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## Housing Crises in Pakistan: Review of Population Growth and Deficiencies in Housing Laws and Policies

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### Abstract

The advanced technologies in agricultural sector and rapid industrialization cause massive rural-urban migration in Pakistan. In 2011, the level of urbanization was 36.2, while there were 21.7 million houses in the country as against the population of 186 million. Pakistan is facing shortage of 9 million residential houses, which is growing with the ratio of 600,000 annually. Pakistan is still in its infancy when compared with other developing and developed countries. Although the country has plethora of laws and policies to strengthen the housing sector, yet there are still many legal loopholes and gaps in effective implementation. The present research will explore housing demand and supply gaps, laws and policies and status of their implementation in the country. The research also finds the weaknesses of laws and policies implementation for the improvement of housing sector in Pakistan and Present some remedial strategies to strengthen the housing sector.

**Keywords:** Population; Migration; Urbanization; Kachi Abadis (Slums) Laws; Policies

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## **1. Introduction**

Housing is considered one of the most basic human rights and an essential component of the right to an adequate standard of living. Adequate and affordable housing is not only necessary for security and comfort, but is also critical in fostering social cohesion and development of a nation. The housing sector plays a major role in economic growth and stabilization through the creation of job in construction and materials and demand for financial services. The housing and construction industry has the potential of absorbing a large number of skilled and unskilled workforce, significantly mitigating unemployment and, thereby, reducing poverty in the country [1]. Housing construction activity and productivity has been rising in Pakistan in recent years from very low level; still housing sector is in its infancy when compared with other developing and developed countries. At 1% of the GDP, however, there's tremendous potential for growth, given a relatively stable and growing economy, a rapidly increasing population, unmet housing demand, and a growing awareness of housing finance options. As the Pakistan economic development improves, the demand for housing, industrial, commercial, and service facilities will also increase [2]. Nevertheless, there remain serious issues in the housing sector value chain and land market that require attention, because the very high land prices, high and rising real interest rates and prices of construction materials threaten the growth achieved [3].

Though the housing is a basic and fundamental human need, yet millions are caught in the struggle to have a roof over their head in Pakistan [3, 4]. The housing sector, despite of its importance and recognition, remained neglected in Pakistan and has not been able to attract even a modest allocation of public sector resources [5].

Pakistan is faced with the challenge of urbanization and inadequate housing due to exodus of population from rural to urban areas since the 1960s. Of the total population of almost 186 million the urban population in Pakistan constitutes about 36.2%, and is increasing at a rate of 2.6% per year [6]. This process of rapid urbanization has resulted in overcrowding of cities and deterioration of environment [5, 7].

At present housing backlog in the country are around 9 million [8] units and existing housing conditions are characterized by overcrowding, inadequate sewerage, pollution and poor building construction, which offers no security of tenure or protection from weather extremities. In 2008, the yearly estimated housing demand was 570,000 units while the actual supply was only 300,000, leaving a shortfall of 270,000 units per year. As a consequence of this situation, 35-40% of the total urban population lives in informal squatter settlements as indicated in the National Housing Policy 2001 [9].

During the recent years, successive governments did display awareness of the issues pertaining to housing problems in Pakistan. Various steps were initiated in the form of policy decisions including plans and program for solving the urban development and housing problems of the ever-growing population in Pakistan. A national housing policy was charted which covered all relevant aspects of housing, including provision of land financing, construction technology, building materials, low income housing research, institutional framework and implementation mechanism. The major emphasis of the country's housing policy is on resource mobilization, land availability, incentives for home ownership, incentives to developers and constructors and promotion of research and development activities to make construction cost effective [10].

The objective of present study was to review and evaluate the existing legal and regulatory frameworks of housing at the National, Provincial and Local levels. The major aim of this paper is to highlight the problems of housing shortage, loopholes and gaps within the system and the failure of laws and policies in this concern.

## **2. Literature review**

The present research paper is carried out from different research reports and working paper series on housing sector in Pakistan. This included national legislation and policies, books, publications, research studies and other relevant material.

### **2.1. Population**

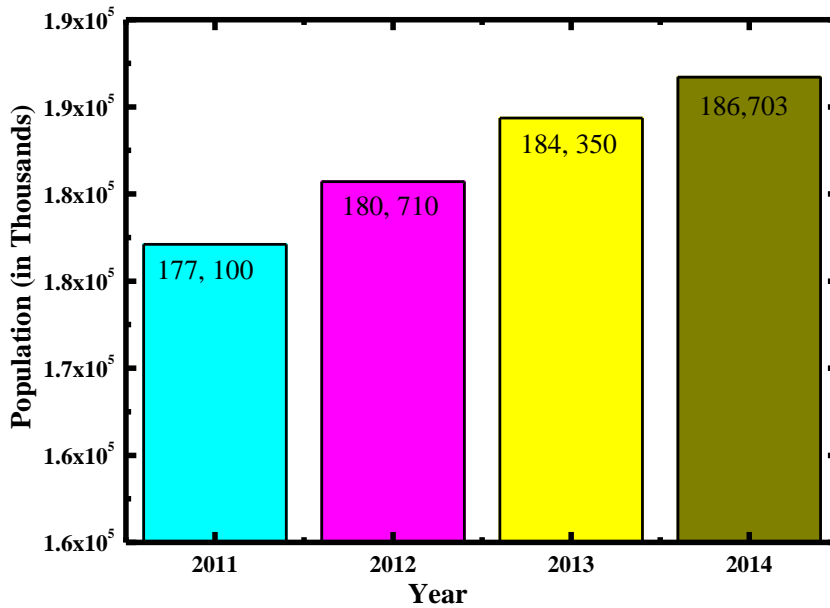
The population of Pakistan was 32.5 million in 1951, at which time it was the 14th most populous country in the world. Its population has since increased approximately 5.5-fold, reaching 184.5 million in 2012-13. Pakistan is now the sixth most populous country in the world (Government of Pakistan, 2013). Pakistan's estimated population in 2014 is over 186 million [11] with 1.49% yearly population growth rate [12]. With this trend, the urban population is estimated to surpass 121 million by the year 2030, translating to 45.6% level of urbanization, the highest amongst the south east Asian countries [13].

According to estimates, Pakistan will become the fifth most populous country in 2050 at its current rate of population growth (Government of Pakistan, 2013). This scenario presents a picture that could be devastating for the country's already-scarce national resources. At present, the population density in Pakistan is 231 persons per square kilometer (Table 1). The population of the country was estimated 186,703 in the beginning of the year 2014 (Figure. 1).

**Table 1:** Demographic indicators from selected sources for Pakistan, 1981-2013

| Indicators                            | Census | Census | PES     |
|---------------------------------------|--------|--------|---------|
|                                       | 1981   | 1998   | 2012-13 |
| Population (millions)                 | 84.2   | 132.3  | 184.5   |
| Intercensal growth rate (%)           | 3.10   | 2.69   | 2.00    |
| Density (population/km <sup>2</sup> ) | 106    | 166    | 231     |
| Percentage urban                      | 28.3   | 32.5   | 37.9    |
| Life expectancy (years) male          | 62.4   | 62.5   | 64.6    |
| Life expectancy (years) female        | 63.4   | 63.0   | 66.5    |

Source: Population Census Organization, Islamabad, Government of Pakistan [14]



**Figure 1:** Yearly populations (in thousands)

Source: Vital statistics [15]

Dramatic social changes have led to rapid urbanization and the emergence of megacities. During 1990–2003, Pakistan sustained its historical lead as the second-most urbanized nation in South Asia with city dwellers making up 36% of its population [16]. Furthermore, 50% of Pakistanis now reside in towns of 5,000 people or more [17].

At the time of independence, Pakistan population was only 32.5 million that rose to 85 million in 1989. In the mid of 2011 estimated 177.1 million and in 2014 it is estimated 186 million. The urban growth rate increased to 4.8% during 1951-1961 and 4.8% during 1961-1971. As a result, 10.58 million people were added to the urban areas of Pakistan in a period of 20 years [18]. Now it is 2.68% in 2014. Table 2 shows the total population of the country with major's cities population.

## 2.2. Natural disasters

With the rising population, natural disasters are also a main cause for the housing shortfall in Pakistan. The 2005 earthquake affected the nine districts in Khyber Pakhtunkhwa (NWFP) and Azad Jammu and Kashmir (AJK). The earthquake damaged or destroyed more than 600,000 houses, some 84 percent of the total housing stock was damaged or destroyed in AJK and 36 percent was damaged or destroyed in NWFP (North-West Frontier Province). Ninety percent of the destroyed or damaged houses are located in rural areas. Recurrent floods of different scales are a regular phenomenon in Pakistan. Lately, Pakistan experienced consecutive floods in 2010, 2011, 2012 and 2013, even in non-flood prone areas, with considerable damage to housing stock. Given the scale and damage, the 2010 floods were unprecedented.

In terms of destruction of houses, according to the DNA report carried out by the World Bank and the Asian Development Bank, the floods caused complete or partial damage to more than 1.6 million houses units across the affected areas. An estimated 913,307 houses were completely destroyed and another 694,878 suffered partial damage. Aggregately, 13% of the total housing stock in the flood-affected areas was impacted and the cost of damages suffered by the housing sector was estimated to be US\$ 1,588 million, 16% of the total damages [19]. The 2011 floods affected 23 districts in Sindh and Balochistan. 1.5 million Houses were partially or completely damaged. Total damage cost estimated to be US\$ 3,730 million, out of which the housing sector suffered US\$ 982 million [20].

**Table 2:** Pakistan’s population in different cities and statistics

|                         |             |
|-------------------------|-------------|
| Total population        | 196,174,380 |
| Major Cities Population |             |
| Karachi                 | 11,624,219  |
| Lahore                  | 6,310,888   |
| Faisalabad              | 2,506,595   |
| Rawalpindi              | 1,743,101   |
| Multan                  | 1,437,230   |
| Islamabad               | 601,600     |
| Population Growth Rate  | 1.49%       |
| Net Migration Rate      | 1.69%       |
| Urban Population        | 36.2%       |
| Rate of Urbanization    | 2.68%       |

Source: [64]

Massive flooding and inundation in 2012 affected more than five million people in three provinces, Balochistan, Sindh and Punjab, with a widespread damage and loss of homes. According to the UN, altogether 387,172 houses were damaged or destroyed. At least 172,172 families, 50 percent of all affected families, were considered to be in dire need of early recovery shelter assistance, with an estimated cost of US\$87 million [21]. During the current monsoon of 2013, there were floods in eastern rivers that caused massive losses and displacement. According to NDMA, floods affected over 1.4 million with 76,450 housing units damaged as of 5 September 2013[22].

### **2.3. Rural-urban migration and urbanization**

Rising urban populations pose great challenges for providing houses, job markets, and service providers. Urban population has already reached 50% in Pakistan [23]. The high rates of urban growth, combined with the restrictive environment for provision of land and housing, have resulted in escalating land prices, driving up the costs of infrastructure and urban development projects while diminishing housing affordability. In the long run, rising land prices drive up labor and business costs, reducing a city’s competitiveness [24].

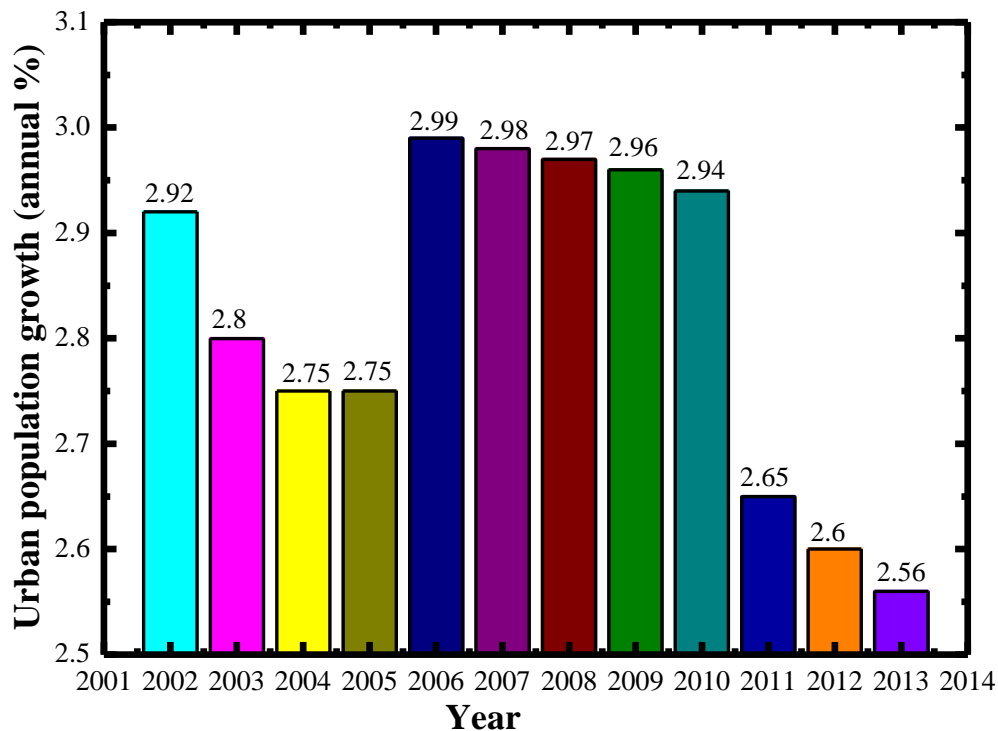
It has also resulted in deteriorated and low-quality infrastructure, large slum/squatter population, and high household expenditures on housing.

By 2025, Lahore’s population will be 10 million currently about 7 million, Karachi’s will be 19 million; it is 13 million today. The level of urbanization in Pakistan is the highest among the East and South East Asian countries which was 17.8 % in 1951, 32.5% in 1998 ,38% was in 2008,36% in 2009-10, 37 % in 2011\_12and 38 % in 2014 [25]. Population percentage in 2008 was 35 which rises 38 in 2014 (Table 3). Pakistan urban population growth rate in 2002 was 2.92 which decrees 2.75 in 2004, 2.99 in 2006, 2.97 in 2008, 2.94 in 2010, 2.6 in 2012 and 2.5 in 2014 according to the fig. 2.

**Table 3:** Yearly urban population of Pakistan

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------|------|------|------|------|------|------|
| 35%  | 36%  | 36%  | 37%  | 37%  | 38%  | 38%  |

Sources: [65]



**Figure 2:** Urban population growth (annual %) in Pakistan.

Source [63]

#### **2.4. Housing background and shortfall**

Housing is a basic and fundamental human need. Today, there is a virtual housing crisis in the country. Rapid population growth, overcrowding, shortage of supply, aging housing stock, development of slums and Katchi Abadis, sera city of land and lack of financial resources has further aggravated the situation. The availability of affordable housing in proximity of mass transit and linked to job distribution, has become severely imbalanced in this period of rapid regional urbanization and growing density convergence

After 67 years of existence, Pakistan continuously faces the problem of shortage of housing units. The cumulative shortfall in supply of houses equals 8.0 million units according to current estimates and is expected to reach the 10 million figures by the year 2020 [26].

The housing crisis in Pakistan began after a hard-won freedom, and the ensuing flow of refugees into the territories that became Pakistan. The government of Pakistan adopted the welfare-state model as its development policy at the time of independence. According to this model, the State undertook to provide housing and shelter to its citizens. Projects were launched in many cities of the country to provide basic housing (one or two rooms, toilet and kitchen) for low-income groups and government employees. The largest housing initiatives were in Karachi where, through the Greater Karachi Resettlement Plan of 1958, the government aimed at providing 500 small installments over different periods for different schemes, which resulted in erratic payments that very often simply did not materialize. The housing schemes in other cities faced similar fates and were discontinued.

The government also supported the process of creating housing cooperatives societies by providing state land at low prices to the societies. However, the members of these societies invariably belonged to the higher (government employees) and middle-income groups (armed forces) and, as such, these initiatives have failed to provide housing to the working classes or to the rural poor.

According to 1998 census, the total number of housing units throughout the country was 19.3 million. 67.7% housing was in rural areas and 32.3% in urban areas. The overall housing stock comprised of 39% kucha houses (made of mud), 40% semi pukka houses (combine with mud and cement) and 21% pukka houses (made of cements). The housing backlog, as estimated according to the 1998 census, was 4.3 million units. The additional annual requirement is estimated around 300,000 units, thereby, resulting in a recurring shortfall of 270,000 housing units annually.

Today, Pakistani cities suffer from housing deficits of about 3 million units (while nearly 50% of Pakistani urbanites live in slums) The supply of city housing is further undercut by rental laws so unfavorable to landlords that the latter often refuse to rent out their properties

(Only about 5% of housing in Pakistan is rented). Because most urban dwellers are too poor to buy such properties outright, many coveted city housing units lie idle [27]. There were nearly 21.7 million houses in the country, as against the population of 177 million and the required number of housing units for the population was 25.83 million, showing shortage of nearly 7 million units in 2011. There were 69 percent houses in rural areas and 31 percent in urban areas in 1998.

The number of housing units in urban areas has increased about 70 percent between the two censuses (1981-1998), whereas rural housing units have increased by 50 percent [28]. Pakistan is planning to build 500,000 housing units during the next five years to overcome shortfall [29].

As cities are already over populated and acute housing shortages compelled peoples to live in unhealthy conditions,” The lack of affordable housing is pervasive because of the exorbitant mark-up on interest rates, high real estate prices and eroding incomes of middle and low-income groups. The lowest two income segments make up two-third of the population. The group with an income range of Rs 6, 000-12,000 per month that represents 40 per cent of the population, can afford a mortgage between Rs200, 000 and Rs500, 000, but it is not enough to have a home in cities. This group is exposed to an estimated housing shortage of three million units.

The lowest 20 per cent, with incomes below Rs 6, 000, can afford nothing above Rs200, 000 and they face a housing shortage of 1.5 million units.

“As a result, lower income groups expand into illegal habitats and squatter settlements (katchi abadis) in major cities. These unregulated tracts of land are scattered throughout the landscape of large cities and over the years, they have sprouted to fulfill the housing needs of the low-income stratum of the society.

More than half of the major cities like Faisalabad, Karachi, Lahore, and Peshawar, have katchi abadis. Karachi alone has 600 to 800 such illegal settlements, sheltering about 7.6 million people out of the total city population of 15.1 million people. In Sindh province, there are 1,300 katchi abadis covering 24,300 acres of government-owned land and 1,700 acres of private land. The situation is also difficult in Punjab, with 902 such illegal settlements.

The WB report suggested that the government can strengthen property rights and land administration process in collaboration with the private sector. It can also strengthen the property development framework, support the building industry, facilitate the growth of primary and secondary housing finance markets, and introduce useful targeted housing finance program [30].

Housing for the urban poor is the most vital area of intervention for policy makers, planners and development agencies in cities and towns. The Karachi Strategic Development Plan 2020 informs us that urban poor households whose members mostly reside in informal settlements of various kinds came to 941,968 in 2010. More than 100,000 new households in this category are added yearly, which require a corresponding number of housing units and allied facilities.

The emergence of katchi abadis in Islamabad also reflects the fact that better controlled and managed cities have not been able to extend affordable options to the urban poor. As per Capital Development Authority records, more than 15 katchi abadis have evolved in different locations in Islamabad comprising a varying number of households and profiles. Once created, katchi abadis pose the tough question of regularization or eviction for city administrators.



Studies indicate that at present, not more than two per cent of funds are arranged through formal housing finance institutions. High risks in transactions, poor governance and a breakdown of law and order on a routine basis impacts the scenario [8].

According to 1995 estimates, about seven million people live in *katchi abadi* or squatter settlements, and another 12 million in settlements created out of the informal subdivisions of agricultural land, ecologically unsafe areas or wastelands on the city limits [31]. The conditions in the two types of settlements are similar, except that 70 per cent of *katchi abadi* are earmarked for regularization. The estimated current figure for houses in informal settlements in the urban areas would be 3.5 million with a population of 24.5 million. Thus, about 57 per cent of the urban population of Pakistan lives in informal settlements [32].

### **3. Housing demand and supply gap**

The market has been unable to meet the growing demand to supply housing stock at affordable prices. Although demand for affordable housing, particularly rental housing that is affordable for low and middle income earners, has increased, the supply has not. The growing gap between rich and poor since the 1980s manifests itself in a housing system where public policy decisions privilege the ownership sector to the disadvantage of the rental sector.

The most important indicator is the housing demand-supply gap in Pakistan. Pakistan requires about 700,000 housing units annually just to meet natural population growth requirements. Of this number of housing units, 350,000 are required in the urban sector. Presently, the number of housing units is being constructed is 3 lac only. According to the Ministry of Housing and Works, around 8 million more housing units are required in the country in 2009 [33]. It is estimated that to fill the backlog and to meet the shortfall in the next 20 years, the overall housing production has to be raised to 5 Lac units annually.

The urban demand-supply gap is about 350,000 housing units. About 25 percent of this unmet demand is accommodated by the creation of slums (*katchi abadis*) 60 percent through the informal subdivision of agricultural land; and 15 percent through densification of inner cities or existing cities [34]. Table 4 shows the housing demand and supply gapes in Pakistan.

According to World Bank's report, housing-finance-to-GDP ratio in Pakistan is just 1% whereas it is 7% in India and 50% in rest of the developed world. The International level of housing per room occupancy is 3.4 persons, whereas in Pakistan it is 6.7 people per room [36].

#### ***3.1. Limited formal property finance***

Another impediment to affordable housing production is that housing finance is very limited in Pakistan, compared to other developing countries in the region and around the world. The outstanding housing loans amounted to US\$ 0.4 billion or 0.6 percent of GDP as of December 31, 2003, which is among the lowest levels in the world [37].

The major lender for housing in Pakistan is the House Building Finance Corporation (HBFC) – a non-banking institution that accounted for 80 percent of the total formal housing. However, the banking institutions have been increasing their lending for housing gradually [37]. The main reason for the limited availability of housing finance is the weak enforcement of lenders’ rights (mortgage / property rights) and foreclosure laws.

**Table 4:** Housing Demand and Supply

|                                  |               |
|----------------------------------|---------------|
| Total demand per year            | 700,000 units |
| (population growth)              |               |
| Urban                            | 350,000 units |
| Rural                            | 350,000 units |
| Lower income groups              | 62 %          |
| Lower middle income group        | 25 %          |
| Higher/upper middle income group | 10 %          |
| Formal supply per year           | 250,000 units |
| Urban                            | 150,000 units |
| Rural                            | 100,000 units |

Sources [35].

#### **4. An overview of housing policies and laws in Pakistan**

The right to housing or shelter is recognized in Pakistan’s Constitution as a basic right. The article 38(D) of the Constitution makes the state responsible for providing basic necessities of life to the citizens without discrimination, including housing. Pakistan also endorses various international agreements, with ensuring adequate and decent housing for all. Also, this is specifically mentioned in the United Nations Vancouver Declaration on Human Settlements. There are various other policies that directly or indirectly address the housing issues. A brief overview of the key policies is given below.

Since 1947, housing of the poor people remains an unsolved problem with multiple factors contributing to the state of housing deficit in Pakistan. Before 1971, efforts in housing sectors were focused more on construction of houses, providing plots for construction, eradication of Katchi Abadis(slums) and providing houses to the residents on same or other location. PPP government (1971), in their policies put emphasis on providing the poor people with low cost plots within existing housing schemes instead of offering alternate locations.

They introduced slums improvement programs, instead of removing the slums, started acquisition of land for low income housing schemes and introduced projects like ART (Awami Rehaishi Tanzeem) public residential organization. Decisions regarding regulation and recognitions of slums were also taken. In the fifth (1978-83) and sixth (1983-87) five year development plans, the housing issue was given attention, and a committee formulated in 1981 started drafting national housing policy along with establishment of slums Departments.

In 1986 government introduced 1.5 million houses program which was to be completed by the end of the seventh five-year development plan (1989-93).

During 1990s housing remained under the jurisdiction of the provinces and registration of housing co-operatives was done through the registrar. The provincial cooperative housing authorities had the power to oversee and take control when co-ops failed to comply with their own by-laws. 12 October 1999 Ministry of Housing and Works formulated a viable and effective housing policy and submitted its recommendations to the government.

#### ***4.1. The national housing policy 2001***

The NHP 2001 is the only existing housing specific policy. Given the failure of past policies and measures, the emphasis of the existing housing policy focuses on the fundamental requirements for creating a favorable environment in the country in order to promote and facilitate the housing sector. The policy is intended to evolve, implement and support measures in order to ensure adequate housing to all its citizens. According to the estimates of National Housing Policy the housing backlog in the country was estimated in the 1998 census as 4.30 million units [38]. Housing Policy 2001 acknowledges that about 50% of our urban population lives in katchi abadis, slums and squatter settlements (p.25).

The policy aims to make up for the backlog and to meet the shortfall in the next twenty years, but in order to do so; it stipulates that the overall housing production has to be raised to 500,000 housing units annually.

To create affordable housing, especially for the middle and low-income groups is one of the cornerstones of the policy. To ensure the development of housing for the poor and for the majority rural population through the use of different incentives like free land, cross-subsidy, and concessionary finance.

The main achievements of National Housing Policy 2001 were regularization of Kachi Abadis, provisions for low incoming housing, development of new towns and regularization of taxes. On 29th March 2008, a special programme started for housing sector which Launch to construct one million housing units annually to provide residential facility to the common man.

This include an integrated construction approach coupled with cost effective materials, particularly indigenous ones, as well as the attention to a healthy and livable environment through technical and environmental housing development schemes [39]. The Ministry of Housing is responsible with implementing the National Housing Policy 2001; it had not done so effectively, as per the evaluation of the State Bank of Pakistan. Since its approval in 2001, policy implementation has not been adequate, and except for some positive measures for house financed by the State Bank, not much progress has been made on policy implementation [58, 40, 41].

Regarding housing, Vision 2030 aimed to provide shelter to all, especially the marginalized, by putting policies and programs, as well as administrative measures, in place to cater to the needs of the poor. Construction of low-income housing was prioritized, with access to essential amenities. In order to cater to the increased housing demand, high-rise mass housing units were also recommended, along with increased institutional financing. The policy, however, is currently postponed and will be reviewed in 2015[42].

#### ***4.2. National environment policies 2005***

The NEP 2005 provides an overarching framework for addressing environmental issues. With reference to housing and shelter, it includes measures such as the provision of water supply and waste management in notified slums, upgrading living standards in rural dwellings, in addition to the development of master plans for city towns and rural settlements.

#### ***4.3. The national energy conservation policy 2005***

The NECP 2005 provides guidelines and actionable points to enhance end use efficiency across the sectors. Some key measures, both short and long term, for buildings and the household sector include energy audits, energy efficiency at the household level, insulation of buildings suitable for different climate zones, and enforcement of the Building Energy Code. In order to implement the Energy Conservation Policy 2005, a bill was drafted to establish the National Authority on Energy Conservation and is currently under discussion in parliament. Policy and functions of ENERCON focus on mitigation measures. However, the conservation of energy through adaptation measures is not addressed [43].

#### ***4.4. The national climate change policy 2012***

The NCCP 2012 is the existing overarching policy provides proper land use/town planning and building systems in order to address climate change impacts, particularly for the rural housing reconstruction. The framework aspires to address the shortfall of housing units for the poor and middle class families, while simultaneously creating jobs.

Based on the Framework for Growth policy, the annual development plan 2012–2013 earmarked Rs. 25 billion in federal private sector development programs (PSDPs) to implement various initiatives to foster urban development. These include, among others, the formulation of city development strategies and city business plans; preparation of national DRR policies, one million housing units for low-income groups, legal and regulatory reforms for improved pro-poor housing markets and slum improvements, and improved water supply and sewage in urban areas.

#### ***4.5. The task force on urban development report 2011***

The TFUD was established by the Planning Commission in order to review existing urban conditions and establish broad principles for formulating a national urban policy. The Task Force submitted its report in 2011.

The report analyzed various challenges confronted by the cities and made recommendations for environment management plans and disaster risk reduction for cities and towns. Recommendations were also made for energy efficient buildings and use of renewable to meet energy needs. The National Framework for Disaster Risk Management (NDMRF) 2007 acknowledges the issues related to the vulnerabilities of housing and infrastructure from hazards such as earthquakes, floods and landslides.

It particularly emphasizes the plight of rural housing, which is predominantly adobe, and also addresses the situation of urban housing infrastructure, which currently suffers from a lack of implementation of building codes resulting in the mushrooming of slums and urban poverty, leading to further unsafe construction practices [44].

#### ***4.6. The national disaster risk reduction policy 2012***

The NDRRP provides an overall guiding framework for addressing the prevailing high level of disaster risks, both natural and human induced. The policy seeks to promote priority measures for dealing with the existing vulnerabilities to hazards and to further programs that strengthen resilience, and ensuring DRR is systematically integrated into recovery and reconstruction programming. Given the rapid urbanization and population growth, the policy emphasizes promotion of DRR through land use planning, enforcement of building codes, building by-laws and retrofitting approaches towards decrepit structures. For the urban poor living in vulnerable areas, the policy seeks to design a holistic solution that can effectively lower existing risks while at the same time taking into account social, economic and physical aspects. For rural areas, which are characterized by non-engineered buildings with different land use patterns and needs, interventions should promote safer building techniques based on lessons learnt from earlier risk conscious recovery and reconstruction [45].

### **5. Housing laws**

#### ***5.1. Registration act, 1908***

The Registration Act 1908 is an important statute prescribing the kind/type of documents, required to be registered and the procedure for doing so. Under section 17 of the Act an instrument which purports or operates to create, declare, assign, limit or extinguish any right, title or interest to or in immovable property of the value of one hundred rupees and upward is compulsorily register-able. No document required to be registered under this Act shall operate, create and declare any right unless it has been so registered. The high cost and differing rates of registration discourage people from registering properties. Policies such as land redistribution are difficult to implement without a functioning land registration system. A major impediment relating to the housing sector is the problem of fraud in property documents, particularly for documents that relate to the city government. Banks are wary of advancing loans on the basis of current title documents. Motivation for property registration in Pakistan are very weak, ineffective and procedures have numerous loopholes [37, 46]. For example, Pakistan law does not envisage the provision of title certificate by the government. Rather, the records indicate the person responsible for paying property related taxes who is therein presumed to be the owner. However, such ownership documents have been questioned in numerous court cases. The law also allows for optional registration of land or, in some cases, change of ownership.

#### ***5.2. Land acquisition act, 1894***

This Act authorizes governments to acquire land for public purposes such as planned development, provisions for town or rural planning, provision for residential purposes to the poor or landless and for carrying out any education, housing or health scheme of the Government.

In its present form, the Act hinders speedy acquisition of land at reasonable prices, resulting in cost overruns. The DHA Ordinance 1999 also authorizes the authority to acquire land ostensibly for a 'public purpose', within the meaning of the Land Acquisition Act, 1894. This creates unfair competition in the market, with the authority receiving a subsidy from the State, allowing it to secure land effectively. The allocation process for receiving and selling also lacks transparency.

Although the Land Acquisition Act prescribes the market value as the principle of determining compensation, in practice it is based on the registered value of transactions. It is estimated there are over a million land-related disputes pending court resolution in Pakistan, composing 40 percent of all court disputes [47]. Thus, court proceedings take years to resolve.

### ***5.3. Rent control act, 1959***

There are four main laws dealing with rent restrictions. They are as follows:

1. The Islamabad Rent Restriction Ordinance, 2001.
2. The Punjab/NWFP/Baluchistan Rent Restriction Ordinance, 1959
3. Sindh Rented Premises Ordinance, 1979; and
4. Cantonments Rent Restriction Act, 1963

Rent legislation provides payment of fair rent to landlords and protection of tenants against eviction. Besides, it effectively allows the tenant to alienate rented property. Tenants occupying properties since 1947 continue to pay rents fixed then, regardless of inflation and the realty boom [38].

Although the law may seem pro-tenant, and indeed although the preambles to these various legislations state: "it is expedient in the public interest to restrict the increase of rent of certain premises within (the specified) limits and the eviction of tenants there from," in fact the courts have held that these laws are not only confined to their preamble object (to restrict increase of rent and the eviction of tenants), but are also aimed at protecting and regulating the interests of both tenants and landlords. The rent control legislation (Punjab Urban Rent Restriction Ordinance of 1959) provides extensive tenant protection for residential and non-residential property and land, when combined with higher taxation rates for rental units, discourage investment in rental property. In general, the law provides for no rent increase for a three-year period. In the case of land and residential premises, rent can be increased during the three-year period only if some addition, improvement, or alteration to the property has been made by the landlord at the request of the tenant. For non-residential premises, the law allows for an automatic increase in rent by 25 percent every three years.

In the case of tax increases, the landlord may charge the tenant only half of such increase and only upon the approval by the Controller.

The Controller is a judicial officer appointed by the Provincial Government, given sole authority to determine the fair rent for land and residential premises, fairness of eviction, building maintenance, conversion of residential building into non-residential, etc [46].

Eviction is possible in a case of non-payment within 15 days with written contract, and 60 days in a case of no-written contract. However, in a case of new construction or major renovation, the previous tenants have first rights to a rental space of up to the same size in the new building at a fair rent, as determined by the Controller [46].

The urban rental market in Pakistan is rather small. In contrast, with less restrictive tenant laws, rental housing in Islamabad composes 40 percent, which is more in line with that in OECD countries. (The average for OECD countries is 38 percent) [47]. Rent control, to a greater or lesser extent, is usually imposed as a blanket measure, which is also the case in Punjab. Therefore, the benefits are distributed to the general population rather than targeted to the poor and vulnerable, resulting in significant leakage of benefits to the higher income residents. Although rent control is intended to help the poor, oftentimes it does not, as most of the poor in developing countries live in informal settlements that are not covered under rent control and/or are not familiar with the rent control legislation [33]. Reforming rent control may require a gradual process, as an abrupt elimination may result in immediate shock that would hurt those in the lower deciles of income distribution most, and may prove difficult to implement from the perspective of political economy. Including the case in Punjab, oftentimes rent control is only one of several, and not the most important, factor causing shortages of developed land and discouraging investment in housing [48]. A World Bank [49] assessment indicates the exemption of properties of less than 5 Marla (121 square meters) in katchi abadis, or, in the lowest three levels of the property tax schedule (Zones D-G), is estimated to reduce property tax revenues by as much as 25 percent in Lahore. Due to the stringent rent control legislation, the rental value of property is also much lower than its market-based rental value would be, resulting in lower property taxes.

Given the limited revenue generating capacity of the property taxes, it is not surprising that stamp duties have become the main revenue source for local governments.

Reform of property taxation towards a more value-based tax system would not only generate more revenue for the local governments, but align the interests of local governments with those of business development, as an increase in property values would result in an increase in government revenue.

#### ***5.4. The stamps act 1899***

Stamp duty needs to be paid on all documents which are registered and the rate varies within the provinces. Some provinces have double stamp incidence, first on land and then on its development. In some cities, Stamp duty is 3 percent of property price [50]. Undesirable effect of high

Stamp duty rates in the understatement of the proceeds of a sale. Thus present provision in various laws and their poor implementation has led to great financial loss.

High stamp duties discourage registration of real estate transactions or a reporting of their true values, thus restricting the full use of the property value. For example, an internally conducted survey by HBFC in 2003 found 50 percent of property owners own their real estate on the basis of Power of Attorney to avoid high taxation. This negatively affects government revenues not only from stamp duties, but from other taxes such as income, sales, and property taxes [46]. In contrast, the initial experience in India (Maharashtra, Punjab, West Bengal), as well as Pakistan, indicates a lowering of stamp duties results in increased, rather than decreased, government tax revenue [51].

As the national government has started to realize the negative implications of its tax policies, it has envisaged significant reductions in stamp duties and fees in the NHP. The government has also established a committee comprising federal and provincial officials to examine the provincial tax regimes and prepare recommendations for their rationalization and reform. Complex Institutional Framework the overall responsibility for planning in Punjab has been assigned to Punjab Housing & Town Planning Agency (PHATA), which prepares the provincial land-use plans as well as Master Plans, Outline Development Plans, Small Town Development Plans, and City District/Tehsil/Union Council Plans [52]. At the same time the Local Government Ordinance of 2001 (LGO) provides for significant devolution of planning responsibilities to the lower levels of the government. Thus, the actual division of functions and responsibilities is not clear. Moreover, the different levels of local governments are envisaged as independent units under the LGO without any hierarchical administrative linkages.

Such a segregated system results in decisions being made independently by each local government/authority and leads to focusing on individual priorities, rather than broader systemic infrastructure issues [46].

This fragmentation is generating two very serious problems; first and foremost, service delivery issues across TMAs are ignored. The TMAs have not yet realized that the province will no longer be financing development schemes, so have not adjusted their revenues accordingly. An important related issue is that TMA budgeting is poor, and medium-term budgeting is non-existent. Secondly, within TMAs administrations sub-divide their TMA capital budget between union councilors so what is provided in the end is piecemeal infrastructure. In addition, the provincial level zoning and building by-laws are inconsistent across authorities resulting in confusion, conflicting policies and decisions, and lack of coherent set of city-wide approaches. This further reinforces the piecemeal approach to the area development practice.

Administration of zoning, building by-laws (e.g., building heights, FARs, etc.), and building approvals are administered by a number of different agencies. For instance, in the case of Lahore, these include the Lahore Development Authority (LDA), Cantonment Board, Defense Colony, and Tehsil Municipal Administrations. The processing of applications for site development, approval of related plans, and issuance of associated permits is slow and complex, and may take up to a year to complete. The Administrative and Regulatory Costs Survey 2005 revealed that 61 percent of respondents are hiring agents to assist them in obtaining site development permits and 57 percent reported paying bribes to expedite the process. The process requires submission of 61 documents and costs Rs. 569,000 (US\$9, 81022) on average, including Rs. 220,000 (US\$ 3,800) in bribes.



Obtaining building approval in Lahore may involve up to 18 different intermediate approvals and permits. Site inspections are conducted and development permits issued by numerous authorities. Between the two, a builder/developer could reportedly interface with as many as 15-25 authorities, depending on the specific location. The public sector's response to the affordable housing shortfall has been ineffective. The Government of Punjab appears to be focusing more on the direct provision of serviced land through housing development schemes, rather than promoting an enabling environment that would allow the private sector and individuals to take care of their own needs. Unfortunately, public production of residential plots in the Punjab has been minuscule. Presence of federal government in housing provision is rather limited. There appears to be one federal housing program implemented by the Pakistan Housing Authority (PHA) in Punjab, and four projects in operation in Lahore, providing 1,240 housing units. There are no requirements for eligibility under the program. All units are allocated on a "first come – first serve" basis upon down-payment. The government of Punjab had allocated Rs. 4.1-4.7 billion (US\$ 70-78 million), or 23-25 percent of its development budget for housing and planning purposes in 2000-02. However, the majority of these resources were allocated for planning purposes, while resources for low income housing and katchi abadis schemes composed less than two percent of the total development budget.

In order to better assess the effectiveness, costs, and benefits of the different programs, more information is needed. However, experience in other countries indicates public housing and land development, and slum upgrading programs, are generally less effective in addressing housing and land shortages than elimination of the numerous restrictions on the housing and land markets [53]. Furthermore, studies by Aaron and von Furstenberg [54] (1971), Bradford and Shaviro [55] (1999), and Friedman and Weinberg [56] (1982), showed that in-kind subsidies such as allocation of land and housing at sub-market prices and provision of free infrastructure introduce large inefficiencies, usually because the value of the asset to the recipient is lower than the cost of its provision to the government. This results in strong incentives for speculation and resale of property. The extent of the inefficiencies is closely related to the size of the subsidy and elasticity of housing substitution for other goods, and was estimated [54] at eight to 60 percent depending on the size of the subsidy. At the same time, limiting the occurrence of resale usually requires extensive and costly government controls.

In-kind subsidies such as subsidized low-income housing projects also tend to reduce residential mobility of the poor, as the subsidy is tied to the location [57]. While well-designed government assistance would be necessary to ensure adequate housing supply for low-income groups, addressing the policy constraints is crucial for the market, to be able to cater to the needs of the higher and middle-income groups. Based on the experience so far, and the ever-increasing demand for housing and developed urban land, it is clear that the government will not be able to address the needs through direct interventions in the market. Other means will be necessary. One of these important aspects is facilitation of greater involvement of private industry. Therefore, understanding the regulatory constraints to more robust private sector engagement in real estate development is a critical part of the analysis.

## **6. Factors hindering effective implementation of laws and policies (gaps)**

There are numerous factors which contribute to ineffective and weak implementation of the measure taken under the policy directions. The national policy on Katchi Abadis, Urban Renewal and Slums Up gradation developed in 2001 makes provision for a series of policies measures including: planning, regulations control; and resettlement plans. However these measures have not been implemented properly. the NCCP 2012 Under the jurisdiction of the Planning Commission, received criticism for a number of reasons, including not being innovative toward achieving its goal, for being overly simplistic and failing to outline a proper methodology, for being elitist and generating economic rents, and for failing to recognize the need for institutional reform[58].

In Pakistan, urban policies also came under international influences, both conceptually and materially. In the decade of the 1980s alone, eight national policy reports were prepared with the World Bank and its affiliated funds. Almost all of these have remained 'paper exercises' except for occasional capital works projects being picked out of their recommendations.

\* The main hurdle in the provision of housing for the urban

Poor is Dweller's Affordability. They cannot even afford cheapest housing unit constructed by any public or private agency.

\* Financial constraints are the result of wrong priorities, excessive overheads and the failure to collect revenue.

\*Gap between the supply and demand is constantly widening. Several housing policies consumed much of the money and other scarce resources. However, they failed to make any impact on the gigantic scale of the problem in the country.

\*Due to the high cost of houses, the householder sells their houses to speculators and uses the money for their other priority needs.

\*The implementation of programs of housing for the low income group requires the development of appropriate institutions operating at grassroots levels.

\*All housing policies and programs that lacked the community participation, proved to be expensive and contrary to the needs, priorities, and aspirations of the dwellers.

\*The urban poor needs some form of shelter for immediate occupation. The housing schemes development needs a time lag of about ten years. The urban poor cannot afford to have his money tied up for so long. However this time lag suits the speculators, who manage to multiply their investment. Most of the laws governing various aspects of real estate in Pakistan date back to the 19<sup>th</sup> century.

In Pakistan neither institutional frameworks nor legal and regulatory supports are considered in the management of cities [59].

Although a number of physical planning acts, ordinances, rules and regulations have been introduced in Pakistan, no uniform and consistent planning and development frameworks have been developed at the national, regional or local levels. Despite the plethora of laws, the situation appears to be far from satisfactory and major amendments to existing laws are required to make them relevant to modern-day requirements.

\* Unclear property rights in Pakistan in combination with the other restrictive policies stifle the supply of housing and land, a greater number of people are forced to choose illegal housing and business space arrangements, and sacrifice the level of living and work conditions. These restrictions have even further negative effects on the environment, due to greater pollution and the need to convert more agricultural land to urban use, to accommodate the artificially created excessive need for urban land.

\* Rent Control Act has negative effect on investment in housing for rental purposes, it withdraw existing housing stock from the rental market. It stagnant the municipal property tax revenue, based on the rent. Also increase litigation between landlords and tenants

The Rent Control Act, in fact, is the single most important reason for the Proliferation of slums in Pakistan by creating a serious shortage of affordable housing for the low income families. Any rent agreement executed on yearly basis or for any term exceeding one year or reserving a yearly rent are register able under section 17 of the Registration Act 1908. No new legislation, or amendment to the existing legislation, is anticipated in the near future nor has there been any recent radical de-regulation or re-regulation in this area.

## **7. Concluding remarks**

The key conclusion of this paper is that increasing population urbanization and economic development are imposing ever greater pressures on the housing and land markets in Pakistan. The cities in Pakistan have been expanding to accommodate the increasing demand of housing. This phenomenon has resulted in harmful environmental impacts.

However, the observable market characteristics, such as rapidly rising property prices and housing expenditures, large informal settlements, limited investment in housing, and small formal mortgage markets indicate significant potential distortions. This paper has pinpointed a range of impediments, including: lack of housing laws, ineffective enforcements, weak property rights, counterproductive urban planning policies and regulations, costly subdivision and construction regulations, limited financing for property development and acquisition, rent controls, and distortive taxation mechanisms.

Successful implementation requires more than just issuing new laws or regulations. It requires changes in incentives, institutions and behaviors [60]. A concrete lesson is that without a gradual disengagement and delimitation of the public role in the land markets, the result will be inelastic housing supply, as skyrocketing house prices and more urban slums [61].

Since the independence in 1947, the housing activities that have taken place in the country so far may be regarded as an aggregate of different short-term policies and ad-hoc decisions.

An inefficient legal framework, fragmented ownership and titling procedures, ineffective land information system, inaccessible government land, high stamp duties and registration fees, a weak tax framework and ineffective land dispute mechanism dampen the willingness of banks to increase their mortgage portfolio [62].

The perception of the role of the urban poor and the housing sector in the national economy leads to the formation of national housing policy. In Pakistan, this perception came from the international lending agencies as a part of the package deal of the loan, which those agencies granted for selected projects in the country. Even that imported perception was not adopted for the entire country. So, the approach and strategies followed by local planning and development agencies, for their own projects, were not compatible with those of the projects funded by the international lending agencies. However housing activities in the country were haphazard and had no sense of direction.

The administrative and organizational departments have no coordination or exchange of information to implement even short term policies set out at national level. Historically, the public sector has hindered, instead of encouraging and supporting, the dwellers' involvement in housing projects. The public sector has also discouraged the private sector to participate in the provision of housing for the low-income group.

The interests at local level not only mismatched but also dominated the national objectives set out by the policy makers. The strategies adopted were devoid of any coordination with other sectors and related departments. To strengthen the housing sector the housing reform agenda is seriously needs a catalyst agency at the federal level. In order to see some positive results and enforcement of laws and policies measures a strong will and commitment from the government is required.

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### **List of Abbreviations**

ART Awami Rehaishi Tanzeem

BMR Balancing, Modernization and Replacement

CBOs Community Based Organization

CIA Central Intelligence Agency

DNA Damage and Needs Assessment

DHA Defense Housing authority

DRR Disaster Risk Reduction

ENERCON National Energy Conservation Centre

FIAS Foreign Investment Advisory Service

GDP Gross Domestic Products

HFIH Housing Financial Institutions



|       |  |
|-------|--|
| HBFC  | Housing Building Finance Corporation                   |
| NCCP  | National Climate Change Policy                         |
| NGOs  | Non Governmental Organizations                         |
| NDMRF | National Framework for Disaster Risk Management        |
| NHP   | National Housing Policy                                |
| NWFP  | North West Frontier Province                           |
| NEP   | National Environmental Policy                          |
| NECP  | National Energy Conservation Policy                    |
| PCR   | Population Censes Reports                              |
| PBS   | Pakistan Bureau of Statistics                          |
| PES   | Population Estimated Statistics                        |
| OECD  | Organization for Economic Co-operation and Development |
| TMA   | Tehsil Management Authorities                          |
| TFUD  | Task Force on Urban Development                        |
| WB    | World Bank   |