



Asia-Pacific Housing Forum

Powering collaboration for housing impact





Making inroads into low-income housing finance





Naya Pakistan Housing Programme



کریں گے اہل نظر تازہ بسٹیاں آباد

The visionaries will create new abodes (for the people to come)

– Dr. Allama Muhammad Iqbal (19th–20th century poet philosopher of the East)

Asia Pacific Housing Forum
UN Habitat for Humanity

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Thailand



Zaigham Mahmood Rizvi

Secretary General

Asia Pacific Union for Housing Finance (APUHF)

A Government of Pakistan Programme



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Food, Clothing and Shelter

Basic social needs area number game: More the people more the need

- The fact is, land size remains the same for a country, while more land is needed for producing more Food, Clothing and Shelter for population on the rise.
- The world population in 1900 was around 4 billion, and today it stands at 7.67 billion.
- In 1970, the population of Pakistan was **58 mn**, and by 2019 it is **204 mn.**, and by the turn of the century it is projected to be at **375 mn.**, while the land area will remain the same at 882,000 Sq KM.
- At population of 58 mn in 1970, the population density was 66 Persons/Sq KM.
- Today, after 50 years, it is 227 Persons/SqKM **Four Times increase**
- By turn of the century it will be 425 Persons/SqKM. **Eight Times increase**

That means, more people to be served with **food, clothing and shelter** to be provided by the same land, which will demand more productivity of the land. In housing it simply means efficient use of land through improved planning, diffusion of density and high-rise housing.



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Housing for all: Targets for the cherished mission

Target Numbers: The target of 10 lacs housing units per year (50 lacs over 5 years tenor) is aimed to be achieved in following market segments:

- Urban Areas: 4 lacs units/year
- Rural Areas: 4 lacs units/year
- Peri-Urban areas: 2 lacs units/year

Target Segments: To address housing issue in wider geographical and income perspective:

- 1) **Urban, Rural and Peri-Urban Housing:** PM program will address the rural and peri-urban housing issue for the first time, alongside the main issue of housing shortage in urban metropolitans.
- 2) **Income Segments:** PM Housing Program will have focus on lower-middle, low-income housing alongside housing issues of Bottom-of-Pyramid
- 3) **Slums and Katchi-Abadis:** Program will address slums improvement, rehabilitation and resettlement of slums/squatters, and PTI will have zero-tolerance for new squatter settlements.



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Immediate challenges and way forward

Land:

- Under the Constitution, the land is a provincial subject, so is the housing. Therefore, the Prime Minister set up PM Housing Task Force at the Federal which has a primary role of enabler and facilitator for execution of the housing program both in the Center as well as in the provinces.

Institutional Set ups:

- Housing Task Force: To play the role of enabler, facilitator, and advisor for development and execution of the program at the Federal as well as Provincial levels.
- **Initiating of the Program in the Provinces.** Under this the PMHTF was to establish:
 - Provincial Housing Task Force in a Province:
 - Housing Authority: For execution and development of the housing projects under the program.

Legal Framework:

- Land Banking,
 - Land Information Repository
 - Land Titling, registration and registration
 - Supply-Side Codes, Regulations etc.
- Foreclosure Laws:
- Real Estate Regulatory Authority (RERA)
- PPP Models

Supply-Side Issues:

- Building Codes, Issues of FARS,FSI, Service Areas Commercial Areas.
- Standardization of specification construction materials like Doors, Windows, Sanitary Wates, and other construction materials.
- Standardized Building Models

Demand/Finance Side Issues:

- Retail Mortgages and Developer Finance
- Long Term Liquidity
- Role of Specialized Housing Finance Institutions and Banks



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Land allocation under PPP Models

- Depending upon the land ownership of land i.e., Federal, Provincial, or Private/Corporate, the Housing Projects will be developed under any of three PPP business models:
 - Public-Public
 - Public-Private
 - Private-Private
- In past the State has used some form of PPP models, however there are issues/questions on comprehensiveness and transparency of these models.
 - Exercise is being done to improve these models on transparency and efficiency.
 - World Bank/IFC has been approached to provide PPP business models based on global/regional best practices.
- Land allocation under a PPP model will be made on open market competitive bidding.



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Land Availability Information and Titling Repository

Setting up of Land Bank in two stages:

Stage-1: Information Repository on Land Availability :

- The project is in progress in collaboration with CDC with IFC's Technical Assistance (TA).
- Land records are being procured from Federal and Provincial sources.
- Land available with ETPB, estimated at 110,000 acres in major cities is being compiled for possible use in developing large scale housing and new satellite Towns.
- Federal Land is also available with institutions like Railways, PIA etc.
- Govt of Punjab is also compiling such data
- Land availability data will be pinned Google map, where basic data on land parcel and its surroundings will be available for use by potential developers.

Stage-2: Titling registration and transfer will be considered at some later stage, after making necessary legal provisions/laws.



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Market based Long-Term Funding for Housing Finance

Availability of Long Term funding or the Housing Program, both for Developer Finance as well as for Housing Finance, the program is to work on various options:

a) PMRC: Pakistan Mortgage Refinance Facility

b) Housing Bonds: To be floated for market based funding. Basic features of the Housing Bonds are to be:

- Tenor 25 years or perpetual
- Return to Bond holders at KIBOR minus 4-5
- Trading in Over the Counter [OTC] Market or stock market. No premature redemption
- Investment under Amnesty Scheme
- Major potential investors are like to be players of RE Sector and Developers

b) Central Provident Fund on the model of CPF Singapore: After success in Singapore since 1965, such models are being successfully applied in many other countries in the region.



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Retail Mortgages and Regulatory Incentives by SBP for Low Cost Housing Finance

- In terms of plot size, covered areas, cost and loan size (LTV).
- General reserve requirements withdrawn for low cost housing finance
- Loan to Value (LTV) ratio relaxed for low cost housing finance
- Low cost housing finance not to be included in real estate exposure limits
- Lower risk weight on low cost housing finance
- Banks /DFIs' borrowings from PMRC, the liquidity facility institution, to be exempted from CRR and SLR
- Maximum size of housing microfinance to be increased
- Regulatory cap within housing microfinance removed
- Standardization and simplification of housing finance application form
- Banks may establish their subsidiaries, or new investors may be allowed to setup these DFIs with reduced paid-up capital of Rs. 3 billion (instead of Rs.6 billion for normal DFI) and lesser regulatory burdens.
- Targeted increase in Mortgage Debt to GDP Ratio



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Developer Finance and End-User Mortgage/Housing Finance

- **Developer Finance:**
 - The State bank (SBP) has developed a Business Model in consultation with the Banks, Developers and Housing Task Force. The guiding principle is bankability of the developer and bankability of the housing project.
 - RERA will also play a key role in ensuring bankability of projects and the developers.
- **Retail Mortgage/Housing Finance:**
 - The SBP has already announced some regulatory concessions to promote low-income housing finance by Banks and SHFIs
 - SBP is also encouraging more SHFIs in the private sector.
- **Rural Housing Finance:**
 - National Bank has taken a proactive step to developing business models, and also expanding its outreach into rural clientele.
 - Agricultural Bank is also a potential institution to play active role in rural housing finance. However its charter is to be amended for that.



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Steps initiated to launch Rural Housing Program

Present Scenario: So far, there is no planned way of developing rural housing . It is almost entirely an unplanned or informal housing there, mostly without any planning, provision for internal infrastructure, sewerage, utilities etc. Not even proper titling etc.

Program: It aims at developing Model Villages of average 50 housing units, befitting to the local socio-economic culture. These Model Villages will be built on 3 and 5 acres of land, with a provision for Community Center, Play Ground, Basic Health Unit and Schools for boys and girls, and cottage industry and/or suitable economic activity center.

Case of Punjab:

Villages: There are 25,500 villages in Punjab only.

Target: That sets the target of 12.5 lacs rural housing units in Punjab.

Cost estimate: These houses are estimated to Cost Rs.4-5 lacs/unit

Land: It is expected that, in most of villages, the lands availability will be at no or nominal cost, relying on land parcels like “Shamilaat” lands.

Pilot Project by UMT:

- Three Pilot Projects have been initiated on Rural Housing at Housing Research Center of University of Management and Technology (HRC-UMT) with active involvement of faculty members and students.
- Three groups of students, comprising of disciplines of Civil Engg, Architecture and Town Planning have prepared models of houses after visiting the villages and studying their socio-economic norms.
- After the success of Pilot Projects in hand in three villages, the model will be expanded to all villages in Punjab and other provinces.



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Youth Empowerment through Rural Housing Construction - Case of Punjab -

- For construction of Model Village Housing, as per PM's vision, un-employed graduates from disciplines of Civil Engg, Town Planning and Architecture are being mobilized by Academia.
- University of Management & Technology [UMT]-Lahore and its Housing Research Center has already taken initiative to form 20 such small construction companies to be given business under 30 pilot village projects in Punjab.
- Unskilled Manpower will be used from the local villages, who would be trained by the team of professionals.
- In the first stage, three such companies will be established to develop one model village each.
- After successful experience of the Pilot Phase, the project will be expanded from Pilot Scale to Commercial Scale by expanding its outreach to the entire province with involvement of more Universities and Government agencies like National Rural Support Programme [NRSP].

Employment Potential of a project:

- Professional: 5
- Skilled Manpower: 50
- Unskilled: 250

Delivery

- Delivery: Two Model Villages/team/year
- Target 5,000 model villages/year
- Overall: 7-8 lac



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Peri-Urban Housing for Bottom-of-Pyramid

Qarde-Hasana Loans through NGOs on Akhuwat Model

- PM has already announced Rs.5 bn for Interest Free Loans through Akhuwat Foundation and other such NGOs.
- Target market for such loans is very poor segment of the population living in low-income habitat
- Under PM Housing Program, Akhuwat, an NGO, has already identified about 15,000 clients for housing microfinance, and has started financing to deserving people.
- Akhuwat is targeting to support/develop 150,000 housing in its first year, once the funding is available.

Urban Renewal/Regeneration, Slums Rehabilitation and Resettlement:

- PM is keen to see launch of this program under various business models
- The design of the program will be prepared through assistance from multilateral aid agencies like World Bank/IFC
- Urban Unit of Punjab is working on a market based program for regeneration/redevelopment of Wahdat Colony Lahore. It is Housing Colony for Govt Employees, covering an area of 225 Acres, at a highly centralized location.
- In Karachi, IFC has also identified a Govt. Servants Colony in a very dilapidated condition, to assess its possible regeneration.
- Once best practice market based models are initiated, the program will be started on a large scale all over country.



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Promising Role of Academia in Research and Advisory on Construction Materials, Construction Technologies

In Pakistan there is a big gap between academia and the field practitioners, while globally Academia is the primary source and driver for technological innovations. We have taken an initiative to bridge this gap by establishing housing research and advisory centers at different universities.

- **NEDUET Karachi:** Center for Affordable Housing and Sustainable Development- NEDUET Karachi
- **UMT-Lahore:** Housing Research Center-University of Management & Technology Lahore
- **UET Lahore:** Housing Research and Advisory Center-UET Lahore
- **UET-Peshawar:** UETP is doing a great job in development of low cost construction materials and disaster resilient housing

These universities have Departments of Civil Eng., Architecture and Town Planning, staffed by PhDs, and a large number of students. The students are already being given Research Thesis on related areas on Naya Pakistan Housing Programme. Some of these topics are:

- Design of Rural Housing Program-UMT Lahore
- Low-Cost Construction Technologies- NEDUET Karachi
- Alternate design of low-cost housing and habitat – UET Lahore
- Research on low-cost, high quality innovative construction materials
- And more such areas will be added.

Youth Economic Empowerment: The programme provides invaluable opportunity to professional youth of the country for self-employment and entrepreneurial opportunities.



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Sponsor a Shelter Foundation:

- A Web-based platform is being developed to provide financial assistance to needy and poor segments for their economic empowerment for buying a house beyond their means.
- Platform will be called “Sponsor a Shelter Foundation” and will work under the management of Housing Authority.
- Such a financial support may come from wealthy people, willing to assist shelterless poor in the following forms:
 - **Upfront Cost Support:** A donor may assist a poor by meeting a part of the upfront cost, so that the balance amount through bank loan is within his repayment capacity.
 - **Support in monthly loan installments:** A donor may come forward and pledge a part of the regular housing installment for a certain period, such that the remaining loan installments get within the repayment eligibility of the client.

The **poor seeking financial assistance** will place their request for financial assistance on the website through the office of HA. For low-income housing, the amounts of donations needed may be in the range of Rs.5-10-15 lacs/client. A donor may split his donation to more than one low-income clients for housing.

The **potential donors** will be invited to visit the website and pledge their donations on case to case basis.

- An initial survey on this has received very encouraging response from the potential donors, due to the believe that, providing a house to needy and poor in this world, will bless them a house in Jannat. Islamic principle of “Muakhaat”:
- If one percent of the Pakistanis, who are elites of the elites, i.e., two million people come forward, the program will get support for 20 lacs housing units. The Program will ensure that donation will positively go for providing house while respecting the honor of the client.
- The donors will have all the mechanisms in their hands to ensure that, their donations have been used rightly.



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Standardization and economization of Construction Materials Industry

- Under the program, the main construction materials like Doors, Windows, Sanitary Wares, etc will be defined in quality and standardized sizes.
- This will facilitate large scale production of these materials and supply through outlets like “Home Depot”.
- Quality Standards will be declared and specified for application in construction. That will also be applicable on other main materials like Cement, Steel, Cables etc
- Third Party Inspection will be mandatory to ensure construction quality standards through institutions like NESPAK.



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Best Practice examples from similar cases in the region

India:

- Housing for All Program (PMAY): Pradhan Mantri Awas Yojana (PMAY) is an initiative by Government of India in which affordable housing will be provided to the urban poor with a target of building 20 million affordable houses by 31 March 2022. It has two components: Pradhan Mantri Awas Yojana (Urban) (PMAY-U) for the urban poor and Pradhan Mantri Awas Yojana (Gramin) (PMAY-G and also PMAY-R) for the rural poor.

Indonesia:

- The one million houses program was launched in mid-2015 by Indonesian President Joko Widodo. Through this program the government aims to provide adequate housing facilities to low income families. Over half of these houses are built using funds from the central government's state budget. Meanwhile, state funds will also be used to finance the Housing Loan Liquidity Facility, and government-backed mortgages for low-income households. The government targets to build 700,000 houses for low-income families and 300,000 houses for those who enjoy a higher income.

Turkey:

- TOKİ (Turkish: Toplu Konut İdaresi Başkanlığı, literally "Public Housing Development Administration") is Turkey's government backed housing agency. Founded in 1984, TOKİ carries out projects and activities throughout Turkey in line with the governments housing priorities. Projects include Urban regeneration and transformation of informal areas and settlements (gecekondu) as well as Social Housing Projects toward the middle- and low-income categories.

There is a need to have an international conference focused on such state driven housing initiatives for sharing of wisdom, and possible cooperation



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Thank You

Zaigham Mahmood Rizvi

Chairman

Prime Minister's Housing Task Force

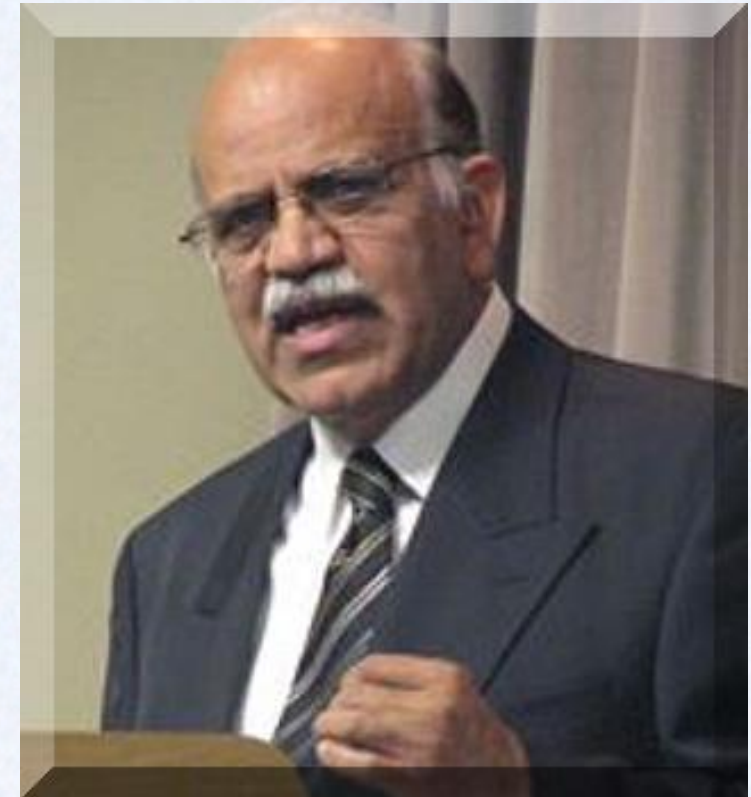
Expert Consultant:

Affordable Housing & Energy Poverty

Secretary General:

Asia Pacific Union for Housing Finance (APUHF)

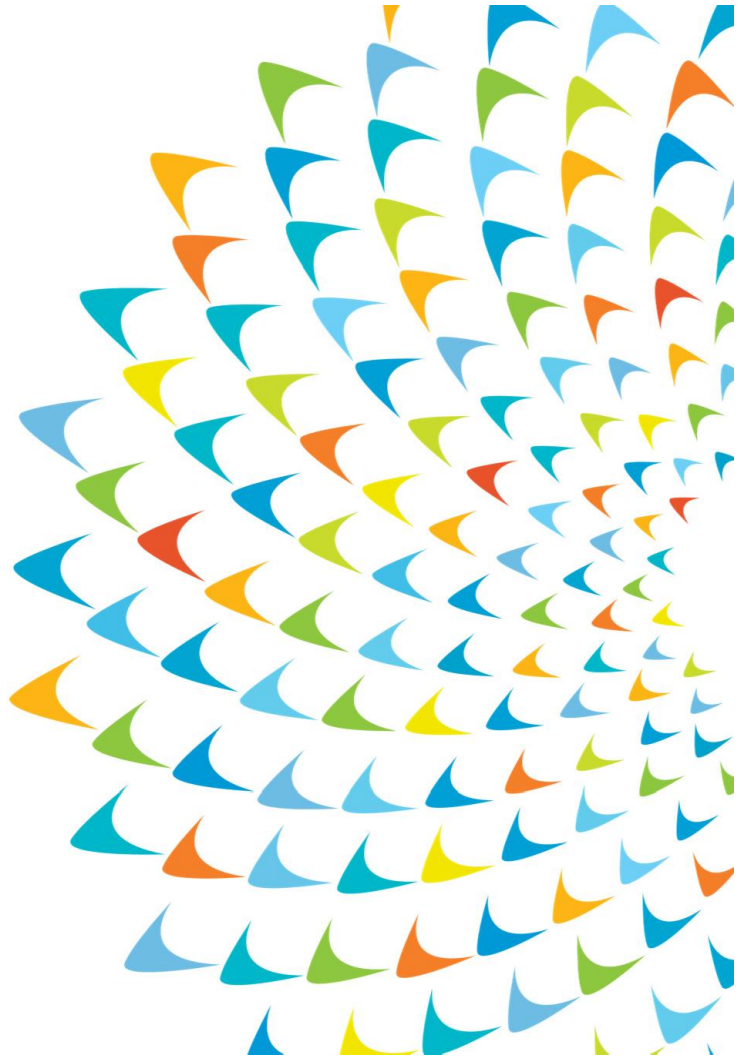
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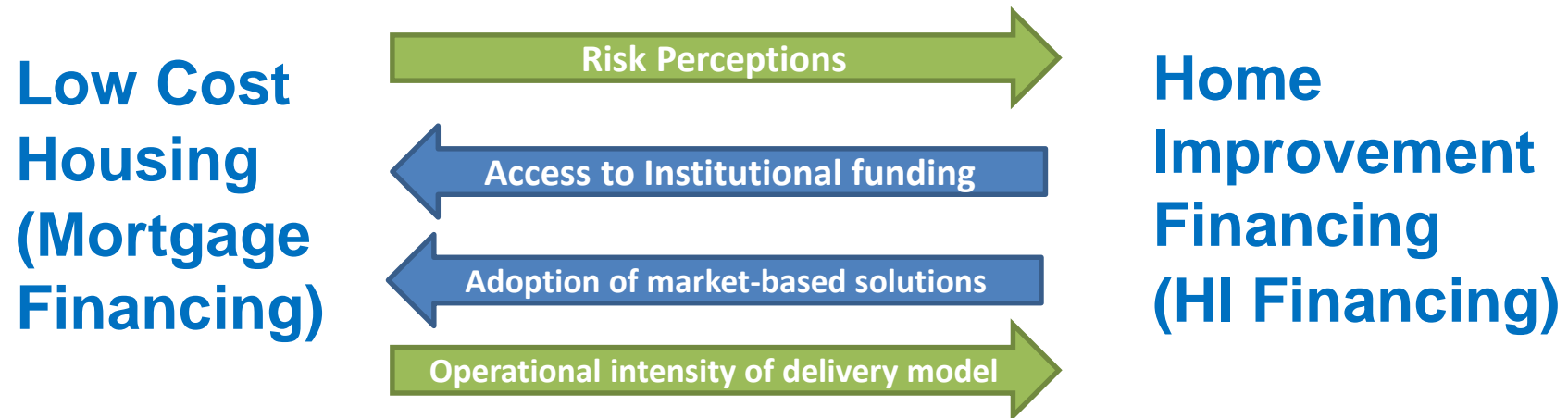
Making Inroads Into Low Income Housing Finance

Enabling Commercial Financing for
Home-Improvement Micro Loans





Low Income Housing Finance



**Capital and Implementation-Support:
Partnerships to address these constraining factors**



Status of Home Improvement (HI) Financing: 'Notes'

Anecdotal, 12 MFI's, 4 Countries

HI Loans : "Product" Features

- \$400-\$600 average loan sizes
- Subset of standard loan product
- Tenors ≤ 24 months; Mapped to collection cycles of 'enterprise' loans / income generating.
- Typical borrowers $\geq 4^{\text{th}}$ loan cycle.
(≈ 2 year credit history)
- Often replacing the income- generating / enterprise loan.



Status of HI Financing: 'Notes'

- HI Loans** : “Delivery” Aspects
- No separate/specific arrangements for loan appraisal / assessment.
 - No “needs” assessment done on estimates, based on type/quality of construction.
 - Typically approve 50%-60% of the sought amount.
 - MF Loan Officers: No segregation of roles / skills for delivering HI loans.
 - End usage often not tracked, generic follow up done.



MFI's: Self-Assessment of HI Lending

- ❖ **HI Loan Approval Decision: linked to track record of repayments.**
- ❖ **Feedback from borrowers: (very) positive**
- ❖ **MFI not taking undue risk, keep robust lending margins fees (no Asset-Liability mismatch).**
- ❖ **Appear to be meeting current 'demand' of HI loans, for the qualifying client-base.**



A Step Back Review

- ❖ Less than 10% of clients considered 'eligible'.
- ❖ 20%-30% of all enterprise loans diverted for HI purposes.
- ❖ Perception of higher risks: This limits tenors, increases income-threshold and track-record criteria required to meet lending standard.
- ❖ Lack of end-use tracking: re-enforces concerns from wholesale lenders.
- ❖ Product misfit: 'working capital' loan structure for long-term 'asset' financing.
- ❖ Delivery model ineffective to implement HI activity



ADB is working to:

1. Under the Micro Finance Risk Participation Program, provide lending banks, additional first-loss cover; for longer-term loans provided to MFI's.
2. Giving MFI's opportunity to use these loans; to stretch maturities of their on-lending; to eligible HI loan borrowers (~up to 40 months).
3. Supporting through an ADB-selected Technical Partner (TP) providing advisory services to the MFI; design, implementation and roll-out of the HI loan product.
4. Six countries, 15 partner MFIs

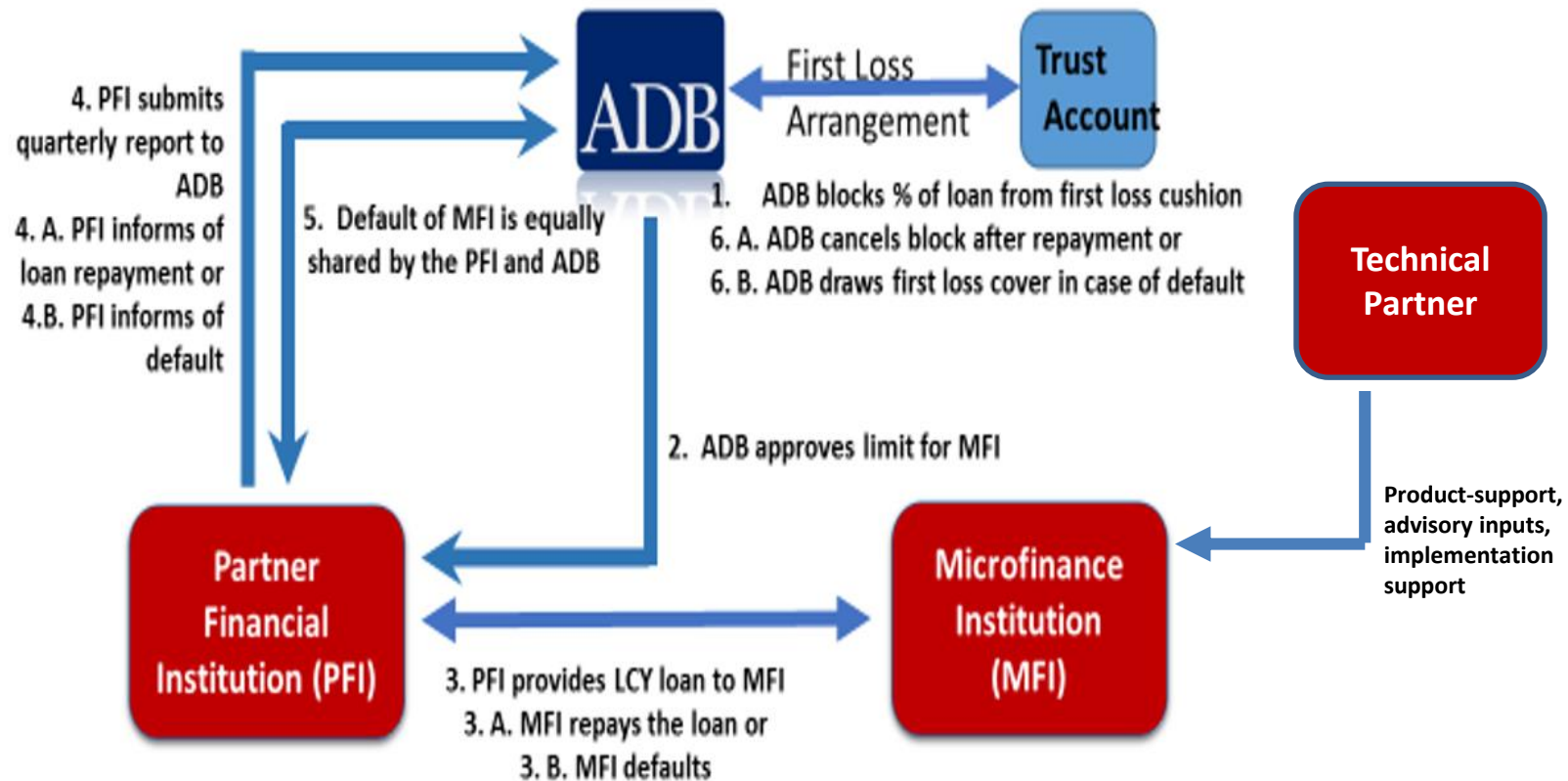


ADB's Participation

- Provide additional first loss cover, shifts risk-sharing in lender's favor
- Extended maturity loans, minimize mismatches for MFIs.
- TP works to design loan product specific for HI loans (benefitting from longer-maturity financing).
- TP helps design, roll-out simple HI assessment tools, designs, recommended construction techniques and tracking arrangements.
- Support to MFI – training of MFLO, implementation manual, standardized practices for borrower's need assessment, managing the scaling-up process (30 months engagement).



Risk-Sharing Arrangement : First Loss Cover





HI financing through the lens of

1. **Community resilience (in peri-urban areas).**
2. **A subset of CC (adaptation): building materials, construction and design aspects.**
3. **Effective Gender Mainstreaming: women predominant borrowers; home as workplace, on-site toilets/sanitation**
4. **Providing commercially-priced market-based solutions.**



Healthy Cynicism

- **HI not improving QOL, defers the “housing” problem, instances of repeat HI.**
- **HI financing – risk of over indebtedness.**
- **Risk sharing structures: adverse selection by lenders.**
- **HI financing: steep transition for MFIs (execution abilities).**



Terwilliger Center for Innovation in Shelter

- Making Inroads on Low-Income Housing Finance
- Patrick Kelley
- APHF – Sept 2019

Building and expanding inclusive housing markets

Role of TCIS:

Through the Terwilliger Center for Innovation in Shelter, Habitat for Humanity facilitates more efficient and inclusive housing market systems making affordable housing possible for millions more families.

The Housing Market System



Housing Need



**Family
Size**



4-6 members

Occupations

- Agriculture
- Self-owned business
- Daily laborer

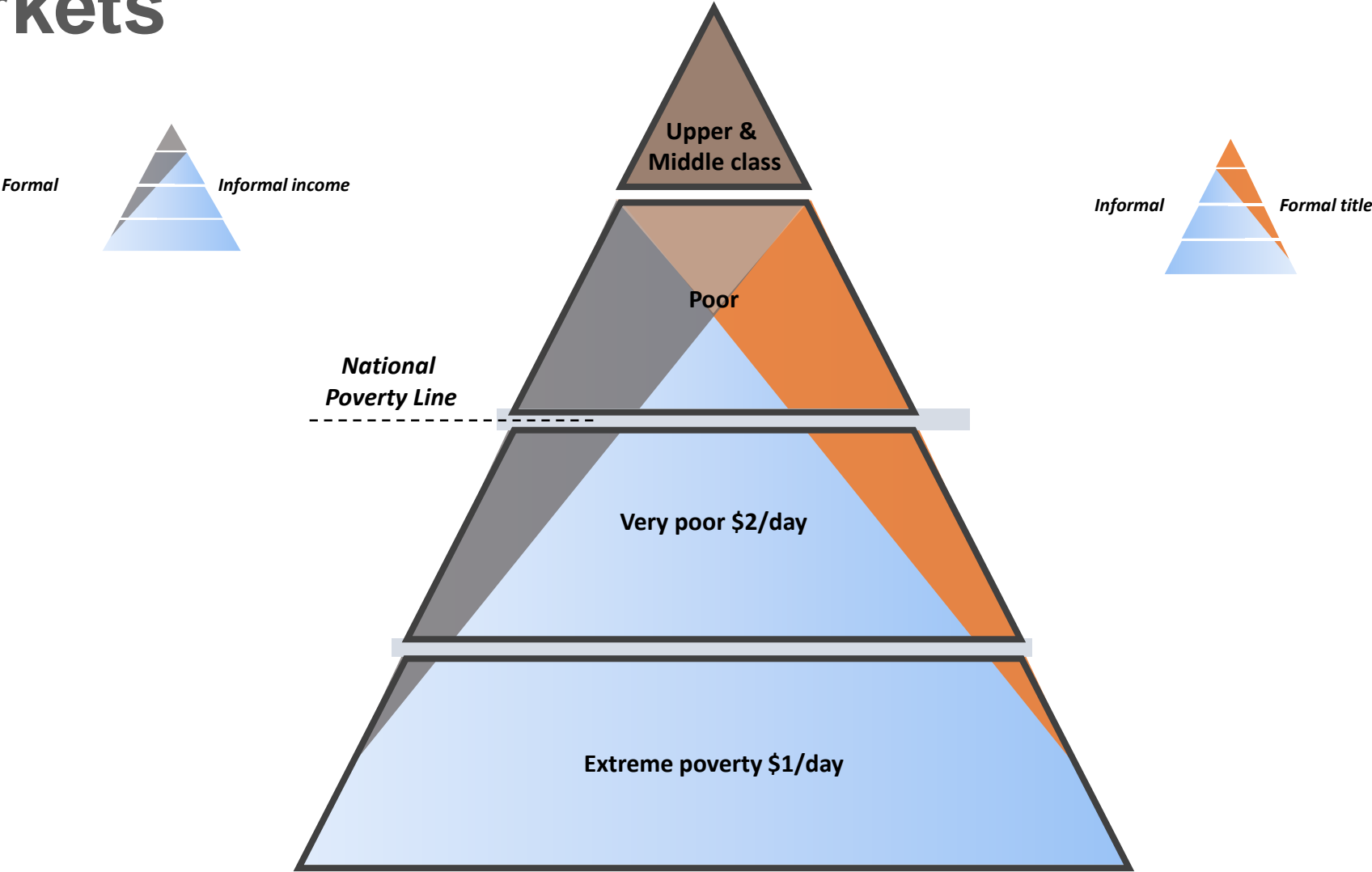
**Monthly
Income**

USD 300-500

**Home
Improvement
Priorities**

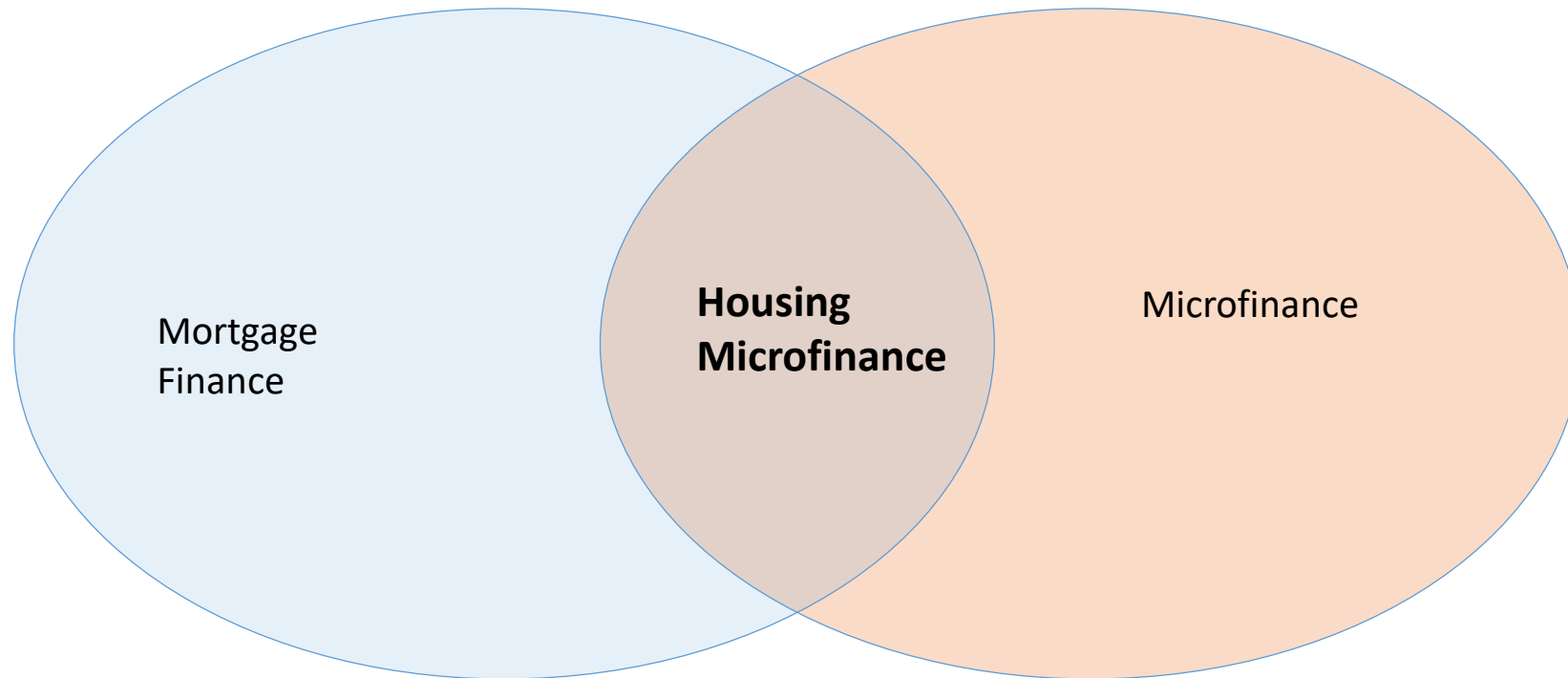
- Roof Repair
- Toilet
- New Room

Shallow Housing Finance Markets





Housing Microfinance?



What is Housing Microfinance?

Mortgage	Housing Microfinance
Whole house	Home improvement/ progressive building
10-25 year loan	8 months to 3 year loan
Bulk disbursement	Incremental increases based on performance
Monthly “due date” Repayments	More frequent repayments (sometimes weekly)
Title	Secure tenure
Lien	Social guarantee/ Alt. collateral
High principle balance, lower interest rate	Low balance, higher interest rate

Catalyzing the Market



Housing Microfinance Toolkit

Advisory Services to over 70 financial institutions

Mobilized Investment:

- \$100M MicroBuild Fund
- \$15M MicroBuild India Fund

Learning and Publications

- Biannual Industry Survey
- Business Case Publication
- Impact Evaluations
- Institutional Case Studies

What We've Learned

Impact Area	Impact	Findings
Viability of HMF	Positive	<ul style="list-style-type: none"> • Business case for MFIs and high demand from clients
Viability of construction technical assistance	Negative	<ul style="list-style-type: none"> • Difficult for MFIs to integrate into their operations • Low client demand and willingness to pay
Land tenure security	Insignificant	<ul style="list-style-type: none"> • Limited use of/ impact on land tenure security
HMF replication by MFIs and Investors	Mixed	<ul style="list-style-type: none"> • HMF becoming more widely accepted, but largely with the support of Habitat advisory services
Quality of incremental home improvements	Positive	<ul style="list-style-type: none"> • Meaningfully improved roofing, walls, kitchens, toilets, new rooms • No quality difference between HMFvs. non-HMF
Impact of incremental home improvements on households	Mixed	<ul style="list-style-type: none"> • Increased safety from hazards, durability, pride in home • Limited to no changes in physical health or education