The State of Urban Living: A Review of Housing Laws and Financing Instruments in Urban Pakistan

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Introduction

- Pakistan has experienced the fastest urbanization in South Asia.
- By 2025, urban population share will be 60% with 15% living in 17 mega cities.
- Urban population is underestimated due to definitional issues and exclusion of per-urban.
- There is shortage of housing units in urban areas and every year the gap between demand and supply is rising by more than 300,000 units.
Objectives of the study

• To review and evaluate the existing legal and regulatory frameworks of housing financing at the national, provincial and local levels

• To examine the state of urban living including the share of slum population at district level

• To estimate the quality and quantity of urban housing including the shortage of houses
# Pakistan: Demographic Snapshot

<table>
<thead>
<tr>
<th>Category</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population:</td>
<td>200 million</td>
</tr>
<tr>
<td>Urban population:</td>
<td>50%</td>
</tr>
<tr>
<td>Urban population growth rate:</td>
<td>4.3%</td>
</tr>
<tr>
<td>Poverty rates (2010):</td>
<td>12.4% overall, 7.1% urban</td>
</tr>
<tr>
<td>Urban housing stock:</td>
<td>23.6 million</td>
</tr>
<tr>
<td>Access to formal finance:</td>
<td>14%</td>
</tr>
<tr>
<td>Urban Housing Backlog:</td>
<td>8-9 million</td>
</tr>
<tr>
<td>Candidate for micro-housing:</td>
<td>22%</td>
</tr>
<tr>
<td>Rise in rent annually:</td>
<td>10%</td>
</tr>
<tr>
<td>Urban Household size:</td>
<td>5.9 (in number)</td>
</tr>
<tr>
<td>Urban Slum:</td>
<td>38%</td>
</tr>
</tbody>
</table>
Features of Urbanization

- Because of the *laissez-faire* policy, urbanization in Pakistan is largely considered as haphazard.
- Urbanization contributed in socio-economic development as well as poverty reduction.
- Contribution of urban economy in GDP is above 78% and cities are gradually moving to steer the economic growth though industry and services sector.
- Urbanization has contributed in expansion of middle class.
- Socio-economic condition of migrants’ living in urban slums is much better than their earlier conditions back in rural communities.
1965: Travel time to a City of 500K

2010: Travel time to a City of 500K
Repercussions of Urbanization

Welfare issues

• Housing deficit
• Service delivery issues
• Infrastructure
• Slum, poverty and unemployment

Environmental issues

• Water contamination
• Waste management and sanitation
• Various forms of pollution
Repercussions of Urbanization [Cont...]

Administrative issues
• Inconsistent initiatives of local government
• Multiple government agencies in municipal affairs

Financing urban development
• Reliance on provincial government
• Poor attempt to mobilize resources and private investment
• Gaps in legal framework
Urban Housing Management

• Most of the cities are designed to be single family homes with limited space for commercial activities.
• Housing development is mostly by the private sector:
  ▫ Mostly without approval from urban authorities
  ▫ Planned development is fewer and limited only to big cities.
• Urban development is a provincial issue and urban planning and housing management is a local one subject.
• Inconsistency in local government system remained a major hurdle to develop their capacity for effective planning.
• Various housing policies/laws exists with fine-tune solutions but implementation is imprecise
Urban Housing Management [cont…]

Housing Development Laws

• National Environment Policy (2005)
• National Energy Conservation Policy 2005
• National Framework for Disaster Risk Management (NDMRF) 2007
• Task Force on Urban Development Report 2011
• National Climate Change Policy 2012

Urban Housing Financing Instruments

• National Housing Policy 2001
• House Building Finance Company Limited (HBFCL)
• Commercial banks

Note: Housing financing is only 1 percent of GDP
Accessibility of Housing Units among Different Income Groups in Pakistan

- **High Income**: 250,000 and above
  - 56% of the population

- **Medium Income**: 30,001-250,000
  - 43% of the population

- **Low Income**: 8,000-30,000
  - 1% of the population
  - 68% of the population (lowest income) has only 1% of total housing units within their buying reach
Key Financial Players of Urban Housing

- **Commercial Banks**
  - Rs 5.0 & above
  - Rs 2.5 to Rs 3.0
  - Rs 1.25 to 2.50
  - Rs 0.5 to 1.25
  - Rs 0.20 to Rs 0.50
  - Up to Rs 0.20

- **HBFC (SMH)**
  - Rs 25,001 to Rs 50,000
  - Rs 10,001 to Rs 25,000
  - Rs 4,001 to Rs 10,000
  - Upto Rs 4,000

- **Social Housing**
  - Micro

- **Housing Finance Player**
  - High - High
  - High End
  - Upper Middle
  - Lower Middle
  - Small

- **Market Segment**
  - Rs 1 Lac & above
  - Rs.100,000
  - Rs.25,001 to Rs.50,000
  - Rs.10,001 to Rs.25,000
  - Rs.4,001 to Rs.10,000
  - Upto Rs.4,000

- **Income Distribution in %**
  - 1%
  - 4%
  - 15%
  - 20%
  - 40%
  - 20%
  - 0.075
  - 0.300
  - 1.125
  - 1.500
  - 3.000
  - 1.500

- **Income Distribution**

- **Housing Market**

- **Mortgage Affordability**
  - (Rupees in Million)

- **Housing Shortage**
  - (In Million)
Measurement of Slum

• Urban slum is defined if it lacks any of the 5 indicators:
  ▫ Lack of access to improved water as defined in MDGs
  ▫ Lack of toilet facility
  ▫ Insufficient-living area/ overcrowding (four and above persons per habitable room)
  ▫ Lack of durability of dwellings (wall or roof of house is not of brick/stone/iron/cement)
  ▫ Lack of electricity

• Urban Housing Deficiency is measured through:
  ▫ Estimating Housing Deficit
  ▫ The Habitation Density Index
  ▫ The Extent of Crowding
  ▫ The Intensity of Crowding
  ▫ The Magnitude of the Housing Shortage
## Occupancy Snapshot in Urban Pakistan

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Occupancy Status (%)</th>
<th>Occupancy Rate per Dwelling (in numbers)</th>
<th>Average Room per Housing Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>KP</td>
<td>71.5</td>
<td>73.3</td>
<td>7.3</td>
</tr>
<tr>
<td>Punjab</td>
<td>78.2</td>
<td>76.8</td>
<td>6.3</td>
</tr>
<tr>
<td>Sindh</td>
<td>77.6</td>
<td>82.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Balochistan</td>
<td>79.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>80.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Overall</td>
<td>77.4</td>
<td>78.5</td>
<td>6.4</td>
</tr>
</tbody>
</table>
Share of Slum Population in Urban Pakistan (%)
## Type of Urban Slum in 2014/15 (in %)

<table>
<thead>
<tr>
<th>Type of Slum</th>
<th>KP</th>
<th>Punjab</th>
<th>Sindh</th>
<th>Balochistan</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of durability of dwellings</td>
<td>22.2</td>
<td>10.2</td>
<td>6.0</td>
<td>45.4</td>
<td>10.4</td>
</tr>
<tr>
<td>Lack of improved water</td>
<td>3.9</td>
<td>5.8</td>
<td>8.6</td>
<td>17.3</td>
<td>7.1</td>
</tr>
<tr>
<td>Overcrowding</td>
<td>21.3</td>
<td>27.9</td>
<td>25.8</td>
<td>22.3</td>
<td>26.5</td>
</tr>
<tr>
<td>Lack of toilet facility</td>
<td>2.0</td>
<td>1.6</td>
<td>2.1</td>
<td>16.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Lack of electricity</td>
<td>0.8</td>
<td>1.5</td>
<td>1.1</td>
<td>2.4</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Slum households</strong></td>
<td><strong>38.8</strong></td>
<td><strong>39.3</strong></td>
<td><strong>34.6</strong></td>
<td><strong>68.6</strong></td>
<td><strong>38.3</strong></td>
</tr>
<tr>
<td>Provinces</td>
<td>Average Habitation Density index</td>
<td>Extent of Crowding (%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------</td>
<td>------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
<td>Overall</td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>KP</td>
<td>3.1</td>
<td>2.9</td>
<td>3.1</td>
<td>46.6</td>
<td>38.8</td>
</tr>
<tr>
<td>Punjab</td>
<td>3.3</td>
<td>3</td>
<td>3.2</td>
<td>48.7</td>
<td>43.5</td>
</tr>
<tr>
<td>Sindh</td>
<td>4.3</td>
<td>2.9</td>
<td>3.5</td>
<td>72.4</td>
<td>40.4</td>
</tr>
<tr>
<td>Balochistan</td>
<td>3.2</td>
<td>3.1</td>
<td>3.2</td>
<td>46.0</td>
<td>41.5</td>
</tr>
<tr>
<td>Overall</td>
<td>3.4</td>
<td>3.0</td>
<td>3.3</td>
<td>52.7</td>
<td>42.0</td>
</tr>
</tbody>
</table>
% of Housing Units Having Single Room

## Indicators of Housing Deficiency in Pakistan

<table>
<thead>
<tr>
<th>Provinces</th>
<th>The Intensity of Crowding (%)</th>
<th>Magnitude of the Housing Shortage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>KP</td>
<td>146.2</td>
<td>142.5</td>
</tr>
<tr>
<td>Punjab</td>
<td>157.6</td>
<td>155.1</td>
</tr>
<tr>
<td>Sindh</td>
<td>168.8</td>
<td>157.5</td>
</tr>
<tr>
<td>Balochistan</td>
<td>145.1</td>
<td>146.8</td>
</tr>
<tr>
<td>Overall</td>
<td>157.8</td>
<td>154.6</td>
</tr>
</tbody>
</table>
Proposed Urban Reforms

• Focus of policy, research and thinking on the role of cities as engines of growth
• Encourage medium-size cities as hubs of commercial and industrial activities
• Promote Cluster Development
• Empowerment of city government in public service delivery and financial matters
• Identify and address political issues arising out of the 18th Amendment.
• Require innovative financial instruments to target lower segments
Thank You