



Pakistan PM Low Income Housing Program

Setting Foundation for Social Empowerment

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Housing, a Cherished Mission

Given the magnitude of the housing shortage in the country and the budgetary constraints of both the provincial and federal governments, the program is aimed at finding market based viable and sustainable production of low income housing with enabling and facilitating role of federal and provincial governments, as well as all other stakeholders with a key role of private sector developer industry.

Housing is a numbers game

- Housing/Shelter is a basic social need along with food and clothing
- Housing has to be provided to every citizen at an 'affordable price', else the needy and poor make it 'Affordable' for themselves through 'squatting' and creating slums (*Katchi Abadis*)
- The Challenge:
 - More people, more housing
 - Housing can not be developed in jungles (on Raw Land)
Housing needs "Serviced Land" equipped with external infrastructure
 - Land is something God has stopped producing,
 - Yet habitat on Land is increasing Malthusian Theory

PM's Low Income Housing Program 1,000 satellites having 500 units each

The Housing Program needs to address the housing shortage issue from three different aspects namely:

- 1) Demand Side (Housing Finance),
- 2) Supply Side (RE Developer Industry) and
- 3) Regulatory aspects (SBP, SECP, Building Codes Regulations, Fiscal/Tax Regulations of FBR).

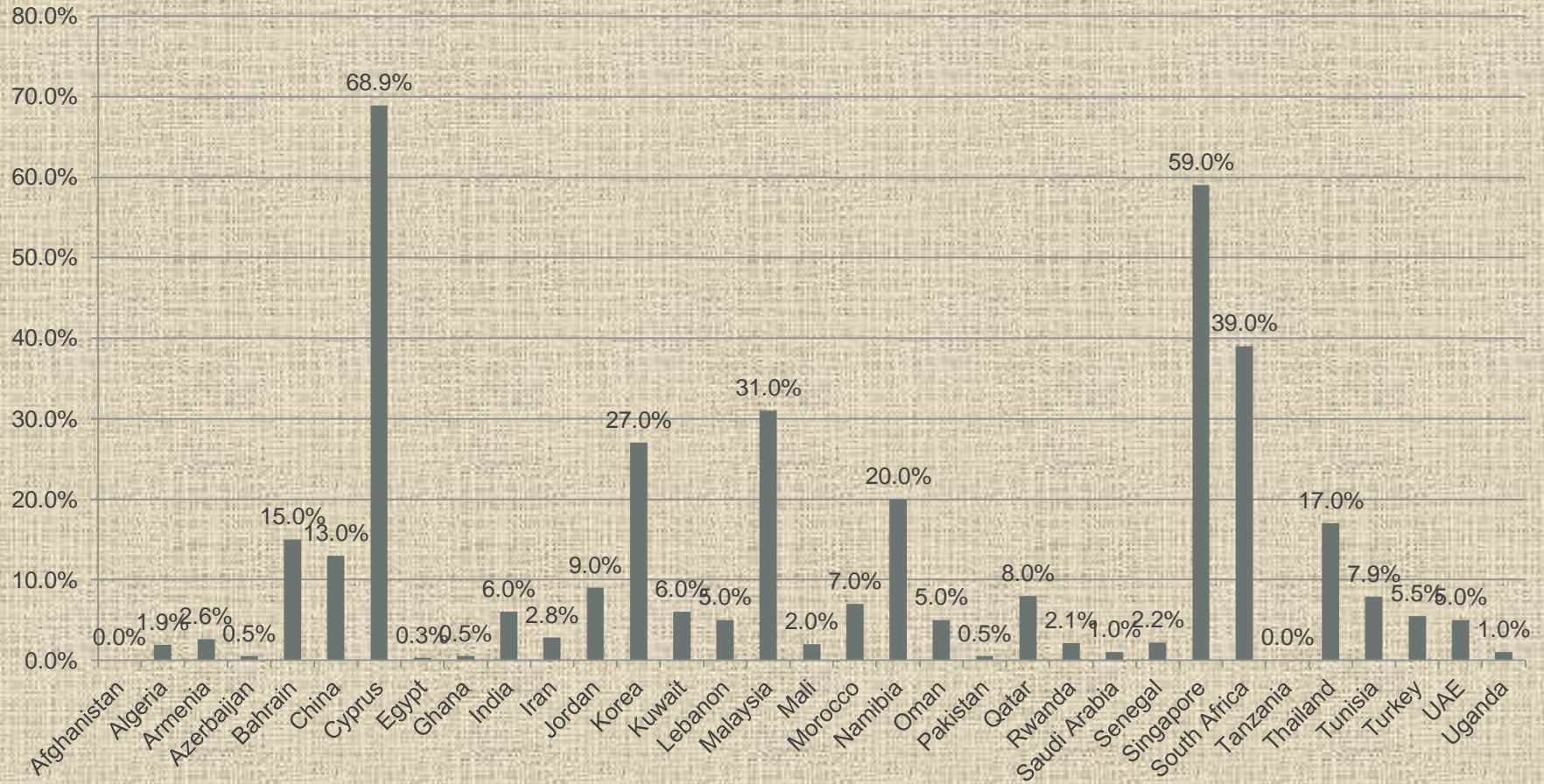
Housing has three market segments:

- 1) Market Housing: People with affordability who are being attended by market forces. Not a target market for the Program
- 2) **Low-Income or Pro-Poor Affordable Housing, needing government support in some form. THE TARGET MARKET**
- 3) Squatter Settlements – Rehabilitation/Resettlement of squatters and discouragement of further squatter settlements

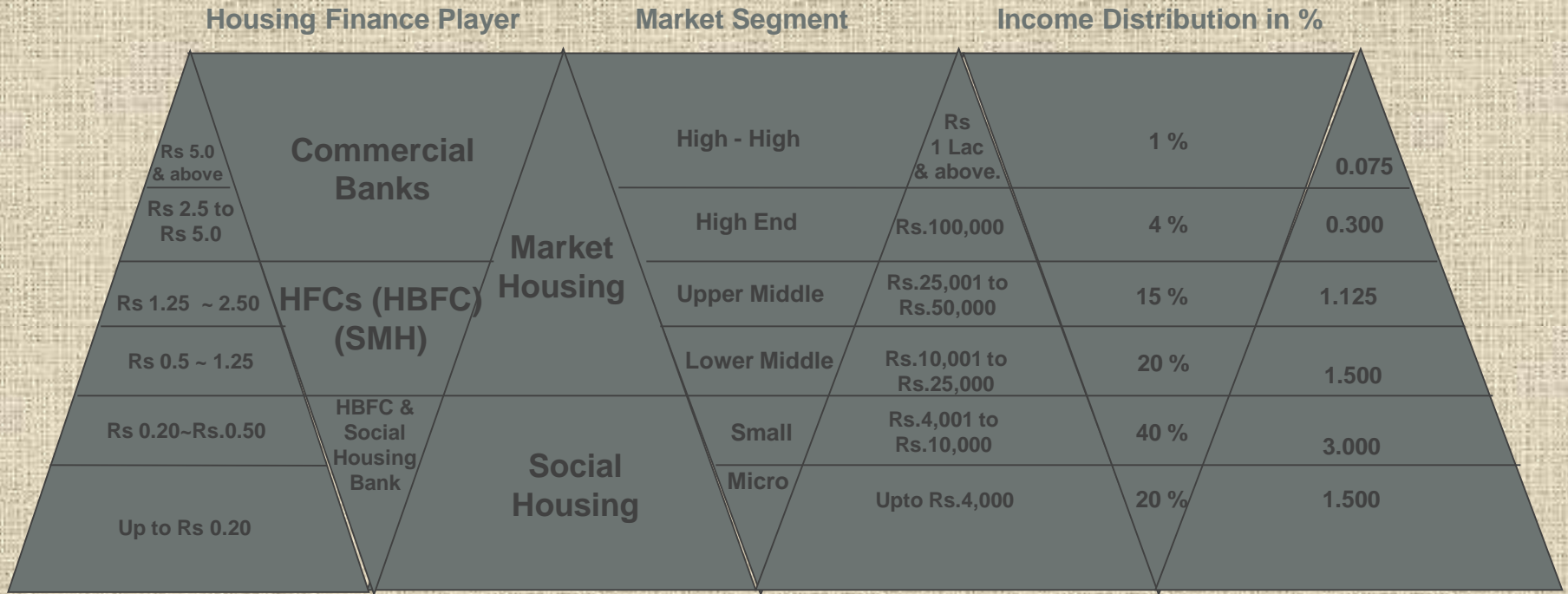
Pakistan's Housing CHALLENGE

- For a population of 190 mn, household size of 6.6 and population growth rate of 2.5%, the incremental demand for housing for new household is 0.7 mn units per year.
- Urban population is nearly one-third of the total population.
- With changing socio-economic norms, household size will shrink, leading to more demand for housing units for the same population.(India 5.6)
- Overall housing backlog is 8-9 mn
- The Urban Housing Shortage is around 3.0-3.5 mn, nearly all of which is in the Economically Weaker Section (EWS) of the population.
- The yearly housing supply is around 0.25-0.30 mn, therefore, short supply is adding another 0.3-0.4 mn every year to the existing backlog every year.
- Depletion of old housing stock will further widen the shortage.
- The Rural Housing Shortage is 5 mn units.
- Rural housing calls for a different approach to address the issue of Housing Supply and Housing Finance.

Mortgage Debt to GDP Ratio : Afro-Asian & Pacific countries



Housing Continuum



Mortgage Affordability
(Rupees in Million)

Housing Market

Income Distribution

Housing Shortage*
(In Million)

- Per Capita Income
- Minimum Wage Rate

Rs.8,500 per month
Rs.6,000 per month

Total existing backlog is estimated at 7.5 million units. The shortage in various income segments is assumed in the same proportion as per the income distribution pattern. However, actual shortage is much higher in the low-income segments as opposed to the higher income segments

Overall Demand / Supply Gap and New Production Targets (Rural + Urban)

- Due to population growth 7 lac units/year
- To cover backlog in 10 years 3 lac Units/year
- Add. depletion of existing stock 2 lac units/year
- Needed target supply12 lac units/year
- Actual Supply 2.5 - 3.0 lac units/year

Cherished Goal: To gradually increase housing supply to 10 lac units/year and to continue at that pace if we need to cover backlog as well in 10 years' time

PM's LIH Housing Scheme is just a first step towards this cherished goal

Where the Urban Poor Live

Rapid and massive urbanization simply adds to the already existing housing backlog. The question then arises as to where and how the urban poor live?

- High Persons/Room Density of 3.5
- Mushrooming illegal habitats, squatter settlements or *Katchi Abadees*
- Karachi alone has around 600-800plus such settlements
- This population is not counted by urban planners in planning for infrastructure, utilities, civic amenities, health and education
- None-the-less they are a major load and stress on the civic system
- The land illegally occupied by squatters is mostly of high value; however, this tremendous equity potential of the land is neither of any use to the squatters nor to the society at large
- The land in squatter settlements is used very inefficiently
- Due to the absence of basic health facilities, education and decent living, these settlements often become breeding grounds for anti-social elements

Way Forward

- **Phase-1: First 100 Days deliverables**

This will aim at Policy, setting up of essential institutional framework and restructuring/revamping of existing framework

- **Phase-2: First 1,000 Days Deliverables**

This will aim at Policy for execution, surveillance, evaluation and revisiting the programs and targets.

100 Days' deliverables (Phase-1)

Set up Experts Groups of Experts from Housing Stakeholders

- The Govt has set up a **Steering Committee and Sub-Groups**, having representation from different stakeholders, headed by a Expert Professionals on Housing, having local and international experience in the field.
- **After completion of the 100 days agenda**, this Steering Committee may be retained as a “**Housing Consultative and Advisory Commission**”, with a permanent status. The HCAC to directly report to PM Office.
- The Commission be made responsible **to implement National Housing Policy and execute programs for Low-Income Housing (LIH) Projects**. It will develop new LIH Projects, implement and suggest Fiscal and Regulatory recommendations for promotion of housing, and assist Provincial Governments in development and implementation of provincial housing policies and programs.

100 Days deliverables-Cont'd

National Housing Policy for PM Housing Program

- The Govt to announce a National Housing Policy as prepared by Steering Committee, with a focus on PM's Affordable Housing Initiatives for Lower-Middle, Low-Income and Economically Weaker Segments of the Society.
- Since Housing is a Provincial Subject, the National Housing Policy to focus on Federal Govt's role of Facilitators and Enabler, while development and execution of Housing Programs and Projects will remain prerogatives of the Provinces.

Phase-2: 1,000 Days Deliverables

This phase will aim at execution, surveillance, evaluation and revisiting the programs and targets.

- Develop the needed institutional and legal framework to implement the National Housing Policy as developed in 100 Days Agenda.
- Ensure that institutional arrangements as per 100 days Agenda are set up and are made operational.
- Regulatory regimes to be framed and enforced as in 100 Days Agenda.
- Develop New Habitat and Satellite Towns under PPP Business Models.
- Develop Land Banks to procure raw land, convert raw land to serviced land and offer serviced land to developers in private sector for development of habitat under PPP Models.
- Create a competitive environment between provinces on low-income/low-cost housing policies and programs.

Role of Regulatory Agencies And other Stakeholders In Housing Supply and Demand

Role of Central Bank-SBP

- Penetration and success of Housing Finance in a country is measured by popular Mortgage Debt (MD) to GDP Ratio.
- Ironically Pakistan with ratio of 0.5% stands nearly at the bottom on a global scene.
- The central bank of a country plays a key role in promoting housing finance. **For success of PM's LIH Program, the SBP may be directed to play a pro-active and effective role in promotion of housing and housing finance, with a target to improve MD:GDP Ratio to 5% within 5 years**
- SBP's performance in promotion of housing be measured in comparison with other central banks in the region - India, Thailand, Indonesia, Malaysia etc.

SBP- Emergent Initiatives desired

- Housing specific Prudential Regulations
- Mortgage Finance Guidelines
- Housing Microfinance Regulations and Guidelines
- Pakistan Mortgage Refinance Co.
- Long Term Liquidity Instruments like REITS, Mortgage Backed Securities
- Developer Finance Regulations
- Strengthen the Housing regulatory function at the SBP
- India has a separate entity for the purpose as a subsidiary of RBI, which has turned around housing finance industry

Role of SECP

- The SECP, as a regulator of the corporate sector, is to play a proactive role in promotion and regulation of housing supply agents like Developer Industry, Construction Materials Industry etc.
- Real-Estate Regulatory Authority/Regime: In Pakistan currently there is no specific regulatory regime for establishment and monitoring of Developer Industry in Pakistan. SECP is learnt to be working on this.
- Guidelines on Private-Public Partnership Business Models.
- Guidelines on Property Valuation
- Alongwith other areas, the regulations should ensure that Residential Housing Projects are delivered as per approved specifications and time schedule

Role of other Stakeholders in Housing

- **Role of FBR:** Fiscal support to low-income housing by way of lower Income Tax, Sales tax, Levies etc
- **Role of Building Control Authorities:** Relaxed regulations like FARs for Low-Income Housing, Fees etc
- **Role of Architects and Civil Engineering Designers**
- **Role of Urban Planners and Academia:** Urban planning to cover development of new habitat, social and physical infrastructure etc.
- **Developer Industry and Developers Associations:** Involve them in planning and development through Private Public Partnership etc.

Role of Developers

Developers will be key supply side agents

- Low-Income Housing supply needs manufacturing scale production to provide economies of Scale
- Role of Construction Technology
- Role of innovation and standardization of Construction Materials.
- The Developer Industry may need to have technology transfer under joint ventures with large scale developers in the region
- Developers may also develop and promote Low-Income Housing Schemes outside PM's LIH Program

A few success stories of “Low Cost-Low Income” Housing Schemes

Public Sector Projects

- Korangi Town Project, Surjani Town, Liyari Expressway Projects(3)-Karachi and Ashiana Housing Scheme-Punjab

Public-Private Partnership

- Al-Azam Apartments, Maymar Apartments, Khuda Ki Basti (KKB-1,2,3) where Govt provided land at concessional price.

Pure Private Sector Initiatives

- Awami Villas, Rawalpindi
- Heritage Homes, Lahore
- Niya Nazimabad, Karachi
- Khayaban-e Ameen, Lahore

Role of HBFC and Financial Institutions

HBFC to be put on track::

- During last few years HBFC has lost track of the very purpose it was established, that is housing finance to low and middle income segment of population.
- Its yearly loaning is much less than its operational expenses
- Such specialized housing finance institutions proudly successfully operate around the globe and more so in Asia-Pacific region e.g., HDFC-India and GH Bank, Thailand.
- Indeed HBFC needs to be made a viable and sustainable entity to continue, being the only institution in the country to serve shelterless poor with a wider financial inclusion and geographical spread.

Commercial banks:

- May be directed to play an active role in housing and housing finance for lower and high income segment housing.
- Commercial Bank's lending for Low-Income Housing, to be made under Priority Lending, like in India, Thailand etc.

Housing Microfinance (HMF)

- Currently there is no specialized housing microfinance institution in the Country to serve shelterless poor of the country.
- The Financial Institutions like HBFC and Commercial Banks may be encouraged to set up specialized Housing Microfinance Institutions at provincial level.
- For the purpose the existing regulatory regime for MFIs be amended accordingly by the SBP.
- Low-Income housing finance be covered under priority lending by SBP

Pakistan needs Housing Microfinance Supply and Finance Institutions, and a HMF Regulatory Regime

Rural Housing Finance

- Currently there is no Rural Housing Finance Program
- A World Bank Report has raised the issue of poor Financial Inclusion and calls for Expansion of Outreach to poor under a wider geographical spread.
- Financial Institutions be incentivized to expand housing finance outreach to un-served areas, primarily at tehsil and village levels.
- **ZTBL to be geared to play a lead role for the purpose** in view of its experience and standing in rural areas.
- Commercial Banks to be incentivized to expand financial inclusion into un-served rural areas, either directly or through Housing Microfinance Institutions and NGOs.
- Other measures like Cooperative Lending, Credit Guarantees, and role of local administration etc. to be worked out.

Enabling infrastructure at Federal and Provincial Governments

Institutional Infrastructure at the Federal Level

- Currently the *Ministry of Housing* (MoH) manages housing needs of government employees only, which mostly involves rental housing;
- *Ministry of Finance* controls the *Housing Finance* segment through the SBP and the SECP Financial Regulatory regimes
- MoH has no role in urban planning & development, promotion of the construction industry and RE developers
- MoH does not have the much-needed authority to execute its policies and plans

The country needs an empowered and effective Ministry of Housing, Urban Development. DEVOLUTION is needed to ensure effective implementation of the housing policy at the provincial to District to Tehsils levels.

Ministry of Housing: the way forward

- The function of Development, Allocation and Maintenance of government housing for State employees be separated from MoHUD and given to a separate and independent entity
- This entity will undertake such projects preferably on a Public-Private Partnership (BOT) Model.
- The Pakistan Housing Authority and the National Housing Authority to redefine their roles and responsibilities. Their business models to be viable and self-sustainable entities
- MoHUD to be empowered in order to ensure implementation of its policies and plans

Land - a Provincial Subject

In Pakistan, **land is a provincial subject** and consequently should accordingly set the direction of any housing supply

Land Banks at Federal, Provincial & District Levels would have to be established, which would provide “Raw or Serviced Land” to Developers/Builders and would ensure affordable transfer pricing to the poor

Land banks to transform Raw land into Serviced Land and work on self-sustained, viable business models

The Federal Govt. would work closely with the Provincial Govts in promoting housing supply through introduction of housing friendly measures in Policy, Regulatory and Fiscal regimes

Focus of the Federal and Provincial Govts would be on:

Social Housing Segment (micro and small housing for Economically Weaker Sections of society), while

Market Housing Segment would remain a pure commercial area to be addressed by the private sector on market considerations

Streamline Titling, Registration and Stamp Duty Issues

- Among the major impediments in promotion of housing and housing finance is the sanctity and reliability of Land Title, absence of which leads to cumbersome and expensive title verification procedures
- Manual Title Registries, Manual System for Title Transfer and Registration to be gradually replaced by computerized LRIS
- Cadastral Surveys be made on the pattern of Google Earth
- Current paper-based records of land/title to be digitized, and Govt. would ensure that these carry sanctity of “bankable” titles
- Completely revamp and computerize Land Records; the pilot project of Land Record Information System (LRIS) to be extended to country level
- Land/Title/Mortgage Registry on the pattern of Central Depository of Shares should be made
- Foreclosure Laws to be improved to promote institutional housing finance
- Housing Observatory and Housing Information System to be developed

Role of Universities/Academia

- Set up Housing and Urban Development Departments at Universities
- Introduce master level programs in Construction Management, Real Estate Finance, Construction Technologies, and Construction Materials
- Arrange active coordination between Academia, Construction, Industry Developers, Housing Finance Institutions, Housing & Urban Planners
- Universities to develop competence, develop measurement standards, and modes to certify construction quality on strength/Richter scale

Developing Housing Information System (Housing Observatory)

- Currently, there is no single place where data relating to housing supply and housing finance is made available for use by planners and developers. While State Bank has gathered some data — which is not elaborate — on institutionalized housing finance, there is no reliable data on housing supply. There is a need to make it a lot more comprehensive and centralized so that planners, developers and other stakeholders could make use of it. This could be made possible through setting up an independent platform like the ***Housing Observatory***.
- SBP needs to gather housing finance data in much more detail
- Housing supply data needs to be compiled through different channels like construction permits issued, completion permits issued, developer projects etc.
- Housing Observatory will also compile data on social needs like education, health etc and utilities like water, electricity, sewerage etc.
- Housing Observatory to integrate all this information and make it publicly available against the charging of a fee.

Implementation Agencies: SBP, Planning Commission, Developer Associations, Concerned Govt Agencies, Association of Mortgage Bankers, Mortgage Lenders, Urban Planners, Academia, etc

Policy on Slums Rehabilitation and Resettlements

1. The National Policy to cover policies and programs on slums rehabilitation and resettlements.
2. Urban planners to work out policies and programs on how to check uncontrolled and unplanned urbanization.
3. Government to have a comprehensive database on rural-urban migration.
4. Government to have social land bank to develop new settlements and habitat for urban poor.
5. Policy to curb land grabbing and illegal habitat.
6. Academia to be involved in research and development of projects using best practices from around the globe.

Housing Supply Targets

(No of Housing Units)

	Year-1	Year-2	Year-3	Year-4	Year-5	Total
Public-Public	10,000	20,000	30,000	40,000	50,000	150,000
Public-Private PM Program	75,000	100,000	100,000	100,000	125,000	500,000
Sub total (Govt)	85,000	120,000	130,000	140,000	175,000	650,000
Private-Private*	315,000	380,000	470,000	660,000	825,000	2,650,000
Grand total	400,000	500,000	600,000	800,000	1,000,000	3,300,000

* The Private Sector is currently supplying housing units at 300,000 per year and it needs to be facilitate/enabled to enhance its production over the years, totally on market basis.

Zaigham M. Rizvi

Academic and professional Profile

Academic:

M. Sc. Engg., M.A. Economics, M.B.A.

Diploma in Banking, Chartered Secretary, Fulbright Scholar.

Professional:

- Thirty five years experience covering:
- Development Banking and Housing Finance
- Served DFIs in Pakistan and abroad
- Managing Director Pak-Libya, Pak-Kuwait, and SEVP at Saudi-Pak
- Managing Director House Building Finance Corporation

Expert Consultant Housing and Housing Finance:

- World Bank and IFC
- UN-HABITAT, ShelterAfrique, CMHC-Canada, ShoreBank-USA

Special Expertise:

Pro-Poor Affordable Housing and Housing Finance
and Housing Microfinance

Carried housing assignments in 25 countries in Asia-Pacific, Middle-East and Africa