

# Policy Brief Series

# PAKISTAN'S URBANIZATION



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## HOUSING FOR THE LOW-INCOME

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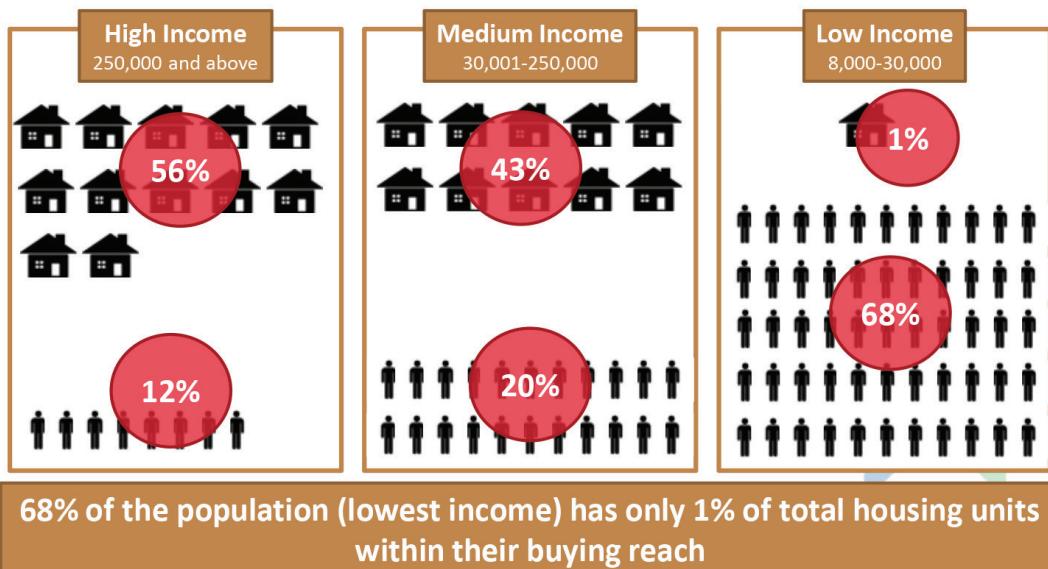
### Policy Recommendations

- Encourage local governments to take administrative steps to increase the availability of affordable land by, for instance, promoting densification in new housing projects, discouraging the creation of large housing plots, and implementing more vigorously existing housing plans for low-paid government employees.
- Revise existing bylaws and zoning regulations to support high-density, high-rise, and mixed land-use patterns.
- Change the sequence of development site and services schemes to prioritize low-income housing and discourage speculation.
- Create new company/foundation partnerships for social housing.
- Provide incentives for the private sector to build affordable housing for the poor.

This policy brief series seeks to share with a wider audience the proceedings of a November conference at the Woodrow Wilson Center that explored the challenges presented by Pakistan's rapid urbanization. The Wilson Center's Asia Program takes great pleasure in acknowledging support provided by the *Fellowship Fund for Pakistan* for the conference, this policy brief series, and the longer volume of essays to be published in 2014.

The inadequate provision of shelter to the urban poor continues to be Pakistan's most immediate pressing problem. Housing backlog, as estimated according to the 1998 census, was over 4.3 million units with an annual incremental demand of 500,000. These figures should be juxtaposed

with the fact that there is no shortage of housing for one third of the population, which is categorized as the affluent middle class. Rather there is a housing over-supply for them as is evident from the chart below.



\*Data based on a 2012 survey of housing projects in Lahore, the second largest city of Pakistan.  
All values are in Pakistani rupees.

To understand this phenomenon better, it is necessary to critically examine what is happening in the housing sector. In large towns, land is planned and disposed of by powerful interest groups (in both public and private sectors) through the creation of low-density housing colonies that result in an uncontrolled and automobile-dependent urban sprawl. The demands of the elite are fully met, be it through housing credit or subsidized infrastructure. Since the needs and demands of low-income people are ignored, ecologically unsafe wasteland is informally converted into increasingly smaller plots. This is generally done by a group of people known as the "land mafia," who operate in collusion with corrupt government officials and the police. They sell state land illegally or subdivide private agricultural land and sell it at

a price low-income people can afford to pay. In both cases, the price is low due to lack of infrastructure and legal documents of ownership. As a result, approximately 40 percent of Pakistan's urban population lives in squatter settlements or sub-standard informal housing, locally termed as *katchi abadis*\*. Cities like Karachi, Lahore, Quetta, Peshawar, and Faisalabad are facing acute problems because of this situation.

In the past 66 years, successive governments have launched various schemes in the name of the poor, such as, small built-up units, metro-villes, site and services, three to five marla schemes,\*\* widows housing from zakat fund, and Prime Minister Nawaz Sharif's scheme of low cost flats on prime locations. However, these schemes have failed to meet the demand of low-income groups because in most cases

\* Katchi Abadis are essentially squatter settlements.

\*\* In Punjab, land is measured in marlas; one marla is equal to roughly 30 square meters. Since these plans were meant for low-income people, they were officially called "three marla" or "five marla" schemes.

the end product either did not reach the target groups or they could not retain the benefit. This can be attributed to the planners of these schemes, who concentrated on looking for engineering solutions and were woefully ignorant about the culture, economics, and sociology of low-income people.

Aside from unaffordable prices, other issues did not get enough attention in the government-sponsored plot development projects. Red tape and cumbersome procedures frequently excluded the poor from the process altogether. The time lags in identifying and developing land and building housing were considerable, and often the poor did not have the luxury of waiting. After possession, the poor had no access to technical advice and credit for house construction. Finally, social sector services such as education, health, and family planning were conspicuously absent.

As a result of these weaknesses, public land allocated for formal housing in the name of the poor was generally purchased by speculators or middle classes who kept it unutilized for years. At one time, 300,000 plots were lying vacant in Sindh alone while 40 percent of the population was living in *katchi abadis*.

It is unfortunate that in spite of such a huge demand, there are no social housing programs for low- and lower-middle income groups except for the *Katchi Abadis* Improvement and Regularization Programme. Even so, this program addresses the *katchi abadis* issue only, and not the issue related to the creation of huge low-income informal settlements created out of the subdivision of agricultural land.

The only social housing components that effectively reach low-income communities are those through the work of the Orangi Pilot Project—Research and Training Institute and Saiban, which is an action research non-governmental

organization working in the housing sector in Karachi. Saiban has recently completed Khuda-Ki-Basti-3, which will house three thousand families. This is a joint venture with the City District Government Karachi. Another such scheme is under implementation in Lahore, and a third is planned for Islamabad as well.

The city, provincial, and federal governments own large tracts of land both within the city and on its periphery. This is being encroached upon by a mafia of formal and informal developers and is fast disappearing. While there is considerable liquidity in banks and leasing companies and interest rates are relatively low, the financial resources present are not being channeled into housing for lower- and lower-middle income groups.

What is evident from above is that there is a huge unmet demand for low-income housing. Although the needy have a limited financial capacity, they have high willingness to pay. While the government has the mandate, resources, and manpower to tackle this problem, what is missing is an appropriate and affordable housing program and a political commitment to implement it.

## WHAT NEEDS TO BE DONE?

Learning from past experience, policy makers should realize that because of the enormity of the problem, neither constructed unit schemes nor huge subsidies can work. Therefore, instead of replicating conventional approaches, there is a need to:

- opt for innovative ways;
- take steps to increase land supply;
- revise and improve current laws, procedures, and practices to make them poor friendly;

- change the sequence of development in site and services schemes to discourage speculators;
- establish new institutions for social housing; and
- attract the private sector by offering incentive packages.

These issues are briefly elaborated in the following paragraphs.

### ***Issues Pertaining to Land***

Availability of suitable land at prices which low-income people can afford is the central issue in housing, but the ground situation is that almost all cities in the country are faced with an acute shortage of land, which has resulted in extremely high land prices. This means that land at appropriate scale and price is hardly available for housing or infrastructure projects. The problem becomes all the more acute when we find that the available land is not being used judiciously due to the extravagant nature of existing land use regulations and planning standards.

This problem of land availability can be solved to a large extent by:

- Compiling inventories of land assets at the city, provincial, and federal levels, reserving land within metropolitan areas for low-income housing, and delivering this land through market mechanisms.
- Increasing land supply in inner areas through renewal (high-density and mixed use) and promoting densification in new housing development projects.
- Simplifying the process for the conversion of agricultural/government/community lands to urban use.
- Prohibiting the development of plots over 400 square meters in any housing scheme

(public or private). If large plots are created, they should be heavily taxed to discourage such development.

- We should understand that what low-income people need is a small piece of land at an affordable price where they can find shelter and raise the construction incrementally. Since they do not have enough money, and loans for purchase of land are not available, they are not able to enter the formal sector. It is necessary that, as with house construction, banks and leasing companies should be allowed to give loans for the purchase of land, which the new owners could then mortgage simultaneously.
- Federal, provincial, and other land-owning agencies of the state should immediately review existing schemes for their low-paid employees. If the respective agency has a provision for developing land and housing schemes for its employees—on the basis of an incremental model or through private sector participation—the agency should undertake to do so. The umbrella of the social housing foundation can also be used for this purpose.
- Local governments need to integrate *katchi abadis* into the city system, and need to guide future development through main infrastructure development and cooperation with existing land developers. (Minimum standard for the sub-division of agricultural land should be fixed, as has been done in Punjab.)
- All provinces should make laws for disposal of state land in line with the Sindh Disposal of Urban Land Ordinance 1999. This was a progressive piece of legislation, which promoted small plot development schemes on an incremental basis. Unfortunately, it was not given a permanent legal cover and was allowed to expire.

## ***Building Bylaws and Zoning Regulations***

In addition to increasing land supply, it is also necessary to improve building bylaws and zoning regulations to make them friendlier to the poor by taking the following steps:

- Zoning and building regulations should match the market performance at different locations and zones to support high-density, high-rise, and mixed land-use patterns.
- Zoning bylaws should make it mandatory for developers to provide certain facilities to the city in return for the use of land (e.g. auditoriums, cultural centers, and related public spaces).
- For low-, lower-middle, and middle-income groups, the restrictions on height of apartments should be removed, allowing a minimum density of 1500 persons per acre.

A panel of experts representing planners, architects, engineers, social scientists, and other stake-holders should be established at the provincial level to undertake these activities on a continuing basis.

## ***Improving Site and Services Schemes***

Site and services schemes, a concept developed by World Bank advisors, generally adopt the following sequence of development:

**Land —> Infrastructure —> Housing —> People**

This method is suitable for people who have enough money and can move to fully developed plots. However, it becomes unaffordable for the majority of the low-income strata. This class can be accommodated if the sequence is changed to:

**People —> Land —> Infrastructure —> Housing**

This means that the state would encourage homeless people (who are mostly low-paid teachers, self-employed personnel, policemen, factory workers, office assistants, etc.) to form

groups, start saving money for the purchase of land, search for an affordable location, start with improvised housing, and build the infrastructure incrementally as they live there. In order to discourage speculation and absentee ownership, entitlements of those who fail to start construction within six months should be cancelled.

## ***Social Housing Companies/Foundations***

A public limited construction company/foundation of social housing can be formed in each province by collaboration between city governments and associations of banks and leasing companies willing to give mortgage loans for social housing to lower- and lower-middle income groups.

- The board of directors of the company/foundation should consist of the stakeholders (representatives of city government, leasing companies/banks) and reputable professionals and social activists in the housing field.
- Banks and leasing companies should provide long-term mortgage loans to groups of 10-20 low- and lower-middle income families for purchasing land and housing at affordable prices. Lending to groups rather than individuals makes speculation difficult and ensures better repayment.
- The construction company/foundation will build the houses. For low-income families the houses will be finished externally, but internal finishes and accessories will be the responsibility of the owners. This will reduce costs considerably.
- Terms and conditions should be developed to ensure that the target groups are the beneficiaries. Terms may also be developed to make speculation/resale of property difficult and unprofitable for a minimum of 15 years.

### *Involving Private Sector*

So far the private sector has focused its attention on higher- and middle-income groups to maximize its profits, but there is a huge market at the bottom of the pyramid, provided that affordable products are introduced. The government should develop an incentive package attractive to the private sector for "incremental housing development." Such a package should include reduction in the cost of state land (as has already been done by the Government of Sindh), revised bylaws, zoning, and building regulations, provision of external development (access roads, source of water, disposal of sewerage) by local authorities, and schools/health facilities by line departments. Attracted by such incentives, housing development entities in the private sector, as well as foundations registered under the Companies Act, would have reason to build housing for low-income groups.

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