



## **EXPLORING AFFORDABLE HOUSING OPTIONS FOR PAKISTAN**

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### **1. Abstract**

Housing is a basic need of the human being for privacy, safety and protection. Housing is affordable if it is accessible within 20% to 40% of gross monthly household income. Sustainable- affordable habitat could be described as a way of developing and maintaining the living environment supporting human health (both physical and psychological), satisfying shelter needs along with protecting and preserving nature for future generations. Almost all the developing countries are facing shortage of sustainable affordable housing. Many countries have adopted various approaches to mitigate the gap between demand and supply of affordable housing and some of them have become successful like Singapore, Malaysia and Thailand etc. Pakistan is among the top ten populous countries in the world with fastest growing urban population. There is a huge housing shortage of about one million houses in the country. Although various initiatives have been taken by the government to mitigate this gap, but it is increasing every year. This paper discusses the housing situation in Pakistan, highlights problems in Pakistan faced by the people and gives some suggestions to resolve the issue.

### **2. What is Housing**

UN-HABITAT (2008) defines housing as a basic need for privacy, safety, and protection against the physical elements. Housing is a place where fundamental functions of life i.e eating and sleeping – take place and women carry out their roles of reproduction (child bearing, child rearing), production . Majale M 2004 finds that People move for work and engage in income generating activities from their house.

### **3. Affordable Housing**

Trafford Council 2013 refers affordable housing', to particular product outside the main housing market. Shaikh,H. 2016 finds that globally, housing is defined as affordable if a basic housing unit, which provides a minimum amount of personal space and amenities, is accessible at 20-40% of gross monthly household income for either rent or mortgage.

### **4. Sustainable Development**

Newman (2002), defines sustainability as a global process that also tries to help create an enduring future where environmental and social factors are considered simultaneously with economic factors. WCED 1987 declared that sustainable development is meeting the needs of the present generation without compromising the ability of future generations to meet their own needs

World Bank (2013) explained sustainability having three interdependent pillars: economic, environmental and social. Sustainable development is a process which comprises four dimension i.e environmental, economic, social and cultural aspects (UNHABITAT 2012). World Bank 2013 defined a sustainable system is “one that is either in equilibrium, or one that changes slowly at a tolerable rate.” Morgan & Talbot (2001) defines Sustainable housing contributes to community building, social justice and economic viability at a local level.

Karupannan S & Sivam A(2009) state that sustainable housing development also refers layout of the housing areas besides development of dwellings. It means that there should be social and psychological satisfaction alongwith having a roof over one’s head. UNHABITAT 2012 mentioned that housing is not merely a structure of buildings, it relates society and the environment because the housing activity consumes the huge amount of natural resources i.e land, building material, water and energy and produces pollution like solid waste, sewage, air pollution, emission of GHGs etc

## **5. Sustainable Housing**

Housing is effected by environmental factors like temperature, winds, rains, floods, earthquakes and other natural disasters and climate change. Sustainable housing is that which is inclusive and affordable. Therefore merely affordability is not enough for affordable housing unless it is sustainable as well. Sustainable- affordable habitat could be described as a way of developing and maintaining the living environment supporting human health (both physical and psychological), satisfying shelter needs along with protecting and preserving nature for future generations (Nair,D., et al 2005).

## **6. Housing Situation in Asia**

The housing shortage in Sri Lanka was projected to rise from 400,000 to 650,000 units between 2002 and 2010. UN-HABITAT (2006). In India the shortage of urban housing units was 5.1 million1991; by 2001 this had grown to 7.1 million units. (Tewari, A. & Hanley L.2007). Current housing deficit is 40 million units. (UN-HABITAT 2011). Indonesia now needs to house approximately 735,000 new urban households per year. Malaysia was expected to require about 709,400 new housing units between 2006 and 2010. Philippines has considerable housing deficits. Between 2001 and 2004 the estimated need was 3.4 million units.

### **a. Overview of Malaysia’s Housing Policy**

Since independence in 1957, provision of low cost housing priority of Government in the five-year national plans. Government Agencies directly responsible for providing housing for poor in urban areas through State Economic Development Corporations and other urban development agencies. Ceiling price for low cost housing was fixed at RM25,000 per unit for people with household income of less than RM750 per month since 1982. To ensure private sector constructs low cost housing, Government also imposed 30% quota provision of low cost housing in every residential development. To ensure these houses are secured by the targeted group, Government imposed an open registration system. No specific quota required for other housing categories

### **b. Singapore: Housing Brief**

Singapore has developed a unique housing system, with three-quarters of its housing stock built by the Housing & Development Board (HDB) and homeownership financed through Central Provident Fund (CPF) savings. Singapore’s homeownership rate of 90% is one of the highest among market economies. At different stages of its economic development, the Government of Singapore was faced with a different set of housing problems. In Singapore affordable housing has become synonymous with flats that one can buy directly from the Government at 99-year leaseholds, or through HDB resale markets. HDB built 21,000 flats in

less than 3 years. By 1965, within a decade of HDB's establishment, HDB had built 54,000 flats. Singapore's public housing has housed an entire nation – today, more than 1 million flats have been completed in 23 towns and 3 estates across the island.

### **c. Thailand: Housing Brief**

Thailand has successfully provided affordable housing for decades. The government's housing and housing finance policy framework has always focused on providing affordable housing especially for low-and-middle income people. Thailand's home-ownership rate is 81%, among the highest in the world. The country has no serious housing shortfall and in-fact faced oversupply problems in 1995-1996 before the 1997 economic crisis. For the past five decades, Thailand has successfully minimized slums and squatter settlements. Government intervention to provide adequate housing for low income population segments. The two main government organizations that provide affordable housing to lower income groups are NHA and CODI. These two organizations have different approaches.

### **d. Housing Situation in India**

India, after China is the second largest country with 1250 million inhabitants among them 33% living in cities . India faces a huge housing shortage i.e approximately 20 million units in urban India, almost all in the EWS and LIG segments, but probably on the decline. Housing needs expected to grow (urbanization, falling household sizes). Almost 28 million households, or 1/3 urban population of India, still live in slums. Government of India has taken several initiatives and started number of programs to increase affordable housing supply.

## **7. Housing Situation in Pakistan**

According to National Housing Policy 2001, in 1998 Pakistan's population was 1200 million and there were total 19.3 housing units in Pakistan, among them 32.3% were in urban area with housing backlog of 4.3 millions. The annual additional requirement was 570,000 units where as annual production was 300,000 units thus leaving annual recurring backlog of 270,000 housing units.

World Bank (2010) estimated that in 2009 Pakistan was facing a housing shortage of 7.57 million units and 6 million(79 %) of them were concentrated in the lower-middle-income and the lower income group. In 2014, the gap between demand and supply has resulted a backlog of 9 million housing units and the shortfall of low cost housing in urban area is 3 to 3.5 million units (Babar 2016).

In 2017, population of Pakistan has crossed figure of 200 million and have become fastest urbanizing country in South Asia. There existed housing shortage of around 10 million units with a rising of annual demand of 700, 000 units. The housing shortfall exists 67% in low income, 22% in lower middle income and 11% in upper middle income group.

## **8. Reasons of Housing Problems**

World Bank Study conducted in 2010 (*Expanding Housing Finance to the Underserved in South Asia*) has revealed that there is very little research in Pakistan on provision of affordable housing. National Housing Policy 2001, Sheikh, H. 2016 and Babar (2015) explored that Pakistan's urban sector is facing housing crisis due to following reasons:

- i. The land suitable for housing is becoming scarce in urban centres
- ii. Land prices increased, out of the reach of middle income group.
- iii. Poor people are unable to obtain proper housing because of their low income thus informal settlements i.e slums and squatter settlements are growing rapidly.
- iv. The cost of building materials is touching to the skies whereas vast majority of the people have low monthly income

- v. Income-shelter gap rapidly growing
- vi. Affordability of the low income groups deteriorating.

### **9. Approaches for Affordable Housing in Pakistan**

Siddiqui, T.A.(2005), Tirmizi M.A. (1992), and UNHABITAT & UNESCAP (2008) stated that in Pakistan to address the housing issue many approaches have been adopted and some of them have become successful. Major approaches can be listed as under:

- i. Public Sector Housing for Low Income People like Mera Ghar, Ashiana.
- ii. Public Housing for Resettlement of Displaced Squatters i.e. katchi abadis improvement programmes
- iii. Core-Housing like Korangi-Landhi.
- iv. Sites-and-Services Schemes for the Low-Income Group like Punjab Housing and Physical Planning Department schemes in almost all cities of Punjab.
- v. Community Participation like Orangi Pilot Project, Karachi.
- vi. Incremental Housing in private sector like Khuda Ki Basti in Haiderabad and Lahore.

### **10. House Financing Institutions**

State Bank of Pakistan Act 1956 entrusted with regulation of liquidity by control of monetary and credit policy of Pakistan, to foster growth in the best national interest in accordance with Government targets (in any including the housing sector). The commercial banks are very choosy. Their target market seems to be individuals who need money to purchase or construct/renovate bungalows and are willing to pay high mark-up. Commercial banks failed to provide housing finance to the low income group in Pakistan due to high mark up and concerns on return of money.

The House Building Finance Corporation (HBFC) came into existence in 1952 under an Act of 1952 of Constituent Assembly and remained as one of the pioneer Special Purpose Housing Finance Corporation which later became House Building Finance Company Limited (HBFCL). HBFCL cater the needs of low and lower-middle income segments of the population throughout the country. HBFCL has financed more than 470,000 housing units costing PKR 58 billion. At present the company is handling about 54,000 operative accounts with an average loans size of around PKR 1 million clearly indicating that HBFCL is truly addressing the financing needs of lower and middle income families. HBFCL is the only institution which has made 80% of its financing in low and lower middle income groups throughout the country

### **11. Conclusion**

Pakistan is the 7th largest country in the world and having highest urbanization rate in South Asia. With the rapid growth of population, housing sector is not growing proportionately due to which gap between housing supply and demand is increasing each year. Although government has initiated many housing programs but could not mitigate the gap. The housing programs of Singapore, Malaysia and Thailand have made housing affordable for low income groups. Scarcity of urban land for affordable housing has given unprecedented increase in the land prices and building material. Affordability of lower income group has gone well below the affordable standards due to which poor people are compelled to live in slums. Housing finance is merely available for low income people because commercial banks are reluctant to provide housing finance to the lower income group due to security risks. Further more there is very few research activities conducted in Pakistan to explore options to increase affordable housing supply for low income people.

## 12. Recommendations

Keeping in view the above said alarming housing situation in Pakistan following suggestions are recommended to reduce the housing shortage in for low income people in Pakistan;

- i. Master Plans should be prepared for all cities and these plans should clearly earmark areas for development of housing schemes by private sector and public sector separately.
- ii. A two way approach: On one side reduce cost of housing by suitably reducing the size of plot and standard of infrastructure in low income blocks of housing schemes while on the other improve people's income through income generation and poverty alleviation programmes.
- iii. Introduce modern construction techniques to minimize the cost of construction.
- iv. Promote indigenous Building Materials
- v. Environmental Considerations be ensured while construction to reduce use of energy
- vi. Promote Alternative Energy for domestic use
- vii. Encourage Mixed Landuse Development to provide housing near workplace.
- viii. Encourage Suitably located multistory Housing Projects
- ix. Reduce Urban Sprawl and reduce lavish use of agricultural land for construction of palaces.
- x. Heavy fine should be imposed on delayed construction of houses in public as well as private housing schemes to discourage the land mafia and the resulting price hike.
- xi. The government should put restriction on owning more than one plot by a person in a city.
- xii. Slum Improvement and Katchi Abadi improvement programmes should be prepared by involving local communities.
- xiii. Soft loans for purchase of plots and house building should be arranged through House Building Finance Corporation (HBFC) and the commercial banks.
- xiv. Special Research Cells should be established in all Engineering Universities and major government departments to explore options for affordable housing in the country.

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