyond government control

23. Korea's economic growth slowed in 1992 to 5%—while most countries would envy this rate of growth, it represented a decline from the 9-10% rates that characterized the period. With this general slowdown came a nearly unprecedented flattening and, in some cases, a decline in house prices. Also, housing construction in "new towns" contributed enough to the housing stock to halt rising prices. These new conditions in the housing market reduced the political pressure for immediate reform and the timetable for setting up and contracting out the studies accordingly slipped.

24. The economic slowdown and rapid construction, in a simplistic sense, appeared to achieve what regulatory reform was designed to achieve: a reduction or reversal in the rise of housing prices. But these changes, in themselves, did nothing to change the structural problems with the Korean housing market. The economic slowdown and rapid construction were, in the terminology of economics, an outward shift of the supply curve, which resulted in a one-time reduction in house prices.

25. But the policy and regulatory barriers that made housing supply unresponsive to changes in demand remained. These barriers constitute an inelastic supply curve where changes in demand would still result more in changes in prices rather than in changes in output. Removing these barriers would mean a rotation of the supply curve, rather than a parallel shift. Those in government who understood this — that a temporary macroeconomic and production-driven respite from rising housing prices was no substitute for fundamental, longer-term reform — argued successfully for the studies under this project. MOC contracted the studies out to KRIHS in December 1992, a year later than planned, and they were completed largely on time in 1994.

Factors subject to government control

26. In 1993, after Korea's presidential election, the government decided to elevate regulatory reform in all sectors to primary importance, and assigned the Public Administration Innovation Committee the role of reviewing regulations and proposing alternatives. This new focus on regulatory reform was inspired more by the worldwide trend of "reinventing government" and "cutting red tape," rather than by the distortions in any one sector, housing or otherwise.

27. The effect of this emphasis on regulatory reform was to bring to public light precisely those issues in the housing sector that this project was examining. Several important reforms (listed in paragraph 21) took place quickly, far faster than the expected timetable which envisaged waiting for completion of the studies, MOC review of the results, and then recommendations. Some critical regulatory reform, therefore, was achieved long before the time envisioned under the project (though even these reforms were, in part, derived from MOC and KRIHS work related to the Bank project). The experience of this project also clarified the relationship between the project strategy of creating technical policy development capacity, and the timing of reforms driven by the political process. The former can not determine when reforms will be acted upon but it can alter the content and quality of the reforms themselves.

Factors subject to implementing agency (MOC) control

28. MOC experienced considerable personnel turnover during 1991 and 1992. The MOC staff involved in designing the project with the Bank were not the same people as those involved in implementing the project. This turnover had two effects on the project: (i) there was a one year delay in contracting out the studies to KRIHS; and (ii) there was resistance at MOC to assuming the regular collection of sectoral performance indicators, since the agency lacked the continuity in staff — and was unable to increase its staff complement — to guarantee their continued collection.

29. As a result, the studies were delayed, and KRIHS was responsible not only for the regulatory studies, but also for the collection of indicators. Assigning the collection of indicators to KRIHS made sense because only KRIHS, not MOC, had staff with the technical training to perform economic research and analysis. KRIHS has collected indicators data for all years of this project but the use of this information has not yet been institutionalized in MOC.

D. PROJECT SUSTAINABILITY

30. It is highly likely that this project's achievements will endure. The effects of regulatory reform have already become institutionalized. Sectoral performance indicators have entered into the political rhetoric, and one—the house price to income ratio—has been designated by the government as the measure of the impact of housing policy. While it is difficult to measure the extent of this change on political rhetoric, the changes that have taken place already are permanent.

31. Also, many of the specific regulatory reforms already undertaken are difficult or impossible to reverse and therefore will very likely be sustained. For instance, the change in the land-use law that allows a much higher fraction of land to be developed cannot easily be reversed after the newly-developable land is built upon.

32. The investment component benefits are financially sustainable because the on-lent funds are being repaid and the proceeds are available for other uses.

E. BANK PERFORMANCE

33. The Bank's performance, by and large, was good. The project design was straightforward and the details well outlined in the project documents and the Policy Development Statement. The Bank was careful to insure that its own strategy was consistent with the government's and to work closely with the government in designing the project. The Bank also deserves credit for setting out clear monitoring indicators for sector performance—these indicators provide a way to track improvements in the sector and also represent a permanent contribution of the Bank to the policy dialogue in Korea.

34. The policy development component might have begun on time if the Bank had a greater understanding of different government agencies' roles. The project made MOC responsible for data collection and analysis, but these tasks were outside MOC's mandate and were beyond its technical capacity. One result is that indicators collection has not yet been institutionalized, and these indicators are therefore not being used as fully as they might have been.

F. BORROWER PERFORMANCE

35. The Government of Korea's performance was good, especially considering the unusual nature of this project. The government worked well with the Bank in designing the project, and, as is typical for projects in Korea, took responsibility for funding and structuring the technical assistance elements.

36. There were some delays in implementation: MOC contracted the studies out to KRIHS a year late, and the project audits were consistently submitted late to the Bank. More important than the delays were the substantive and process changes MOC made to the studies. Though the Bank and the government originally agreed to specific topics to be studied under the technical assistance, some parts were changed, and a couple were not completed within the formal structure of the project — again, with the Bank's approval. Also the collection of indicators was not institutionalized in MOC. These divergences from the project design were due, in part, to turnover at MOC and the difficulty in establishing continuity of staff working on the project.

37. Delays in providing audits represented a breach of the loan covenant and was the area in which the government was out of compliance throughout much of the implementation period. Audit delays are common to all projects in Korea, regardless of the particular ministry, so the late audits were not a problem unique to this project. Nonetheless, audits are an essential element of Bank project supervision, and their prompt submission is a requirement written clearly into every loan agreement.

38. Overall, the government demonstrated its commitment to regulatory reform, the fundamental objective of the project. Although the content and process of implementing the studies designed to bring about reform were altered, the government far exceeded the project's goals. Housing regulations have been under scrutiny at the highest level of government, and regulatory reform has become high profile. Reforms have been implemented that should increase the supply of developable land and make government housing programs more efficient. And the government has successfully changed the way that the country thinks about housing: rather than measuring the impact of housing policy in terms of government units produced, the government now reports indicators—like the ratio of house prices to income—that reflect the efficiency of the housing market as a whole. In this, the government's performance is most commendable.

G. ASSESSMENT OF OUTCOME

39. This project is rated satisfactory. It achieved its major objectives and has had a discernible, sustainable positive impact on Korea's housing sector.

H. FUTURE OPERATION

40. This project is the last in the Korean housing sector as Korea will no longer be a borrower from the Bank. Still, there is potential for additional work on Korea.

41. An immediate need is help institutionalize the use of analytical work such as the indicators inside government. The Bank and the government agree that these indicators are a valuable tool for tracking progress in the housing sector. More generally, the Bank plans to continue its relationship with KRIHS directly. Also, the Bank has participated in housing conferences in Korea and will continue to make available technical advice and lessons from experience in other countries.

I. KEY LESSONS LEARNED

42. Two main lessons emerge from the project. First is that the process of policy reform is much more unpredictable than envisaged in the carefully scheduled program of studies designed for this project. The limits of technical policy development capacity are that the timing and institutional process for policy reform will always be politically driven. The initiative for the impressive regulatory reforms that took place came from political mandates — like the Public Administrative Innovation Committee — with the study results and analytical capacity created under this project largely affecting the content of the reforms. In theory, the substantive goal of the project, regulatory reform, might have been sparked by technical work or by political mandates. In the end, it was initiated largely by political events which should be taken into account in setting the objectives for future policy development projects.

43. The second related lesson is that projects emphasizing policy and regulatory reform cannot be evaluated in the same way that investment projects can. One of the clearest signs

of this project's impact—the adoption of indicators in the political rhetoric—is nearly unquantifiable, short of performing content analysis of political speeches. And one traditional method of judging a project's impact—the economic rate of return—is somewhat misleading in this context. This is because ERR for housing projects is typically calculated by comparing the market value of completed housing (or the discounted rental income stream) to the market value (or shadow prices) of housing inputs. Typically, the higher this ratio, the greater the ERR, and the greater the economic impact of the project. Here, though, this very ratio is one of the sectoral performance indicators, and in this context it is desirable for this ratio to decline over time. The lower this ratio is, the more responsive housing supply is to changes in housing demand. A high ratio, appearing to represent a high rate of return, in this context reflects a distorted housing market where supply is so restricted that the scarcity of housing results in inflated housing prices. If the Bank were to introduce regulatory reform projects in other countries, new methods of evaluation should be developed.

44. A third lesson is that the type borrower control over a project represented here can make it more difficult for the Bank to exercise direct leverage over a project. In this project, Korea exercised significant control over designing, funding, and carrying out the studies. The government's commitment to the project's objectives certainly contributed to the immediate and dramatic impact on housing policy and regulation. But at the same time, with policy conditionality linked only to the broad directions outlined in the PDS and with the Korean government funding its own studies, the Bank had little leverage to insure that the project would proceed according to design. As it happened, project experience diverged only slightly from project design because the Bank and the government worked well together to keep the project on track. In another country or sector, though, this lack of leverage might have posed a significant risk if the project implementation diverged considerably from project design. On balance, borrower ownership in a project is desirable, but this project's experience suggests that if borrower ownership means less leverage for the Bank, the Bank should work to minimize the risks associated with a lack of leverage.

**Implementation Completion Report
Republic of Korea
Housing Project
(Ln. 3329-KO)**

Table 1: Summary of Assessments

Achievement of Objectives	Substantial	Partial	Negligible	Not applicable
Macroeconomic policies				X
Sector policies	X			
Financial objectives				X
Institutional development		X		
Physical objectives	X			
Poverty reduction				X
Gender concerns				X
Other social objectives				X
Environmental objectives				X
Public sector management				X
Private sector development				X
<i>Project Sustainability</i>	Likely X	Unlikely	Uncertain	
<i>Bank Performance</i>	Highly satisfactory	Satisfactory	Deficient	
Identification	X			
Preparation assistance		X		
Appraisal		X		
Supervision		X		
<i>Borrower Performance</i>	Highly satisfactory	Satisfactory	Deficient	
Preparation	X			
Implementation		X		
Covenant compliance		X		
<i>Assessment of Outcome</i>	Highly Satisfactory	Satisfactory X	Unsatisfactory	Highly Unsatisfactory

Implementation Completion Report
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Table 2: Related Bank Loans

Loan title	Purpose	Year of approval	Status
National Urban Land Development Project Ln. 1980-KO	Supported the establishment of the Korea Land Development Corporation and promoted, through the Korea National Housing Corporation, the provision of several types of housing units affordable to low-income households	1981	completed
Second National Urban Land Development and Housing Project Ln. 2216-KO	Further strengthened the Korea Land Development Corporation and the Korea National Housing Corporation, improved their coordination, set social objectives and began to address housing finance issues	1982	completed
Urban Land Development Project Ln. 2704-KO	Supported a comprehensive program of institutional and policy development for the Korea Land Development Corporation and assisted the development and provision of infrastructure and services to house about one million people	1986	completed
Housing Finance Sector Project Ln. 2853-KO	Supported a two-year time slice of the National Housing Fund's lending program for low-income households and addressed a number of policy and institutional issues related to the housing finance system	1987	completed

Implementation Completion Report
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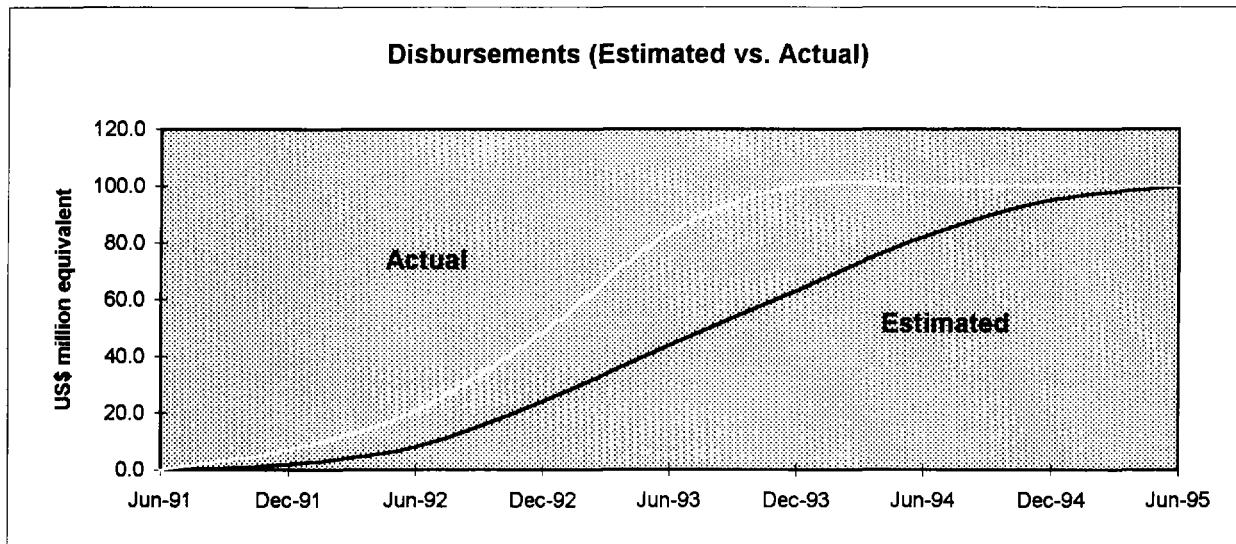
Table 3: Project Timetable

Steps in project cycle	Date planned	Date actual
Identification		1989
Preparation		1990
Appraisal		Dec-90
Negotiations		Apr-91
Board presentation		May-91
Signing		Jul-91
Effectiveness		Oct-91
Project completion	Jun-95	Dec-93
Loan closing	Jun-95	Jun-95

Implementation Completion Report
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Table 4: Loan Disbursements (Cumulative)
(US\$ million equivalent)

	Jun-91	Dec-91	Jun-92	Dec-92	Jun-93	Dec-93	Jun-94	Dec-94	Jun-95
Appraisal estimate	0.0	2.0	8.0	24.0	44.0	63.0	82.0	95.0	100.0
Actual	0.0	7.0	20.6	48.6	83.6	100.0	100.0	100.0	100.0
Actual as % of estimate	-	350%	258%	203%	190%	159%	122%	105%	100%



**Implementation Completion Report
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Table 5: Key Indicators for Project Implementation

Year	GNP growth rate	Ratio of average house price to average income	Ratio of average rent to average income
1990	9.2%	8.08	0.21
1991	8.4%	9.38	n.a.
1992	4.8%	7.15	n.a.
1993	5.6%	5.96	0.29
1994	8.0%	4.97	n.a.

Year	Ratio of prices of residentially zoned and adjacent raw land	Ratio of market price of housing to input costs	Fraction of NHF borrowers below national median income level
1990	3.40		54%
1991	4.01	2.2	48%
1992	3.29	2.1	57%
1993	3.33	1.3	54%
1994	3.33	1.1	n.a.

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Table 6a: Project Costs
(US\$ million equivalent)

Item	Appraisal estimate			Actual		
	Local costs	Foreign costs	Total	Local costs	Foreign costs	Total
IBRD-supported units in NHF housing program	399.5	100.0	499.5	399.5	100.0	499.5
TA/studies	0.5	0.0	0.5	0.5	0.0	0.5
TOTAL	400.0	100.0	500.0	400.0	100.0	500.0

Table 6b: Project Financing
(US\$ million equivalent)

	Appraisal estimate			Actual		
	Local costs	Foreign costs	Total	Local costs	Foreign costs	Total
Government	400.0	0.0	400.0	400.0	0.0	400.0
World Bank	0.0	100.0	100.0	0.0	100.0	100.0
TOTAL	400.0	100.0	500.0	400.0	100.0	500.0

**Implementation Completion Report
Republic of Korea
Housing Project
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Table 7: Status of Legal Covenants

Section	Covenant Description	Status	Comment
<i>Loan</i>			
2.02	Borrower shall open special account	C	Complied.
3.04	Borrower shall annually review progress in implementation of the Policy Development Statement	C	Complied
3.05	Borrower shall furnish for the Bank, for review and comments, results of studies to be carried out under the policy development component of the project	C	Complied
4.01(b)(ii)	Borrower shall furnish the audit to the Bank not later than nine months after the end of each fiscal year	CD	Compliance was generally late. FY93 audit overdue since 9/30/94
4.01(c)(iv)	The Borrower shall ensure a separate opinion of SoE withdrawals	CD	Compliance was generally late. FY93 audit overdue since 9/30/95

Key

C: complied

CD: complied after delay

**Implementation Completion Report
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Table 8: Bank Resources

Stage	Staffweeks	Dollars (000's)
Preparation	53	n.a.
Appraisal	10	n.a.
Negotiation	9	n.a.
Supervision	23	n.a.
ICR/evaluation	2	n.a.
TOTAL	97	n.a.


n.a. - Dollar costs were not available.

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: December 16, 1994

TO: Mr. Vineet Nayyar Chief, EA1IN

FROM: Lawrence M. Hannah, Principal Economist, TWURD 

EXTENSION: 33623

SUBJECT: KOREA: Housing Project (Loan 3329-KO)
Supervision Mission of November 1994, Back-to-Office Report

1. According to Terms of Reference dated October 13, 1993, I visited Korea from November 2-5, 1993 to supervise the above-mentioned project. The project was approved by the Board on July 19, 1991 and was declared effective on October 16, 1991. The loan is fully disbursed.

2. The following documents are attached:

- (a) Supervision Form 590 (Annex 1);
- (b) List of persons met by the mission (Annex 2);
- (c) List of related documents (Annex 3);
- (d) Draft letter addressed to Mr. Kang Ghil-Booh, Director General, Housing Bureau, Ministry of Construction (Annex 4).

3. The project includes two main components: (a) funding (US\$ 100 million) for an ongoing program of targeted lending through The National Housing Fund (NHF) for low-income housing and (b) technical assistance for institution building and policy reform in the sector. All aspects of the project were discussed with MOC but the emphasis of this supervision was to review the policy development component of the project.

The Policy Development Component of the Housing Project

4. Although the IBRD-supported Housing Project (Loan no. 3329-KO) was an investment operation, the broader objective was to contribute to the process of policy-making and institutional strengthening in the housing sector. Four areas for assessment of policy and preparation of reform plans were agreed at the outset of the project: housing indicators, government housing programs, regulations in the sector and the land supply system.

5. Specific exercises were set at the time of negotiations and several subsequent modifications were agreed between the Government and the Bank as implementation proceeded. Those changes are noted below under the discussion of the individual topics. The strategy for this project has been to explore and to exploit every opportunity and communication channel to get questions on key sector issues on the policy agenda. Thus, this report also notes the broader range of housing policy developments during the project period and links them to the activities undertaken in conjunction with the project, where possible.

6. Indicators: As a basic diagnostic exercise, and to establish a monitoring and performance evaluation capability for the housing sector, a housing indicators study was to be undertaken.

The study was completed and the results are reported in the Part I of "An Assessment of Korea Housing Policy and Future Policy Directions (An English Summary), Ministry of Construction, January 1994". The exercise used secondary and newly collected data on 43 indicators including many of the same variables contained in the Bank-HABITAT housing indicators project. The international benchmark data collected by the Bank-HABITAT project were available to the Koreans and were used to establish relative measures of performance of the Korean housing sector. The Korean indicators work was also the basis of a critique of the specification of some of the existing housing sector goals and targets in Korea. Another result of the indicators exercise undertaken by the Koreans was thus the adoption by the National Statistics Office of a different definition of a housing unit which paints a more accurate picture of the conditions in the housing sector in Korea. In turn, this modification has taken some of the pressure off the traditional physical output targets long favored by policy-makers. The studies were also partially responsible for the now common reference to the price-to-income ratio (PIR) as the basic measure of housing sector performance. The PIR is prominently reflected in the latest revision of the Seventh Five Year Plan (Annex 3:Item 1) and the Minister of Construction during project implementation period often referred to PIR as a measure of the distortions in the Korean housing market. Additionally, the shift to economic measures of how well (poorly) the land market was functioning also played a role in the recent reforms in that area as discussed below.

7. The final objective for housing indicators, to make their collection and analysis a regular part of the work of the Housing Bureau of MOC has not occurred. The reasons seem related to the lack of staff and budget for such a regular exercise and perhaps the immediate nature of the problems faced by all levels of bureaucrats in the present political atmosphere. KRIHS staff continues to lobby for this type of approach to monitoring sector performance. The preparation of the national report for HABITAT II (Istanbul 1996), which is starting now, and which relies on an indicators exercise, will be a major opportunity to make this approach a regular element in monitoring and developing policy in the sector. KRIHS will be working on this report for the Housing Bureau of MOC.

8. Review of Government Housing Programs (GHP): The objective of this component was to assess GHPs in terms of their effectiveness in achieving their goals and in terms of the rationality across GHPs. The results of the study of 13 GHPs are reported in Part II of "An Assessment of Korea Housing Policy and Future Policy Directions (An English Summary), Ministry of Construction, January 1994." (Annex 3:Item 2) The methodology employed follows the cost-benefit analysis suggested in the terms of reference agreed at negotiations. The findings highlight the inequity and inefficiency of a number of programs. The recommendations for reform emphasized four strategies for GHPs: increase the supply of new units, establish minimum dwelling standards, better direct subsidies to low-income households and rationalize public programs supporting housing sector development. The details of these suggestions are contained in two documents, one from KRIHS and one from MOC. (Annex 3:Items 3 and 4) The recommendations on land supply are an input to the reforms already enacted and discussed below. Those related to rationalization of the subsidies implied in major public programs such as NHF are the content of the 1995 program now available in draft form.

9. Regulatory Reform Program (RRP): The RRP exercise was closely related to the GHP analysis where, in fact, the original terms of reference in the Staff Appraisal Report was combined as a single annex (number 6a). The proposed methodology also relied on a cost-benefit view of specific regulations which were considered to be the same as program features in terms of creating costs and benefits for various actors in the housing market. Part II of "An Assessment of Korea Housing Policy and Future Policy Directions (An English Summary), Ministry of Construction, January 1994" covers some regulatory matters but the real story of

regulatory reform shifted to the Office of the President when Mr. Kim Y.S. was inaugurated in February 1993.

10. President Kim committed himself to a broad strategy of regulatory reform designed to remove or reduce excess or inappropriate regulation on all aspects of the economy including housing. Institutionally, he established the Public Administration Innovation Committee (PAIC) on April 9, 1993 which is a standing blue-ribbon committee charged with receiving, raising and recommending reforms on government regulation. The main committee is comprised of 15 members most of whom are prominent academics, civil servants, representatives of the community and businessmen. There are twenty members of the technical working groups. On housing, KRIHS has the technical responsibility.

11. In addition to the technical work of the Committee, the PAIC served to attract the comments and concerns from citizens, interest groups (NGOs) and the research and academic communities. The agenda, thus established, was much broader, though probably more short-term than might have otherwise been considered. Institutions such as KRIHS took this opportunity to present well-researched suggestions to: reform rental housing regulations, relax land use controls, expand housing finance and address the needs of low-income households more directly (see Planning Information Bulletin of KRIHS, monthly where August 1994 discusses the reforms already made and the forthcoming November 1994 issue provides implementation details).

12. According to the written records of the PAIC, 1,235 issues related to MOC were raised of which 451 were selected for review. Of those 112 were related to housing and 78 specific reforms have already implemented and 34 are pending (Annex 3:Item 5). Although many of the regulatory changes to date appear to be minor, the PAIC has set the tone for examining and reforming government interventions in the sector. The most critical issue, decontrol of prices on new apartments, was considered, a recommendation by PAIC was made, but the elected policy-makers declined to act on this most sensitive of sector policy issues at this time. In recent years this issue has been so intractable as to result in ministerial resignation just for raising the issue. The debate resulting from the PAIC is a significant step forward.

13. Although the PAIC was not a result of this project, the work and inputs by KRIHS were based on their own research products and experience including exercises undertaken for this IBRD-supported project.

14. Reform of the Land Supply System: Although originally included in the project exercises, the Bank subsequently agreed to a substitution in the terms of reference where a study on housing demand was undertaken by KRIHS at the request of MOC rather than the land exercise. This decision seemed justified at the time, in part, because other work on urban land issues was being undertaken and the results of that work are reported here. It is worth noting that all of the policy development exercises were wholly financed by the Government of Korea as was the work on the land supply system but that the approach, methodologies and results are all directly related to the dialogue on policy between the Bank and the Government during preparation and implementation of this project.

15. Korea has had a very complicated and restrictive policy of land-use controls. Many analysts believe this is a major factor in the high price of urban land and therefore housing. The principal impediment to past attempts to reform the system was the opposition of various groups to the conversion of non-urban land to residential and commercial/industrial uses. The Government's strategy was to emphasize a near monopoly position for public land developers (KLDC, KNHC and local governments), in part, to capture the enormous gains when land

conversion took place. KRIHS researchers completed a major study on land policy toward the end of 1992 (Annex 3:Item 6) and the publication of the results coincided with the installation of the new administration. To the surprise of many the push for reform had succeeded.

16. The process of revision led to a newly enacted "National Land-use Management Law in August of 1993." The related implementation ordinances and regulations were revised in December 1993 and implementation commenced in early 1994. The essence of the change was to reduce ten categories of land in Korean law to five and to permit, on an almost automatic basis the use of semi-agricultural land (which comprises 27.2% of the national land mass), for housing and other urban uses. The process adopted grants a land-use change in combination with the issuance of a building permit and limits the opportunity for intervention by other interests such as agriculture. It also vests significant authority in the hands of local authorities.

17. Initial experience with the revised law raised concerns about the supply of infrastructure and services in the areas where private companies want to develop land and build housing. The most acute issue is water and transportation infrastructure and regulations were added to limit development permission in areas where these services were either inadequate or not part of the developers plan to supply. In addition, the response was to limit densities to FAR 150% and maximum height of 15 stories which are about one-half of that permitted in existing urban zoned land areas. New regulations were issued in June 1994.

18. More significantly the Government also prepared and enacted a law permitting and encouraging private participation in the provision of infrastructure. The bill became law in July 1994 and is named the "Promotion Act for Private Investment in Social Overhead Capital (the usual Korean phrase for infrastructure) July 1994." This law opens up the supply of infrastructure to private firms and compensates them for such provision with more generous development permissions. A study on impact fees is planned for next year to compliment this law. Another new law called "Regional Balanced Development Act" of August 1993 also increased the opportunities for private participation in land development.

19. Overall the process of reform is moving, at least in part due to the exercises implemented under this project.

A PERFORMANCE REPORT ON IBRD SUPPORT OF HOUSING PROJECT(3329-KO)

I. Evaluation Of Housing Policies In Korea

1. The First Stage(1945-1961)

- o Social welfare aspects of housing were emphasized rather than a systematic housing policy.
- o Rapid population increase, after being liberated from the Japanese and the massive destruction of housing units during the Korean War, meant that there existed severe shortage of housing. Efforts to overcome this situation was to mainly build temporary housing units, aided by UNKRA, however, with little result.

2. The Second Stage(1962-1971)

- o Housing sector was included in the Five-Year Economic Development Plan considering economic effects of housing construction on the related industries.
 - However, the volume of housing investment was relatively small due to more emphasis on the economic growth and the expansion of industrial capacity.
- o The efforts of the government, during this period, were concentrated on restructuring of housing related institutions and laws.
 - Restructuring of the Korea National Land Bureau to the Ministry of Construction
 - Establishment of the Korea National Housing Corporation in 1962.
 - Revision or legislation of housing related acts, such as Public Housing Act, Land Expropriation Act, Building Code, and Urban Planning Act.

3. The Third Stage(1972-1977)

- o The success of the First and the Second Five-Year Economic Development Plan resulted in rapid urbanization. However, this, with the increase in the formation of nuclear families meant severe housing shortage, especially in the urban area, which became a social problem.
- o The government was actively involved in solving the housing shortage problem through ;
 - Enactment of the Housing Construction Promotion Act
 - Preparation of housing supply plan with the National Housing Fund (NHF) and loans from abroad.

4. The Fourth Stage(1978-1987)

- o Real estate speculation in the late 1970s pushed up the housing price.
 - Consequently, the stabilization of housing price as well as the expansion in housing supply became the major policy goal.
 - Also, in order to relieve housing problem for the poor, more emphasis was placed on the low-income households.
 - To mobilize the housing construction fund, government took on loan from IBRD of an amount of 321,840 thousand USD(KLDC 63,520, KNHC 37,950, NHF 219,870 USD) during the period from 1981 to 1989.
- o Regulations on the housing price control and on the land transaction were reinforced which had been introduced in the late 1970s. On the other hand, legislation of the Rental Housing Construction Promotion Act encouraged the rental housing industry.

II. The Evaluation Of IBRD Performance On The Project

1. Policy Direction Recommended By the IBRD

- o IBRD's approach to the housing problem is based on the following:
 - Main policy goal is to stabilize the housing for the people and to promote their welfare. This means that policy benefits must go to the low income class through the construction of small sized units.
 - Therefore, housing is a social good as well as an economic commodity that must be solved in the competitive housing market.

- o The role of the government, suggested by IBRD, is to stabilize people's housing. This contributed much to the securing of accomodation for the low-income households.

2. Project Monitoring

- o Net revenue of NHF has been increased during the project period of 1991 to 1993.

- o Thus, by inducing increase in loan amount and decrease in loan interest rate, more benefits were given to the non-owner of housing units.

- o Therefore, IBRD contributed heavily to promote the public role of NHF.

III. Accomplishment Of Housing Construction(1991-93) and the Performance Of IBRD's Fourth Project

1. Evaluation of Korean Housing Policy in the Late 1980s and the Imposition of a New Policy
 - o Evaluation
 - Intervention of the government in the housing market, through the regulations on the housing price and housing supply, seemed to deter the speculation temporarily. However, in the long run, it curtailed the housing construction, which resulted in the housing price to increase.
 - The inflation of the housing price outstriped the rise in income, which

expanded equality in welfare between owners and non-owners of housing units. The housing problem became an important social dilemma.

o Formulation of the Two Million Housing Construction Plan

- The government set up a Two Million Housing Construction Plan and finally constructed 2,720 thousand units.
- The new government, which came to power in 1998, set up a New Five-Year Development Economic Plan which includes a plan to construct 2,850 thousand units(500-600 thousand units per year) during the period from 1998 to 1997. Housing supply ratio is expected to be increased up to 90% by 1997.

2. Goals of the Fourth IBRD Project and Its Performance

o Goals

- The main goal is to give support to non-owners to acquire their own houses.
- . Fifteen thousand housing units were constructed with the aid of IBRD loans.
- . IBRD loans contributed 40% of the loan amount of 12,000 thousand won per household.
- An additional goal is to develop a systematic and comprehensive housing policy through research projects.

o Performance

- The fourth IBRD loan of 100 million USD(78,685 million won) has contributed much towards achieving the Two Million Housing Construction Plan(1988-92) and the 2.85 Million Units of Housing Construction Plan, included in the New Five-Year Economic Development Plan (1998-97).

. Increase in the Housing Supply Ratio

Year	70	80	87	88	89	90	91	92	93
Ratio	78.2	71.2	69.2	69.4	70.9	72.4	74.5	76.0	79.1

Maintenance of a Downtrend in Housing Prices

Year	90	91	92	93
Increasing Rate	21.0%	-0.5%	-5.0%	-2.9%

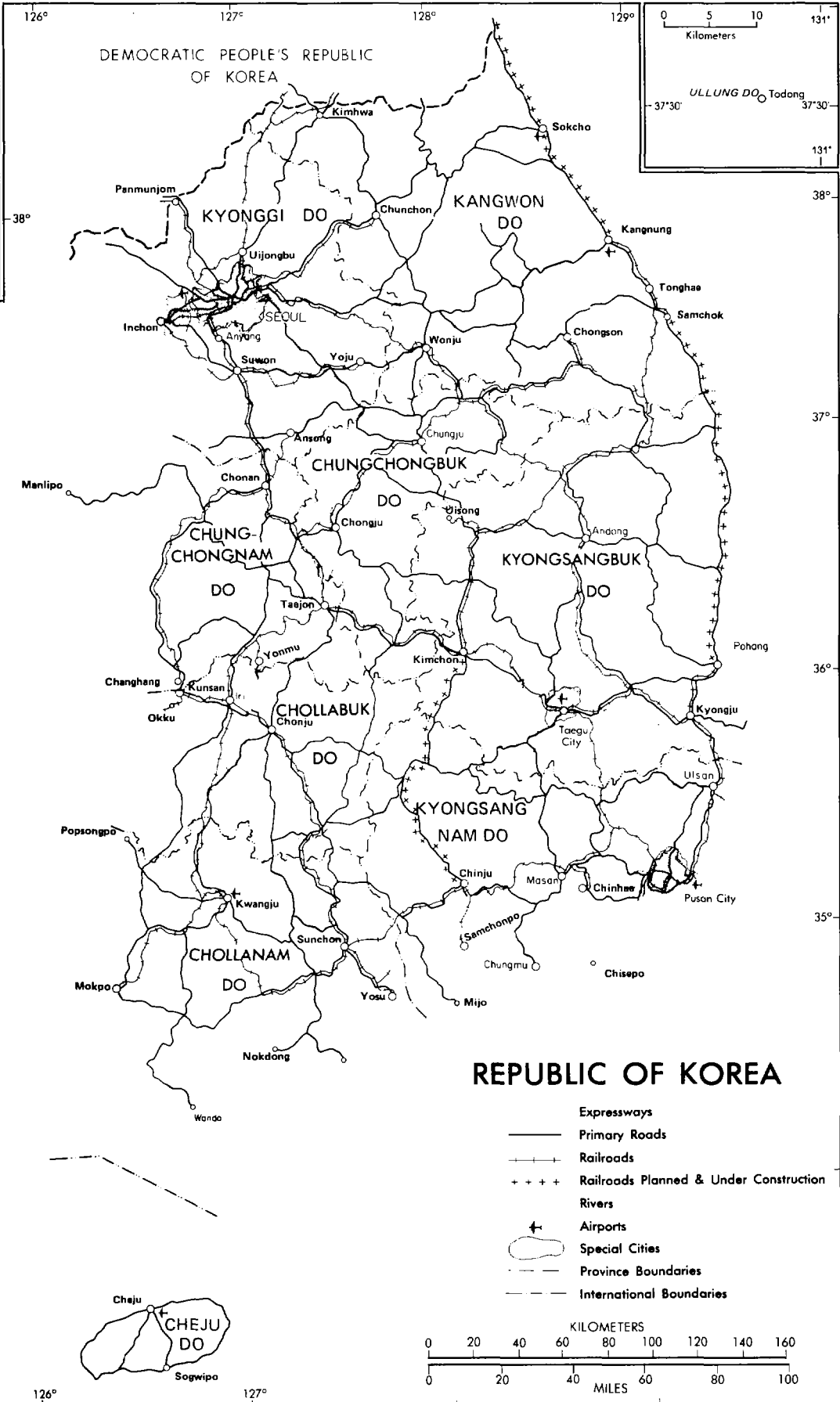
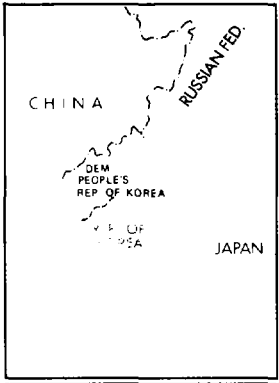
In order to promote housing welfare for low-income households and non-owners, all units constructed by the public sector were small-sized ones.

- IBRD loan supported research project such as "A. Study On the Evaluation of Housing Policy and the Future Policy Direction", and it also supported the training program to foster experts in housing policy and its effective implementation.
Nine persons were benefited from the training program from 1991 to 1993 (three persons per year).
- o Yearly accomplishment of housing construction and NHF support
 - Achievement for the year 1991:
 - Two Million Housing Construction Plan has been accomplished one year earlier than planned by constructing units of housing(thousand units by the public sector), including permanent rental housing for the urban poor, workers' housing, small-sized housing units for sale, and housing units constructed by implementation of the five new town development in the capital region.
 - NHF aided by IBRD, with the loan of 7 million USD (5,253 million won), has contributed much to stabilize the housing of non-owners. NHF supported 2,508.6 billion won to the construction of 18.6 thousand units including the construction of housing units in the Residential Environment Improvement District, and to the constructor's acquisition of prefabricated housing material or equipment.
 - Achievement for the year 1992:
 - Total of 575 thousand units were constructed (195 thousand units by the public sector) including public rental housing for the low-income class, housings for workers, small-sized units for sale, and the housing units constructed by continuous implementation of the

five new town development in the capital region.

- . NHF aided by IBRD, with the loan of 41.64 million USD (32,447 million won), started to support the public housing construction. NHF supported 8,053.9 billion won to construct 143 thousand units with the increase of the loan amount to alleviate consumer's burden.
- . Achievement for the year 1998:
 - . Total of 695 thousand units were constructed (227 thousand units by the public sector), including public rental housing, workers' housing, small-sized units for sale, and the housing units constructed by the implementation the five new town development in the capital region.
 - . NHF, aided by of 51.36 million USD (40,985 million won), financed 2,990.1 billion won to construct 222 thousand units. In order to alleviate the burden of the consumers, loan amount was on the increase, where as the interest of the loan was on the decrease.
- * Operations of NHF (91-93) attached.

MAP SECTION



This map has been prepared by The World Bank's staff exclusively for the convenience of readers and is for the internal use of The World Bank Group. The denominations used and the boundaries shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.

1980

1981

1982