Social Enterprise Development Centre

Policy Brief

URBANIZATION IN PAKISTAN: THE AVAILABILITY OF HOUSING

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Executive Summary

Adequate shelter is an essential human need. Unfortunately, Pakistan faces a crippling housing crisis and has an estimated housing backlog of 9 million units. This has been exacerbated by rising population and rural-urban migration and mostly affects the low and middle income segment of the population. Government policy has lacked long-term planning, and administrative inefficiencies continue to weigh down housing development. However, the future of housing development in Pakistan is dependent on the formulation of a clear, streamlined, long-term policy framework wherein the state fulfills its own commitments whilst also creating an enabling environment for private sector interventions.

The Phenomenon of Urbanization

Urbanization is a global phenomenon that developing countries, including Pakistan, are increasingly experiencing due to rapid population growth and rural-urban migration. In 2014, Pakistan's urban population was 38.6 percent of the total population and is expected to exceed 50 percent by 2025 (Ministry of Climate Change, 2015). The urban population amounts to 72.5 million (more than the three times the level in 1981 i.e. 23.6 million) and is growing at a rate of 3.3 percent annually (Ministry of Climate Change, 2015).

Rapid urbanization has led to the development of squalid slum areas, shortage of housing and infrastructure services, the unavailability of public goods, and increasing crime and congestion. However, this policy brief will focus on the lack of affordable housing in urban areas.

The Current Situation

Pakistan had an estimated housing backlog of 7.57 million units in 2009 (Nenova, 2010). This is now estimated to be 9 million housing units (rural and urban) (Ministry of Climate Change, 2015). However, the most severely affected are middle to low income groups.

Table.1 Housing Shortage by Income Group

Income Group (annual income)	Percentage of Total Population	Housing Shortage (no. of units)
>Rs. 51,000	5	-
Rs. 12,000 – Rs. 50,000	35	2.6 million
Rs. 6,000 – Rs. 12,000	40	3 million

< Rs. 6000	20	1.5 million

(Source: Nenova, 2010)

Unavailability of affordable housing has led to the development of slum areas and katchi abadis. 50 percent of the urban population in Pakistan lives in slums (Nenova, 2010).

Table.2 Provincial Breakdown of Katchi Abadis

Province	Katchi Abadis (No.)	Govt. Land (acres)	Private Land (acres)
Balochistan	55	2,826	0
North Western Frontier	65	1,509	3,434
Punjab	902	8,875	501
Sindh	1300	24,300	1,700
Total	2322	37,510	5,636

(Source: Nenova, 2010)

Quality of the housing available is another concern. The majority of people live in informal arrangements with little or no water, sanitation or sewerage (Nenova, 2010).

Contributing Factors

Demographic Changes

Increasing urbanization and population growth has meant that housing demand has far outstripped supply (Rizvi, 2012). This is depicted by the increase in the urban population of Pakistan from 22 percent of the total in 1960 to 39 percent in 2016 (World Bank, 2017).

Inefficient Administrative Framework

Land is the foremost contributor to total housing cost. The current land administration system is inefficient because development agencies buy finite urban land from government agencies, develop it, and then sell to consumers; however, government agencies auction off land leading to high prices and speculation (Nenova, 2010).

Shortage of Land Supply

A shortage of developed land leads to high prices. Arguably, land itself is not lacking but the government owns around 40 percent of the land, and acquiring land from them can be a difficult, lengthy process (Nenova, 2010). Much of the government land is not used for any productive cause and the rest is leased out to the private sector which does not cater to low income groups (Nenova, 2010).

Inefficient and Costly Construction

Expensive construction materials have also led to the prevalence of expensive housing. Another problem is the prevalence of horizontal rather than vertical development i.e. very little land is used for construction of high rise or apartment buildings. For instance, 5 percent of land in Karachi is used for apartment buildings and 55 percent is used for individual houses (Nenova, 2010).

Exclusion of the Low Income Segment

The private sector does not cater to low income groups and public sector intervention is nominal. They also cannot access housing finance due to lack of income, lack of knowledge and literacy skills that will enable them to utilize these services or because they lack the necessary legal documentation (Rizvi, 2012).

Lack of Information

Lack of information and data collection means that there are no official numbers on the housing backlog, the additional demand generated annually, or a breakdown of housing shortage by rural-urban or regional basis ("Housing Cannot Be Charity", 2015).

Furthermore, there is no official definition of what constitutes low income/low cost housing ("Housing Cannot Be Charity", 2015). Information on all these factors is needed to formulate effective policy.

Current Policies

The National Housing Policy 2001

The National Housing Policy 2001 lists creating affordable housing for middle and low income groups as one of its aims. The policy also initiated the regulation of katchi abadis, and includes provisions to formulate new master plans; streamline regulation and administrative processes; regularize taxes and develop new towns (Ministry of Housing and Works, 2001). However, the institutional structure has not improved in subsequent years and problems persist.

Government Initiated Housing Schemes

Several low cost housing schemes have been initiated at national and provincial levels. The 2013 federal Apna Ghar scheme intended to provide 500,000 low cost housing units across the country. The project never got off the ground and in 2017 it was reported that it had been shelved (Haq, 2017). The Government of Punjab initiated the Ashiana Housing Scheme and the Government of Sindh initiated the Benazir Housing Program and Shaheed Benazir Bhutto Town Scheme (Ministry of Climate Change, 2015). While these projects might ameliorate the housing shortage to some extent, they are reactionary policies that aim to mitigate the problem after it occurs rather than focusing on institutional and administrative change.

National and Provincial Policy on Katchi Abadis

Katchi Abadi Improvement and Regularization Programme (KAIRP) is a government programme launched in 1978 that works to provide leases and infrastructure to katchi abadi residents (Hasan & Sadiq, 1998). However, there are several problems with KAIRP. Progress has been slow, and KAIRP has only managed to regularize and develop a small percentage of katchi abadis whilst its complicated procedures mean that residents can only benefit if they have technical and legal support which is difficult to avail. Furthermore, katchi abadis on prime land are not regularized and are either demolished or remain at threat of eviction (Hasan & Sadiq, 1998).

The 'National Policy on Katchi Abadis, Urban Renewal and Slum Upgradation' 2001, also makes provisions for the regularization, development and resettlement of katchi abadis. However, both KAIRP and the 2001 policy apply to katchi abadis established before a 1985 cutoff date which is extremely outdated and settlements have grown faster than the rate of regularization (UN-Habitat, 2009).

Punjab, Sindh, Balochistan and Khyber Pakhtunkhwa all have acts on katchi abadi regularization and upgradation. The Sindh Katchi Abadi Act 1987 formed the Sindh Katchi Abadi Authority which has regularized and developed around 600 katchi abadis. The Punjab Katchi Abadi Act 1992 formed the Directorate of Katchi Abadis which has regularized around 300 katchi abadis. (Siddiqui, 2015).

Policy Recommendations

Housing is a provincial concern therefore federal policy can only formulate guidelines and enable further action, whilst provincial

authorities would be responsible for further specification and execution.

Data Collection and Planning

Federal policy needs to begin with data collection, assessment of housing shortages, and compiling inventories of land assets at city, provincial and federal levels. Furthermore, a definition of what constitutes low cost housing needs to be developed, incorporating the income levels of the most affected people. Following this, urban development plans need to be formulated which allocate areas specifically for development of low cost housing (Siddiqui, 2014).

Mitigating Shortage of Land

This can be done by ensuring high density in new housing projects, prohibiting the development of plot sizes above a certain ceiling level and disincentivizing the development of large plots by taxing them (Siddiqui, 2014).

Streamlining Administrative Framework

Provincial authorities need to realign the housing development framework in each city by improving building regulations and zoning bylaws to support high density, high rise and mixed-use land patterns (Siddiqui, 2014). Simplifying lengthy approval and administrative procedures and introducing waivers of approval fees for low income groups is needed to prevent the administrative process being a barrier of entry (Rizvi, 2015). Terms and conditions that make speculative trading difficult and unprofitable need to be developed (Siddiqui, 2014).

Private – Public Collaboration

The state should help enable the private sector to participate in low cost housing. One way is to incentivize private development companies by exempting or reducing sales tax, import duties and other levies on construction material intended for low cost housing (Rizvi, 2015). The government can also follow a Cross-Subsidy Model adopted in India. There, the private developer builds 30 percent of housing for low income segment, whilst the government subsidizes the remaining 70 percent of housing developed. ("Housing Cannot Be Charity", 2015). A more extensive public-private partnership can also be developed wherein a public limited foundation can be formed in each province including city governments and associations of banks willing to give mortgage loans to low/middle income groups. This foundation should include representatives of all stakeholders and should provide loans to groups of low/middle income families. Lending to groups makes the loan more affordable, repayment easier and speculative trading more difficult (Siddiqui, 2014).

Low Income Housing: The Incremental Approach

Typical housing development models begin with the purchase of land, continue with development of infrastructure and housing and sell to consumers in the final stage. This end product is unaffordable for the poor (Siddiqui, 2014). An alternate approach has been developed by the Khuda ki Basti (KKB) housing schemes by Saibaan. Here, unserviced land is given to poor families at affordable prices and the owners then incrementally develop the infrastructure and housing with help from the NGO and local government (Haider & Husain, 2002). Similarly, the state can sell affordable land to groups of homeless families (directly or in partnership with private developers/NGOs)

where they would start with improvised housing, and build supporting infrastructure incrementally. Speculation and absentee occupation can be limited by retracting the entitlements of those who do not start construction within a given period of time (Siddiqui, 2014).

The Enabling Role of the State

The government needs to formulate urban development policies in tandem with housing development. They should provide infrastructure, public services and transport to peripheral, poorly serviced urban areas. ("Housing Cannot Be Charity", 2015). Without this, low cost housing will remain unsustainable. Furthermore, the government needs to update policy on katchi abadis. The cutoff dates for regularization need to be brought forward to reflect the growth of katchi abadis in recent years and vested political interests should be prevented from becoming a cause for the demolition of katchi abadis.

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