

Evaluation of Naya Pakistan Housing

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Presentation Outline

1. Introduction and Background
2. Needs for Reforms and its Probable Effects upon the Economy
3. Main Features of the Naya Pakistan Housing Program
4. Progress till now
5. Weaknesses and Hindrances
6. Suggestions for Improvement

1. Introduction and Background

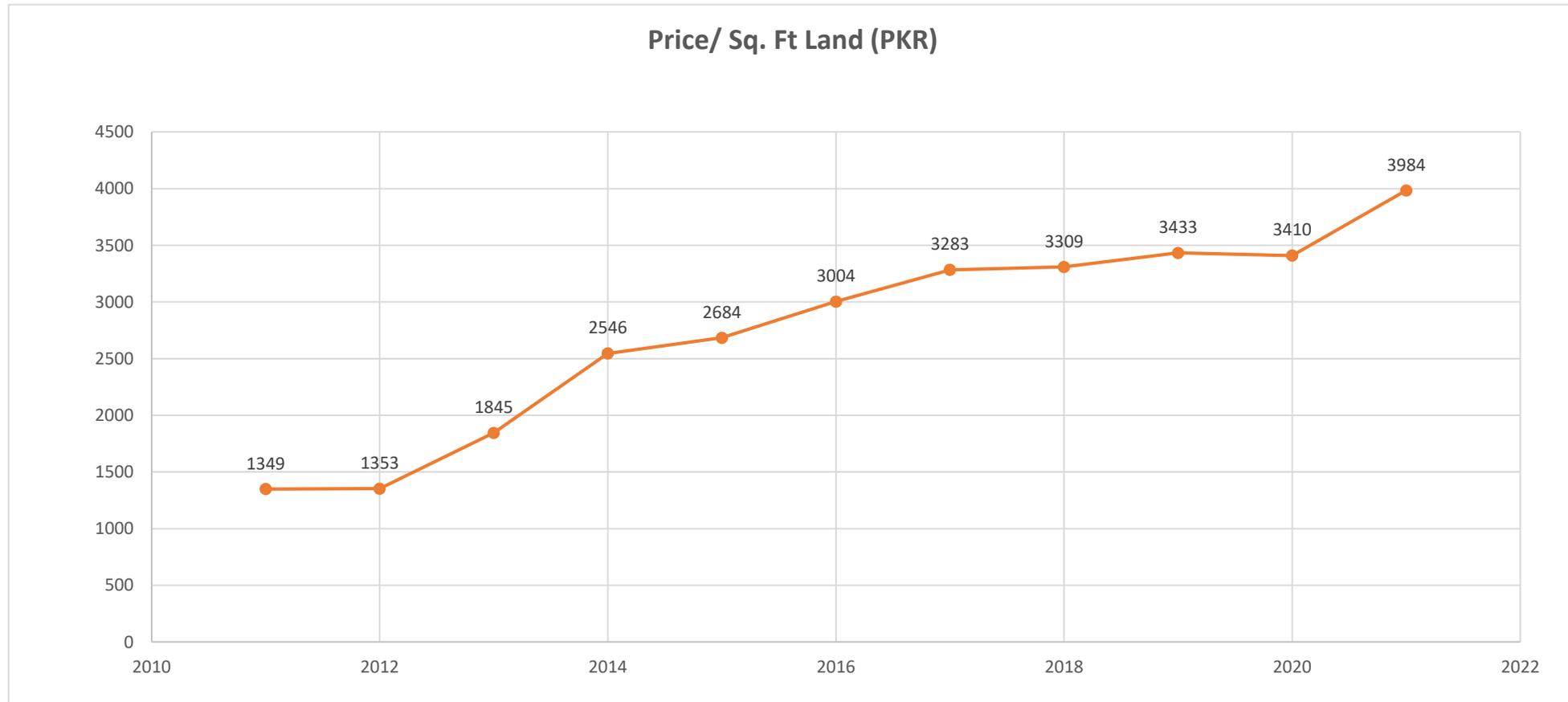
- The seriousness of the housing crisis in Pakistan can be judged by the fact that successive estimates put the backlog in housing at 9 million units, increasing by 300,000 units annually due to unmet demand.
- Because of the uncontrolled housing crisis, many families are forced to live in extreme conditions with unhealthy and unsafe homes.
- According to the United Nations, by 2030, more than half of Pakistan's estimated 250 million people are expected to live in cities compared to 36 percent now.

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- The housing shortages in Pakistan require an investment of \$ 250 billion. Therefore, the government must provide solutions, in terms of infrastructure and urban planning, land reform, policy resources and incentives for mixed-use development, and the removal of regulatory barriers.
- According to The World Bank Pakistan Housing Finance Report the private sector - builders, developers, building solution providers, banks, leasing companies, and finance - will have to consolidate their resources.
- The Naya Pakistan Housing & Development Authority (NAPHDA) has been established for planning, construction managing programs, and development projects.
- In the offered plan, there are three installment plans under the system. Applicants can pay Rs5,000 per month to Rs10,000 in the lowest category; Rs10,001 to Rs15,000 in the medium term and between Rs15,001 to Rs20,000 in the top category.

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- The land and construction cost has increased over the past few years. The single-story 5 Marla house has approximately a covered area of 910 sq. ft. The graph below shows the price of land/ Sq. ft for the past 10 years.



2. Needs for Reforms and its Probable Effects upon the Economy

- Housing affordability and access to adequate land is a significant problem in Pakistan. The total population of Pakistan is about 207.7 million, with the number of households 32.2 million (Pakistan Bureau of Statistics, 2017).

Table 1: Comparison of Annual Housing demand in selected Asian Countries.

Country	Annual Housing Demand
Pakistan	10 million
India	40 million
Sri Lanka	Between 50,000 to 100,000
Bangladesh	659,000
Indonesia	735,000
Philippines	3.75 million

Source: Un-Habitat, 2011

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- The World Bank estimates that the total national housing shortage is more than 10 million units, with a gap of 350,000 units a year. The growing deficit is estimated to rise to 400,000 units.
- Therefore, the Naya Pakistan Housing Project not only improves the housing shortage in the country but also improves unemployment because there are 30 to 40 industries directly or indirectly connected with the housing expansion and construction.
- According to the World Bank estimate, the 100,000-housing unit increase contributes up to 2% of GDP in one year. In addition, the provision of housing to the people greatly reduces the cost of health care and other economic and social costs imposed by urban slums.

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The success of this significant project will require well-planned long-term planning, as well as a strong financial model. Also, the inefficiencies in the real estate market will need to be addressed. This will keep the affordable housing stock growing. Among such improvements include:

- Land Reform
- Land redistribution and land use laws
- Reduce market speculation
- Documenting the real estate sector
- Establish a real estate regulatory authority
- An effective governance system is required

3. Main Features of the Naya Pakistan Housing Program

- The main objective of the Housing Task Force (HTF) is to establish a full-fledged housing authority under the name of Naya Pakistan Housing & Development Authority (NAPHDA).
- The aim of the current government will provide 50 lacs homes to Pakistan over the next five years. More than 70 related industries are linked with the housing because housing is such a huge labor-intensive sector.

Province	Housing Department
Federal	Federal Government Employees Housing Authority (FGEHA)
Punjab	Punjab Housing and Town Planning Agency (PHATA)
Sindh	Under progress
KPK	Provincial Housing Authority Khyber Pakhtunkhwa
Baluchistan	Provincial setup for Naya Pakistan Housing is yet to be established.
Gilgit Baltistan	Provincial setup for Naya Pakistan Housing is yet to be established.
AJK	Physical Planning and Housing Department

Source: Naya Pakistan Housing & Development Authority (NAPHDA) www.naphda.gov.pk

4. Progress till now

Table 3: Province wise progress of Naya Pakistan Housing

Province	Progress
Federal	FGEHA has launched a housing project in Islamabad for Govt employees.
Punjab	Projects have been announced in Okara, Lodhran, Bahawalnagar, Faisalabad, Sialkot, Chistian, Chiniot, and Jhelum.
Sindh	The housing scheme is under progress in the Sindh province.
KPK	The land identification process has been initiated along with reviewing its acquisition process for the housing program.
Baluchistan	A few housing projects have been announced by Federal Government Employees Housing Authority (FGEHA).
Gilgit Baltistan	Some housing projects have been announced by FGEHA.
AJK	Naya Pakistan Housing has announced in Rawalakot and Plundri

Source: Naya Pakistan Housing & Development Authority (NAPHDA) www.naphda.gov.pk

5. Weaknesses and Hindrances

- It underscores the government's concerns about the slowdown in housing loans and that those who wish to become homeowners face difficulties in obtaining a bank loan.
- It shows that the central bank can now put more pressure on commercial banks that do not want to speed up the processing of loan applications.
- In doing so, banks will be forced to borrow risky loans even though central bank officials have repeatedly said that the State Bank will only provide loans to expand the housing industry and that decisions on credit risk will be taken by lenders.
- The housing development is highly dependent on a strong mortgage market, which is not the case here at all.
- Many countries have already overcome their housing shortages by creating a mortgage industry and providing the common people with a wide range of loans to buy or build a home.

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- In terms of housing finance, the situation in Pakistan is much worse, with Pakistan standing lower in terms of Mortgage to GDP Ratio compared to the regional and global situation.
- Outstanding Financial Debts-Mortgages (M/D) represents a grim picture of Pakistan as a stand-alone compared to other countries in the region.
- The rate in Pakistan is less than 1% while in India it is about 10%, Bangladesh is 5%; and in other countries in the region such as Malaysia, Thailand, and Indonesia, the rates are constantly rising, reflecting significant housing finance activities (State Bank of Pakistan, Infrastructure, Housing & SME Finance Department).
- In the case of Pakistan, even 70 years after the country was born, the House Building Finance Corporation (HBFC) is the only housing finance company.
- The housing program will not start in a big way until we have a mortgage industry. That will always be a dream if the government does not tighten refunds to protect banks from potential losses.

6. Suggestions for Improvement

There are two key policy measures that can significantly enhance the current proposed policy interventions for Naya Pakistan Housing & Development Authority (NAPHDA):

- i. City development reforms
- ii. Mortgage Policy for Middle-Income group

i. City development reforms

- From a regulatory and legal point of view, this is a very hard nut to crack. City management is divided. For example, Karachi's planning and municipal plan consists of twenty federal, provincial, and local agencies with different legal and administrative structures, and minimal institutional coordination.
- Local governments may exist but do not have the authority to make their decisions binding to various agencies and authorities. This fragile institutional alignment among agencies makes city management ineffective when trying to create space for land development.
- For example, about 90% of urban land in Karachi is under public ownership, but the authorities are often reluctant or unable to make land available for development.
- Karachi and Lahore are some of the most densely populated cities in the world. Geographical segregation does not allow for higher upheavals that have led to an increase in low population density

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- This limitation of control over the provision of residential land has also increased the price of available land. To address this, the government needs to legislate and empower local governments to bring in other structures designed for integrated city planning, to acquire and/or release unutilized or underutilized lands for development and rezone it to allow high-rise developments.
- Housing is a provincial issue; the federal government will need to work closely to ensure that government agencies are aligned with the provincial and local government officials. In addition, where possible, government policy should only allow high-rise units.
- With so much housing shortages and increasing urbanization, the government will not be able to afford more low-rise units.

ii. Mortgage Policy for Middle-Income Group

- The middle-income group has households that earn more than the low-income group and work in the formal sector such as doctors, college/university teachers, professionals working for companies.
- Such lenders can provide sufficient proof of their current income, future income potential, and net worth to qualify for a mortgage.
- Currently, the housing shortage is estimated at 10 million units. It can be assumed that the middle-income group makes up the largest percentage affected by the deficit.
- However, both SBP Policy and NAPHDA have not provided any indication of interest in this vital segment and are thus silent on any kind of bespoke policy framework for middle-income families.

A 3D white figure stands in a thinking pose, with its hand on its chin, next to a large, thick red question mark. The figure and question mark are set against a light gray background.

THANK YOU