



Pakistan Tehreek-e-Insaf (PTI)

National Affordable

Housing Policy



کریں گے اہل نظر تازہ بستیاں آباد

**Imran Khan  
Chairman  
Pakistan Tehreeke-e-Insaf (PTI)**

**Policy Team Lead:  
Zaigham M. Rizvi  
Expert Consultant Housing and Housing Finance  
July 04, 2018**

**1) Objective of PTI's Housing Policy:**

PTI understands that, the most important fundamental right of the people, enshrined also in the Constitution, is to have decent living, which cannot be done by any individual without appropriate interference from the State.

Apart from improving living conditions of the people, both in urban and rural areas of Pakistan, housing works as the important driving force behind economic development, as the housing sector activates between 100 to 200 upstream and downstream industries in the modern world, besides creating a huge demand for skilled, semi-skilled and unskilled jobs.

Presently, Pakistan's economic condition is highly precarious, with huge international trade deficit, unbearable external-internal debt burden, low agricultural production, lesser export volume and almost absence of job opportunities in a country which sports the second highest number of younger population in the world.

PTI believes that, if there is any one sector which can address all these issues at once, this is only the housing sector consisting of finance, construction and its related construction material industries.

PTI firmly believes that, its drive for housing, through its Policy, would not only revolutionize country's economy, but also bring marked improvement in the banking sector, and would create an environment through public-private partnership, where ease of doing business will be exemplary, and cost of doing

business will be minimum, which will work as a catalyst for bringing direct foreign investments (FDI) in the country.

## **2) Housing scenario in Pakistan :**

Housing sector has largely been neglected by various Governments in Pakistan. If at all it got any attention of the Political Leaderships, it never moved beyond mere political rhetoric and slogans. Housing issues in Pakistan made its vocal appearances in the slogan of “Roti, Kapra aur Makan, by Z.A. Bhutto, in Mr. Muhammad Khan Junejo’s “Shelter for Shelterless”, then in the announcement of 10 lacs (One Million Housing) Housing Units/year (total 50 lacs in 5 years) units) by Mr. Yousuf Raza Gilani and then in the announcement 05 lacs units/year by Mr. Nawaz Sharif. Unfortunately no one moved beyond political sloganeering, and the delivery was near to nil. Even if some planning and policy work was done at the “drawing table”, it did not move to any execution level by anyone.

It is sad to see that, two-third of country’s population lives in rural areas, largely living in “katcha or mud-housing, another 40% lives in peri-urban and urban areas. The previous plans on housing did not address rural and peri-urban issues. The fact remains that a large segment of urban people, more so in major metropolitan cities like Karachi, Lahore, Peshawar and Faisalabad, are living in slums or Katchi-Abadies, and other low-income people are living in indecent housing.

Pakistan is currently facing an overall housing backlog of around 11-12 million housing units. Literatures also give the number of 32 million households without any shelter or with very poor housing. The urban housing shortage is estimated to be around 4 million, while rural and peri-urban housing backlog is around 7-8 million.

Year-on-year housing need of Pakistan: Based on Country’s population, as per recent census, of over 200 million, with population growth rate of 2.0% and household size of 6.5 persons per household, the year-on-year incremental needs is 6 lacs units/year, which includes both urban and rural areas. Pakistan needs to build at least 10 lacs housing units/year just to meet the existing needs plus the incremental housing needs.

## **3) PTI’s Agenda on Housing:**

Presently the dire need of the country is 10 lacs housing units in a year, or 50 lacs units in five years. Therefore PTI’s agenda is to develop the required number of housing in urban and rural areas. This is its cherished goal.

PTI's housing policy would aim at meeting the target of 10 lacs housing units per year as follows:

- 4 lacs/year in the Rural Areas,
- 2 lacs/year in Peri-Urban areas under Social Housing Schemes, and
- 4 lacs/year housing units in the Urban Areas.

Knowing resolute nature of the Chairman of PTI, Mr. Imran Khan to deliver on impossibilities, his determined resolve to achieve the target as much as possible, and his history of achievements on the face of all oddities (World CUP, Shaukat Khanum Hospital, Namal University and on and on), PTI surely would not leave any stone unturned to achieve this housing target. May Allah bless this sacred mission, Ameen.

**Peri-Urban Areas:** In the Peri-Urban areas, where generally we see development of slums and indecent housing and habitat, the Policy would largely use incremental housing model. Pakistan's urban population is one-third of the total population, which is expected to reach 50% by 2050. Most of the urban, peri-urban as well as rural housing backlog is in low and lower-middle income segments of the population. In the peri-urban areas the Policy will develop and improve sewerage systems, water supply, service roads, electricity, and common places/parks for community as well as equipping the habitat/community with basic health and education facilities. PTI's government will give special emphasis on improvements and rehabilitations of slums, and will have zero-tolerance for prevalence of Katchi Abadees and Slums. The most effective mechanism for annihilation of slums from peri-urban areas would be allowing and encouraging the incremental housing system, as stated above.

**Rural Areas:** In rural areas, people live "katcha", mud houses, without much facilities. It is PTI's avowed intention to provide peaceful and decent living condition in the rural areas with sufficient employment facilities to rural people, so that migration of rural people towards urban areas could be brought under control. For centuries, there is hardly any visible change in styles of the houses in which village people live. Here comes the needs and requirements of molding villages of Pakistan to the form of model villages, in which simplicity of rural life immersed in maximum possible facilities of urban life may be provided to the village residents.

To this end, PTI would initiate rural housing development and finance program, through gearing up and marshaling all the interested parties and stakeholders. The elements involved in this task are village/town nazims, land revenue record-keepers/patwaris, civil administration of towns/tehsils/districts, ZTBL, etc. In this task, the Academia and Universities would be involved for advices. In the rural areas/villages, supply of land would not be a challenge. What rural population would be needing is the enabling environments, policies, procedures and processes, and providing the delivery and service mechanism, which would help them develop a model living environment.

**Urban Areas with indecent housing:** In many urban areas people live in indecent "katcha" and indecent squatter houses. In some of these areas one may see development of "semi-pacca housing" units.

**Slums:** Slum prevalence are some of big issues in big cities around the world. Through this housing policy, PTI would make this issue a mainstream national issue to be recognized by all concerned. PTI would also work for slum improvement, slum curtailment and prevention of farther growth of slums all over Pakistan.

**Types of housing:** For the purpose of addressing the housing issues in a society, the housing are segmented in following two types:

- **Social Housing:** Twenty percent of our country's total population belong to the under-privileged section, these are the people belonging to **Bottom-of-Pyramid (BoP)**. They live in slums, illegal and indecent habitats, devoid of most of basic social amenities. These people and the people in low, lower middle income segment are in need of Social Housing system, which cannot be arranged without government's active interference and support;
- **Market Housing:** On the other hand, the developers/suppliers of houses vie with one another to provide best types of houses to upper-middle class and upper class of the society. This is high-end market, and is known as **Market Housing**.

**The government's Housing Policy is required to address the Social Housing** for lower income group and BoP segment. The BoP, are largely settled in katchi-abadis/slums, which deserve immediate attention. They are the major segment of large metropolises and make the most inefficient use of land. The possible solutions are slums up-gradation/improvement as short-term measure, and for the long-term the moving towards slums re-settlement/rehabilitation programs, like Orangi Pilot Project, Lyari Expressway Project etc. In major metropolises like Karachi, more than half of the city population is living in squatter settlements/slums. This will largely need the initiatives driven by the State. The solutions for Social Housing Segment, however, will have to be market based, under viable and sustainable business models, wherein the Government would have to play the role of "enabler" and "facilitator", through measures like land banking, fiscal and regulatory support measures etc.

**Housing Finance:** On housing finance side, the situation in Pakistan is very disappointing, and Pakistan stands at the bottom in terms of Mortgage Debt to GDP Ratio when compared on regional and global scene. Outstanding Housing Finance-Mortgage Debt (M/D) presents a very dismal picture in Pakistan; as standalone, and even when compared to other countries of the region. The ratio in Pakistan is less than 1%. The outstanding mortgage debt has in fact declined in Pakistan during last decade. While in India it is around 10%, Bangladesh 5%; and in other countries of the region like Malaysia, Thailand, and Indonesia the ratios are constantly on the rise, showing vibrant mortgage/housing finance activities. Pakistan is showing visible inertia in this regards. Even after 70 years of birth of the country, there is only one specialized housing finance institution, the HBFC, which is also in doldrums. It is quite frustrating to see the role and performance of HBFC on the decline over the years. The commercial banks' shares in housing finance is quite small when compared with commercial banks on the global scene.

To create an ease for low income borrowers, PTI's policy would ensure that the borrowers are not required to pay more than 30% of the value of property as down payment, which is also they could be able to pay in three different installments. The lending institutions will work out further financial detail, at the earliest under the supervisions of builders' bodies, which will be directly monitored by PTI's relevant task force. In any deserving cases, the down payment could limited only to 10% of the value of property.

**PTI's "Housing for All" Program:** PTI announced its "Housing for All" Program in its 100 Days Agenda to deliver 50 lacs housing units during its tenor or 10 lacs housing units per year. PTI's ambitious plan for providing 50 lakhs affordable houses will address housing issue in Rural, Peri-Urban and Urban areas. It is sad to see that while two-third of country's population lives in rural areas, in "katcha or mud-housing", the rural and peri-urban housing issues have never been attended in the past. Even, a large segment of urban habitat, more so in major metropolitans like Karachi, Lahore, Peshawar, Faisalabad, live in peri-urban areas and in slums. There the low-income and lower-middle-income people are living in utterly indecent housing conditions in extreme urban congestions.

PTI is also committed to empower Persons with Disabilities (PwDs) and will allocate 10 % of the low-Income housing, developed under specific program for PwDs. Different programs will also be develop for Jawans of our forces, security personnel, teachers and nurses in government services.

Real estate, housing and construction industry is a major source for employment generation. Institutionalized efforts will be made in training, development and skill development in this field.

#### **4) Urban Housing , urbanization and slum prevalence:**

When we talk about housing issues, our attentions have always been only on urban areas, and shamelessly forgetting rural and peri-urban areas. According to Pakistan Bureau of Statistics, ratio of Pakistan's urban-rural population is 32%: 67%.

Up until now, this huge 68% rural population has always been ignored for housing in all kinds of planning by the government of the time. So, providing these people with the planned social amenities like service of utility, transportation and communications were never on the card. As we know, in many places, people have been carrying their dead or sick people manually, on cots and beds on shoulders or animal carts to other places including to the basic health units. In order to economically empower the farmers, PTI will also facilitate urban/rural road and transport infrastructure.

According a report of Akhter Hameed Khan Resource Centre of September 2016, in Pakistan the migration ratio to urban areas is 2.8% annually. This coupled with regular population growth at 2.1%, urban population is growing at around 5% per year. At this rate, by 2025 the percentage of urban

population is anticipated to be 50% of total population. This massive gradual urbanization, which generally is not in any part of urban planning, is leading to create more slums and Katchi Abadees. According to some estimates, there are 800-1,000 Katchi Abadees in Karachi, which constitutes around 55% of the city's population.

The possible solutions are slums up-gradation/ improvement as short-term measure, and for the long-term, moving towards slums re-settlement/rehabilitation programs, like Orangi Pilot Project, Liyari Expressway Project etc. Gen. Azam Khan in 1958, created a history of housing supply in Pakistan by developing and delivering housing units to more than 10,000 deserving shelter-less poor within 6 months in the Korangi Township. Once the function of Planning is integrated with Housing and Urban Development (HUD), urban regeneration/renewal will assume priority it deserves. The slums rehabilitation and resettlement will be an integral part of the urban renewal program.

#### **5) Urban Regeneration and Renewal:**

Over the years, due to lack of urban planning or political influences, unplanned commercial and residential development have been carried out, which destroyed the basic culture of the urban metropolitans, like Karachi, Lahore Peshawar, Quetta, Faisalabad etc. This calls for an urgent need for urban renewal/regeneration, through better and effective planning. Once a Master Plan is approved, any change in that will be permissible only through a formal process, may be at the level of Parliament.

City development represents a huge opportunity for investment, growth and employment generation. One estimate shows that, in Lahore alone there is 1.3 trillion-dollar investment opportunity. All these opportunities could be open to local and non-resident Pakistanis through residential and commercial buildings, educational/recreational outlets, play grounds, entertainment spaces etc. For example, in Lahore alone, 75% of educational institutions are housed in privately owned residential buildings, which are in need of purpose built buildings. Once in power, PTI will work out a detailed Work-Pan for urban regeneration as stated earlier. Some of the key initiatives by PTI for Urban Regeneration would be:

- All cities over 100,000 are our engine of growth. The regenerations in these cities are long overdue. Under PTI's "Housing for All" Program, mixed-use and high-rise buildings will be developed in these cities, which will unleash construction activities there.
- The regeneration plan would recognize that the unplanned sprawling are making cities unmanageable, and are costing the country through heavy costs of energy and infrastructure. The policy will push for high rise and mixed use of buildings.

- Building and zoning regulations are to be liberalized to allow mixed use high rise in central areas and allow downtown in all these cities to be used for commercial proposes.
- Community space (schools, playgrounds, libraries, community canters, and public spaces) would be built. City planning has been forgotten for decades because of changing zoning laws, building regulations etc.
- Deal with city mobility through creating more options for walking, bicycling etc. The priority for cars will be changed to allow for other options for mobility, with a primary focus on public transport. Cities will also have proper car policies with parking, car-use and mobility patterns. Better car policies will clear up space for buses and public transport on streets.
- Government offices and buildings etc. in middle of downtowns is waste valuable land. Immediate plans would be made to move out these office buildings to make them usable for commercial purposes.
- Slums improvement, rehabilitation and resettlement will be among the major components of urban regeneration program.

**6) PTI Housing Policy initiatives will be led by the following parameters:**

- Rural Housing as well as Urban Housing: PTI will focus on both the rural and urban housing supply, and work for their finances. Rural housing, which is needed to cover 2/3<sup>rd</sup> of the population, has always been neglected in Pakistan. So, total housing supply target should also cover rural housing supply.
- PTI will address housing issues of supply-side and finance-side.
- Primary focus on low-income affordable housing segment.
- Government to play role of enabler and facilitator, and not developer.
- Government to provide fiscal and regulatory incentives for low-income housing.
- Strengthen the role of Developer Industry/ABAD, Academia, and Planners etc.
- Large scale housing development by ABAD as well as the others under various models of Private Public Partnership (PPP).
- Land Banking at Federal and Provincial levels.
- Slums rehabilitation and resettlement program to ensure decent habitat by efficient use of land.

7) **The stakeholders of housing sector are:**

● **Demand-Side Agents:**

- a) Specialized Housing Finance Companies - HBFC, Commercial Banks, HFCs etc.
- b) Regulator-State Bank of Pakistan (SBP), SECP for Housing Finance Companies.
- c) Capital market for market based funding instruments like REITs, listed property, mortgage backed sukuks etc.

● **Supply-Side Agents:**

- a) ABAD: Real Estate (RE) developers under platform of ABAD for manufacturing scale housing development both through horizontal and vertical habitat.
- b) Supply-Side Regulatory Agents like Building Control Authority, SECP, and Municipal Authorities etc.

There are some regulations in place, but these are under very poor enforcement/compliance mechanism. The Real Estate Regulations should be simple and practical. While the regulations should not strangle the industry, at the same time their enforcement should be strict, and any relaxation in these regulations should largely be policy driven and not driven by a discretionary option of the regulators. Real Estate Development and Regulations Act-REDRA would be prepared, as are in many countries around the globe, and enforcement of the same through Real Estate Development and Regulations Authority-REDRA would be ensured.

- **Urban and Rural Planning at Federal and Provincial Level:** Role of Planning and Housing Development (HUD) is important in housing development and planning, and required for integration of housing functions and for redefining urban/rural zoning limits. Planning functions at Provincial Governments will also facilitate housing development and housing improvements at district, tehsil and village levels.
- **Ministry of Housing (MoH):** The MoH will play an active role for planning and coordination for housing among stakeholders at the federal and provincial level. At present MoH is largely confined to managing government residences provided to government employees. Its role and functions will be expanded to integrate housing with urban planning and to play the role of enabler and facilitator, rather than executor/deliverer of housing.
- **PM Secretariat and CM Secretariats** will have a dedicated function to supervise Government's Housing Plan, and will integrate and facilitate Government's housing agenda by effective supervision and coordination among different stakeholders of housing at federal and provincial level.

## **8) Execution Strategy**

The background note indicates that any viable, deliverable and sustainable housing policy will need to address its different aspects of housing activities, namely Supply-Side, Demand/Finance-Side, Urban Planning, Rural Planning and Regulatory Regimes.

PM's Secretariat at Federal level and CM Secretariats at Provincial level will have active functions to integrate and facilitate housing agenda to effectively supervise and coordinate among different stakeholders of housing at Federal and Provincial levels, besides working as a driving force behind all activities. It shall monitor and achieve the targets of reducing housing shortfalls.

## **9) Policy Initiatives:**

Rural Housing as well as Urban Housing: PTI will focus on both the rural and urban housing supply as well as finance and financial inclusion. Rural Housing has always been neglected in Pakistan, as two-third of the country's population lives in rural area, so any housing supply target will have to cover rural housing supply.

The PTI Government will roll out immediate term and medium term policy initiatives to implement its Low-Income Housing (LIH) Policy, through its Finance-Side Measures.

Policy initiatives will be two pronged, i.e.

- Short/Immediate Term Policy and
- Medium Term Policy.

Under Immediate Term Policy, initiatives will be announced soon after assuming power and after taking different stakeholders on board. These initiatives will be consolidated and some new measures will be taken under Medium Term Initiatives.

## **10) Immediate Term Policy Initiatives:**

### **10.1 Broad Measures:**

- I. Set definition of Low Income Housing (LIH) in terms of cost (say up to Rs 1.5 Million) and area (say 120 Sq. Yards plot or 1,000 Sq. ft. covered area). The actual definition will be as per SBP's Low-Income Housing Policy. The definition will be

binding for all fiscal and regulatory agencies while allocating/applying fiscal and/or regulatory support under the Policy.

- II. Low-Income Housing (LIH) Policy: Announce the LIH Policy covering Immediate Term Initiatives and Medium Term Initiatives. The Policy will have special fiscal and regulatory incentives both on Supply-Side and Finance –Side of the housing.
- III. Monitoring and ongoing review: Once in power, the Policy may be amended/further improved in consultation with the stakeholders. For this purpose, a Housing Monitoring Cell will be established at the PM Secretariat, to be headed by a professional in the field. This cell will directly report to PM.
- IV. A Low-Income Housing Advisory Board, having representatives from different stakeholders like ABAD, Federal and Provincial Governments, State Bank of Pakistan, FBR, Banks/HBFC, construction material Industry, academia, urban & rural housing planning agencies at the provinces/districts, regulatory bodies at the provinces like Karachi Building Control Authority, and some independent housing professionals.

**10.2 Demand/Finance-Side Measures: For Home Financing/Lending:**

- I. Low-Income Housing (LIH) finance under SBP's Preferred Sector Lending: Government will ensure that the financial sector is geared up to play an active role in housing finance under SBP's direct supervision. SBP to declare that Low-Income Housing Finance should be at least 5% of total lending, and overall housing finance to be minimum 10% of total advances portfolio of the Commercial Banks.
- II. Commercial Banks/HFCs lending to LIH Sector to be declared under preferred sector enjoying SLR benefit and any income/profit from that portfolio to be tax exempted. The Banks/HFCs will pass on the benefit directly to the client through lower interest rates. This will benefit the low-income borrowers.
- III. Promote more Specialized Housing Finance Institution (SHFI) under Private Sector, and restructure/revive HBFC, which is presently the only specialized housing finance institution in the Public Sector. Under these newly established wide spread specialized housing finance institutions, inclusion for housing finance would be widened over a larger geographical and income segments
- IV. Mortgage/Housing Loan Payments up to Rupees One Million/Year to be eligible as tax deductible expense of the borrowers.
- V. Promote Sharia-Compliant Housing Finance to ensure financial inclusion of such borrowers.

- VI. Ensure financial inclusion of low-income segments in currently un-served areas for housing finance. The HBFC/HFCs will be directed to expand their outreach into different geographical areas and income segments.
- VII. PTI government shall make all out efforts to remove all regulatory/financial impediments to ensure inclusion of excluded areas.
- VIII. To facilitate investment in the real estate and housing sector, REITs Laws/Regulations will be made investor friendly. While REITs Laws/Regulations are in place, due to various fiscal/regulatory impediments, no REITs have yet been announced for residential REITs, Developmental and Rental REITs.
- IX. Documentation for housing finance/mortgages will be simplified and standardized, particularly in case of low-income housing. Loan processing will be made efficient so as to ensure that the process is completed for disbursement within 90 days.
- X. CDC or an institution like CDC will be engaged for safe keeping of title documents and online verification of titles.
- XI. Sponsor a Shelter Funds (SSF): PTI aims at allocating 50% of the Zakat funds to be allocated to low-income housing for bottom-of-pyramid segments of population. The rich individuals and corporates will be encouraged to participate in the SSF Program. The funds donated/contributed to SSF Program will be given tax incentives as tax deductible expense.
- XII. For low-income housing finance, as defined under SBP's Low-Income Housing Policy, the Loan-to-Value Ratio (LTV) will be up to 80:20. Against a loan of 80%, the client will be required to pay upfront 10%, and remaining 10% during the period of construction.

**10.3 Supply-Side Measures: Role Of Housing Developers Industry (like ABAD):**

- i) **Association of builders and Developers (ABAD):** One-Window Liaison will be set up at Provincial and Federal Government levels as well as at HBFC to facilitate ABAD in addressing issues related to real-estate development industry. For Low-Income Housing (LIH) segment, regulatory relaxations in Floor Area Ratio (FAR), Floor Space Index (FSI), etc. will be relaxed wherever needed.

- ii) **Fiscal Incentives on Construction Materials:** For low-income housing, as to be defined and declared under LIH Policy, all federal and provincial government levies on three main construction materials i.e., cement, steel and sanitary items, will be waived and for middle-income housing such levies will be reduced and rationalized. Approved low-income housing schemes will be eligible for both fiscal and regulatory concessions as per the housing policy. Approved middle and upper-middle income housing projects will be put under fixed rate tax regime.
- iii) **Developers,** who will allocate/develop at least 30% of the built-up area under low-income housing definition, will get fiscal incentives on the three construction materials. The quantities of these materials to be used in the approved housing scheme will be part of the approval by the concerned authorities. Operational details of this incentive schemes will be declared by Government. A subsidized income tax regime will be applied on the surface area developed low income housing by the Developers.
- iv) The **“Services Tax”** will be minimized and rationalized on housing development through Government approved housing schemes.
- v) **Public-Private Partnership:** Execute low and middle income housing supply program under Public-Private Partnership arrangement between the Government and Developers/ABAD, using standardized construction contracts. Fiscal and regulatory incentives will also be made available to low-income housing development on housing development under PPPs.
- vi) **Public-Public Partnership:** Housing schemes for public sector employees, civil servants, forces jawans, teachers and security personnel will be developed under public-public partnership, under which state will provide land. Developments will be done by government agencies like National Construction, NESPAK, and FWO etc.
- vii) **Redefine and restructure housing function of the Federal and Provincial Ministries under a new function to be known as Housing and Urban Development Ministries (MHUD),** as are in the other countries having best practicing success models for housing and real estate development. These functions will be headed by professionals having expertise in the field, who would be selected through open merit process.

- Viii) Land Banking:** The Government will set up land banks by procuring land owned by the state or procuring land from the market through measures like urban/rural re-zoning. On the land parcels owned by the Government under Land Banking, the MHUD will promote housing schemes, preferably in association with Developers/ABAD under Private-Public-Partnership (PPP) Model.
- ix) Computerization of land Records** to ensure efficient, effective and reliable transfer of land/property titles. Fees on Title Transfer/Registration will be reduced and rationalized all over the country.
- x) Developers will be incentivized** to develop market based Rural Housing Schemes under a special incentive package of smart-subsidies and cross-subsidies.
- xi) Low-Income Housing (LIH) schemes may be equipped with Solar and other Alternative Energy solutions,** cost of which would be included in total cost of housing units.
- xii) High Rise Buildings:** The recent court judgment on restricting high rise in Karachi is already under contest by the developer industry. It seems to be counter-productive to real estate sector growth, more so in a city like Karachi, where efficient land use is very critical.
- xiii) Rationalization of various Government levies,** Taxes, Stamp Duties, Registration Fees, Transfer Fee etc. are to be rationalized and lowered, since some of these are much higher in Sindh as compared to Punjab.
- xiv) For low and middle income housing development in areas/cities facing scarcity of “serviced land”,** the Regulatory Agencies will support housing development with relaxed Floor Space Index (FSI), and Floor Area Ratio (FAR) etc.
- xv) Building Control Authorities** and such other agencies will review their Building Codes to make them practical and market friendly.
- xvi) Facilitate ABAD in transfer of construction technology from countries** having proven technologies for manufacturing scale production of horizontal and vertical housing complexes.
- xvii) Development of Rental Housing:** Globally the rich have enough money to buy houses for investment purposes in addition to their own uses. The additional houses are normally used for renting out to earn additional income, besides

gaining from capital value appreciation of the houses. In Pakistan, however, the rental sector is very weak because of very weak and in-effective tenancy laws. Housing supply can be substantially enhanced under this model, where funds could be available from direct investors or through “Rental REITs”. For this purpose, market will also need laws/rules for Home Owners Associations (HOA), laws like Condominium Act, and Property Management Companies Acts. PTI Govt. will also work to facilitate this market segment.

- xviii) For approved low-income habitat, housing schemes, regulatory **relaxations of FAR/FSI and Density** will be provided.
- xix) Institutional arrangements will be made to facilitate **one-widow scrutiny and clearance of titles** for an approved project initiated by a developer. Steps would be taken to avoid delays due to unnecessary litigations and stay orders.
- xx) **Property Transfer Fee** will be rationalized to stimulate secondary market for constructed housing.
- XXI) **Labor Colonies:** Corporate Sector and Industries will be encouraged to develop dedicated labor colonies, with the funding support of Workers Participation Fund, EOBI, and Social Security Institutions (SSI) etc. Corporate Sector will be facilitated through measures like Tax Holidays etc.

## **11) Medium Term Policy Initiatives**

### **11.1 General**

- i. **Rural Housing Finance (RHF):** PTI will launch a well-defined and ambitious program on Rural Housing. Nearly two-third of the country’s population lives in rural areas, and so will be the share of rural housing in overall housing target being set by PTI. Banks with strong rural presence especially ZTBL would be geared up to play lead role for this purpose.
- ii. **Women empowerment:** In case a wife is also a co-borrower/co-owner, under the Low-Income Housing Program the applicants will be given priority on house allotment and housing finance, under the Low-Income Housing Program.

- iii. **National Urban Regeneration and Renewal Mission:** Under this program the Urban Planners would focus on strategies which may include planning for smart land use, vertical housing/mixed development, development of commercial areas, social infrastructure etc. The program will also aim at gradual slums improvement, rehabilitation and resettlement.
- iv. **“Sponsor a Shelter Foundation for the Poorest People”:** The Foundation will aim to economically empower “Bottom-of-Pyramid (BoP)” segments of the population. The Zakat Funds from Zakat Foundation will be used to pay part payments of monthly installments of housing loan of the deserving poor.
- v. **Employees’ Old Age Benefit Institution (EOBI) and any other Retirement Funds:** Procedures would be developed for utilizing huge funds at the disposal of EOBI, which will also be used to economically empower its eligible members for house purchase by public/private employees at the time of their retirements or in their old ages. EOBI will be directed to develop a scheme for this purpose.
- vi. **SECP to launch Real-Estate Regulatory Authority/Regime (RERA):** SECP will be directed to establish RERA to regulate developer industry. Developers’ bodies like ABAD will be made do self-regulations of the developer industry under RERA. The RERA will ensure that housing development takes place by the developers as per announcement/advertisement. The RERA will also provide guidelines on Private-Public Partnership, Guidelines on Property Valuation, etc.
- vii. **Establishment of a Housing Information System (Housing Observatory) at government level.** Housing Observatory will be set up, on the pattern of REIC-Thailand and Housing Observatory-Canada. It will serve as single platform to provide overall statistical data/information on housing. The database will cover housing stock, housing supply and housing finance. This will be the prime source of data/info for the planners and operators of housing sector.
- viii. **Slums Rehabilitation and Resettlement Program:** The PTI Government will initiate this program under the National Housing Policy largely through PPP Model, and part of Urban Renewal Mission of Federal and Provincial Planners.

- ix. **Financing for “Incremental Housing”:** To support low-income housing, financing for “incremental housing” will be made available as part of the financial institutions’ loaning policy.
- x. **Relaxation of Building Regulations and Codes** will be made, for example FARs for Low-Income Housing, Levies/Fees etc.
- xi. Laws related to housing and housing finance will be regularly updated and rationalized by learning from regional experience in the field.
- xii. **Fiscal Incentives from Provincial Governments:** Exemption from CVT, Stamp Duty and Registration fee on conveyance deed and mortgage deed, to make housing more affordable under the PM’s low-income housing scheme. Sales Tax exemption would be provided on construction material used to construct houses, wherever applicable and wherever possible.
- xiii. **Role of Academia:** Set up Housing and Urban Development Departments at Universities and arrange active coordination between academia, construction, industry developers, housing finance institutions, housing & urban planners.

## **11.2 Demand/Finance Side Measures**

- I. **Mismatch of Monthly Mortgage versus Income Affordability** will be addressed through fiscal and financial measures. At lower income levels, propensity to save is low and fragile, so specific financing products will be developed and promoted through housing finance institutions.
- II. Employers, both government and private, would be persuaded and incentivized to **retirement benefit schemes** to allow the employees to get a house at the time of their retirement.
- III. **Income assessment issues**, informal income, issue of family versus individual income etc. will be addressed. At the bottom level, mechanism

would be developed to calculate and recognize the whole income of a household, as is being done in many far eastern countries like Indonesia.

- IV. Long tenor loans will be provided to make monthly/quarterly installments affordable. Long term liquidity/funding will be facilitated through institutions like **Pakistan Mortgage Refinance Company (PMRC)**.
- V. Loan approval is either denied or gets delayed due to issues of title verification, lien registration costs, lengthy and complex foreclosure process. World Bank Program of **Land Record Management and Information System (LRMIS)** will be implemented on war footing basis in all provinces. It is already delayed and may lose its purpose, which is essential from the point of title verification, transfer etc., and for making investments in real estate easily marketable.
- VI. PTI Government will facilitate and **promote awareness on mortgage programs** and available fiscal/regulatory provisions from state agencies. Banks and financial institutions will be directed to initiate programs to create customers awareness on institutional housing finance, affordability, payment terms, registration & clearance of titles, and available fiscal/regulatory support.
- VII. **Specialized Housing Finance Companies (HFCs)** are needed to finance low-income segment. Currently there is only one such entity i.e., HBFC, whose loaning operations are on decline for the last few years. More HFCs will be promoted by SBP/SECP, mostly in the private sector.
- VIII. Housing finance will be facilitated for all geographical locations, and for all income segments by ensuring **“financial inclusions”** at affordable terms for purchase of the first residential property. The government will promote availability of finance from financial institutions/banks under SBP’s policy of **“Preferred Sector Lending”** and other support measures. Outreach and financial inclusion of low-income segments will be facilitated through innovative channels like Physical Branches, Virtual Branches, Service Agents, and Service on Wheels etc.
- IX. SBP to enhance FSV Benefit for housing finance under PM’s low-income housing schemes.

- X. The Government would support and encourage housing finance institutions/banks by providing them **fiscal and regulatory support**. Income of Banks/Financial Institutions from low-income and lower-middle housing finance will be either tax-exempted or taxed at a concessional rate.
- XI. **Housing microfinance institutions** will also be promoted to provide housing microfinance to the Bottom-of-Pyramid.
- XII. Waive or subsidize levies like VAT, Stamp Duty and Registration Fees for low-income customers on property transfer and registration.
- XIII. PTI government would take steps to initiate **Reverse Mortgage Schemes** for the benefit of Old Age/Retired Persons having dwelling houses of their own, so that they could continue living in their houses and also get some regular monthly income to support themselves. Shariah-Compliant version of this product will also be encouraged.
- XIV. **Low-Income Housing (LIH) finance under SBP's Preferred Sector Lending (PSL)**: Government will ensure that the financial sector is geared up to play an active role in housing finance under SBP's direct supervision. SBP to declare that Low-Income Housing Finance should be at least 5% of total lending, and overall housing finance to be minimum 10% of total advances portfolio of the Commercial Banks.

## 12) Supply-Side Measures

- I. **Land Banking and proper land utilization**: Either a separate ministry, or a separate department in the redefined Ministry of Housing and Urban Development would be established to manage, handle and keeping of record of unutilized land spreading all over the country, and creation and disposal of serviced lands to appropriate parties under a well-defined and fraud proof mechanism. As the land being a provincial subject, this question would also be addressed properly in the mechanism. Rezoning of rural/urban divide will be initiated by Urban Planners to facilitate availability of new urban land and its availability to Land Banks wherever permissible.

- II. **Supply of serviced land at affordable price for housing under PPP Model:** Availability of well-connected affordable land remains the main concern in major metropolitans/cities. Affordable land is often not well connected for easy road communications and other public services. The “Raw Land” will be transformed to “Serviced Land” by the Land Banks under various business models of PPP.
- III. **Policy will facilitate External Infrastructure support:** The Urban Planners and Administrators will facilitate development of physical and social infrastructure, which would be a part of affordable supply of “serviced land” by the state. PTI Government will ensure that Raw Land available to Land Banks for LIH Projects is supported by the State and its concerned agencies by making available the external infrastructure of roads, transport, communication etc., as well as provision of health and education.
- IV. **Construction Costs:** According to developers (for example, ABAD), the construction cost/construction materials are showing rise on yearly basis above normal inflation rate, LIH is a ‘low-margin’ business, so not attractive. This margin is farther shrunk in case of delays. Therefore, the PTI Govt. will take necessary steps to control abnormal rise in constructions costs through various fiscal and regulatory measures.
- V. **Lengthy and Complex Approval Process:** This impacts construction timelines, project IRR, and pricing. The approval fees/costs further add to the unit price. PTI government will ensure simplified approval procedures, on-line status, monitoring, waiver or discount of approval fees etc.
- VI. **Developer/Construction finance from financial institutions and capital markets** is not easily accessible due to absence of developer finance regulations in most countries. Developers fund the projects through short term in-house funding or through customer finance. Although SBP had announced Developer Finance Regulation, but no Developer has so far availed any finance under these scheme. PTI Government will ensure that SBP and SECP play a proactive role in facilitating market based supply of long term funding for the developers by addressing any deficiencies in Developer Finance Regulations of SBP and make them market driven and consumer friendly.

- VII. **Absence of Fiscal Support to Low Income Housing (LIH) Projects:** PTI Government will promote and facilitate business models of indirect **cross-subsidies and direct smart subsidies** to LIH/EWS projects and will provide fiscal incentives to developers
- VIII. **Regulatory Support to Low-Income and BoP (Bottom of the Pyramid) Segments:** PTI Govt. will facilitate regulatory incentives in terms of FARs, and wherever permissible, relaxation in Building Codes etc. without compromising on strength and quality parameters.
- IX. **External Infrastructure:**  
**Transport:** At the initial stage of Low Income Housing (LIH) project, public transport be provided to facilitate commuting between homes and places of job/employment.
- X. **Manufacturing Scale Production:** The development projects and the developers are of small size, thus denying the benefits of economies of scale, and use of proven low-cost construction technologies. Housing production at Manufacturing Scale provides economies of scale, and lowers down unit costs.
- XI. **Low-Cost Construction Technologies:** The Developers would be facilitated and supported to import and indigenize low-cost construction technologies for manufacturing scale production. The aim would be to develop local technology and expertise on design and development of manufacturing scale production of low-cost housing.
- XII. **Low-Cost Construction Materials (CMIs):** The Government would promote indigenized development and production of low-cost construction materials, and regulate standardization of CMIs for use in LIH Projects. Experience of other countries in the region will also be explored.
- XIII. **Establishment of Various Habitats/Colonies:** PTI Government, under its “Housing for All” mission, will support establishment of labor colonies, student hostels, and housing schemes for government employees, teachers, police and armed forces jawans and nurses etc.

- XIV. **Electricity/energy poverty in off-grid and underserved habitat:** For use of renewable energy options, primarily solar energy will be promoted and facilitated through fiscal measures. The Policy would actively facilitate use of IFC's Lighting Global Program using solar lights, solar fans and community based solar water pumps. A separate policy will be announced for this purpose.
- XV. For developing housing in a new habitat, "Infrastructure before Development" will be ensured by the government, before the private sectors and developers are called to play their due role. In cases the Land Banks will procure "raw Land", the State will ensure these parcels of land are equipped with physical, transport, communication, Wi-Fi connectivity etc. infrastructure so as to ensure these lands are transformed to "serviced land" before development of housing and habitat.
- XVI. To eliminate all possibilities of corruption by governments housing control authorities, the PTI government would strictly ensure that, all procedural matters including approval of layout plans etc. are completed within 60 days positively. And the Government would come down on the corrupt elements anywhere with heavy hands under its corruption control policy.

\*\*\*