



Pakistan

**Social Development Agenda
Housing and Housing Finance**

Empower the poor to own a Shelter



Pakistan's Housing CHALLENGE

- For a population of 180 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.
- Overall housing backlog is 8 mn-plus as of 2012.
- The Urban Housing Shortage is around 3.0 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.

Way Forward

- **Phase-1: First 3 Months deliverables**

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

- **Phase-2: First Three Years Deliverables**

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

First 3 months Deliverables (Phase-1)

Set up “Housing Consultative and Advisory Commission”-HCAC

- The Govt to set up the Group, having representation from different stakeholders, headed by an Expert Professional on Housing, having international experience in the field.
- The Commission be made responsible to frame National Housing Policy, develop programs for Low-Income Housing (LIH) Projects, to suggest Fiscal and Regulatory recommendations for promotion of housing, and assist Provincial Governments in development and implementation of provincial housing policies and programs.

After completion of the 100 days agenda, this Commission may be retained with a permanent status. The HCAC to directly report to PM Office.

First 3 Months deliverables-Cont'd

HCAC'S National Housing Policy

- The Govt to announce a National Housing Policy prepared by HCAC, with a focus on 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.

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. In Pakistan, 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, Malaysia etc.

Role of SECP

- The SECP, as a regulator of the corporate sector, is to play a proactive role in promotion and facilitation of housing supply agents like Developer Industry, Construction Material Industry etc.
- In Pakistan currently there is no specific regulatory regime for establishment and monitoring of Developer Industry in Pakistan.
- 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 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 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 Finance

- 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

Rural Housing Finance

- Currently there is no Rural Housing Finance
- 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 to 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.

Phase-2: First Three Years' 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.
- Restructure and strengthen housing infrastructure at Federal AND Provincial levels

Govt's Plan to deliver on Low Income Housing and Market Based Funding (Budgetary Constraints)

- In the Budget Govt's announcement on LIH Projects is commendable and demonstrates seriousness of the Govt to deliver on this promise
- It is critical for successful delivery of Govt's Housing Schemes that these are based on **Viable and Sustainable Business Models**:
 - Housing is a very expensive asset; it not only involves the cost of construction, it also involves **the cost of providing Raw Land and developing that into Serviced Land**
 - Social Housing segment of LIH would need government intervention and support in making LIH affordable, viable and sustainable
 - Government to provide funds to develop **external infrastructure** in terms of roads, transport, utilities, civic amenities etc.
 - In some cases, this infrastructure may be developed on 'revenue generation' model through Toll Tax etc. so as to fund external infrastructure through market-based funding

Govt's Plan to deliver on LIH Housing and Market Based Funding (Budgetary Constraints)

- Affordability will be facilitated through **lowering housing costs** as well as by making **mortgage payments affordable**
- It is primarily the cost of land, which is making housing prohibitive and unaffordable to the poor, and not the inflationary rise in construction costs. Low-income affordable housing will be supported and promoted by the government through **provision of serviced land from Land Banks at affordable prices.**
- Subsidy model of '**Smart Subsidy**' and '**Cross Subsidy**' will be used to empower affordability of poor
- Direct subsidy to poor in shelter finance would be **through interest rate subsidy and sharing in upfront payments** under LTVs of 70:30 or 60:40.
- LIH Housing Schemes may be largely based on **Public-Public Partnership for Govt Employees** and **Public-Private Partnership for Economically Weaker**

Housing Supply Targets

(No of Housing Units)

	Year 1	Year 2	Year 3	Year 4	Year 5
Public-Public	10,000	20,000	25,000	25,000	25,000
Public-Private	40,000	50,000	75,000	75,000	75,000
Private-Private	300,000	380,000	500,000	700,000	900,000
Total	350,000	450,000	600,000	800,000	1,000,000

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