



Pakistan: the causes and repercussions of the housing crisis

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Working Paper

October 2018

Urban environments

Keywords:
Pakistan; Cities; Climate change
and cities

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Produced by IIED's Human Settlements Group

The Human Settlements Group works to reduce poverty and improve health and housing conditions in the urban centres of Africa, Asia and Latin America. It seeks to combine this with promoting good governance and more ecologically sustainable patterns of urban development and rural-urban linkages.

Partner organisations

Prepared for the Asian Coalition for Housing Rights (ACHR) for United Cities and Local Governments (UCLG) Global Report on Housing and Housing Policies

Acknowledgements

The authors wish to acknowledge the experience the lead author gained as a member of the board of the House Building Finance Company; member of two federal government committees on housing policy; chairperson of the federal government's Task Force on Urban Development; and 37 years of working at the grassroots with the Orangi Pilot Project and the Urban Resource Centre in Karachi.

Published by IIED, October 2018

Arif Hasan with Hamza Arif (2018) Pakistan: the causes and repercussions of the housing crisis. IIED Working Paper, IIED, London.

<http://pubs.iied.org/10864IIED>

ISBN: 978-1-78431-630-3

Printed on recycled paper with vegetable-based inks.

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Pakistan is experiencing an unprecedented urban housing crisis. Low-rise, low-income urban settlements are rapidly and informally becoming high-rise, high-density informal settlements, with all the physical, social and environmental problems of unplanned densification. Meanwhile, speculative low-density elite housing is encroaching on the ecological assets of the city. This working paper explores the factors that have led to this crisis – and also what policy actions can be taken to help mitigate it, such as passing legislation to acquire land for low-income settlements, suppressing land speculation and prescribing minimum density for all settlements. Providing affordable credit and house improvement loans for informal settlements will also be crucial, as well as advice on how to use those loans effectively. Appropriate housing standards are also needed so that design and technical advice is available to those involved in the informal and formal densification process, while also establishing criteria for judging the merits of new housing projects. Finally, more research is needed to better understand the processes, actors and dynamics of the evolving informal densification process.

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Acronyms and abbreviations

BTK	Bahria Town Karachi
CBO	Community-based organisation
DHA	Defence Housing Authority
FDA	Faisalabad Development Authority
HBFCCL	House Building Finance Company Limited
ISAL	Informal subdivision of agricultural land
ISD	Informal subdivision of government land
KIP	Katchi Abadi Improvement Programme
KMC	Karachi Metropolitan Corporation
MDA	Malir Development Authority
MNAs	Members of the National Assembly
MPAs	Members of the Provincial Assembly
NGO	Non-governmental organisation
OPP	Orangi Pilot Project
PDOCHS	Pakistan Defence Officers' Cooperative Housing Society
PPP	Pakistan Peoples Party
PTI	Pakistan Tehreek-e-Insaf party
URC	Urban Resource Centre
WAPDA	Water and Power Development Authority

Summary

Pakistan is experiencing an unprecedented urban housing crisis (Jahangir 2018). According to the 2017 census its population of 207.7 million has grown by 2.4 per cent per year in the intercensal period (Government of Pakistan 2017). Its urban population, on the other hand, has grown by 2.7 per cent per year during the same period and is now estimated at 75.5 million (ibid).

According to the census, urban housing demand in Pakistan is 350,000 units. Of this, 62 per cent is for lower-income groups, 25 per cent for lower middle-income groups, and 10 per cent for higher and upper middle-income groups. The formal supply per year is 150,000 units. The unmet demand is taken care of by two types of informal settlements: the occupation and subdivision of government land (*katchi abadis*) and the informal subdivision of agricultural land (ISALs) on the periphery of urban settlements. In the last two decades, however, the demand is increasingly being met by densification of existing low and lower middle-income settlements.

Rural to urban migration is taking place on an unprecedented scale because of the demise of village self-sufficiency (the product of caste and a barter economy, which are in their last throes). At present, the state has no plans for dealing with the migrant influx. And it cannot provide them with homes. The option of living in *katchi abadis* or ISALs in the absence of available land near the ever-expanding urban centres is becoming difficult due to an increase in cost, distances and the inconvenience related to commuting. In response, low-rise low-income settlements near places of work or town centres are informally becoming high rise, with all the physical and social problems of unplanned densification. The units are also becoming smaller so as to become more affordable. Meanwhile, for the first time in Pakistan's urban areas (especially in Karachi and the larger cities) people are sleeping under bridges, at roundabouts and pavements, and in open-air 'hotels'.

The politician-developer nexus is producing gated communities for the elite and middle classes, segregating cities further into rich and poor areas, and thus increasing the possibility of urban conflict. Gentrification is taking public space and transferring it to the rich and middle classes, facilitated by large loans from international financial institutions leading to massive speculation which has put housing beyond the reach of even middle-class young couples.

Provincial governments are promoting regularisation and improvement of informal settlements. However, in Karachi, through new legislation, they are also promoting their demolition and conversion into medium and high-rise apartments by developers. Supposedly, this will integrate these informal settlements into the city. But the finances for such large interventions are not available. Even if they were, this type of development would not be feasible for social and political reasons. What is required are house improvement loans for the *katchi abadis* and advice on how to use those loans effectively. Design and technical advice is desperately required by those involved in the informal densification process: individual families, neighbourhoods and informal developers and contractors.

Yet credit facilities available to people living in low-income informal settlements through banks and the House Building Finance Company Limited (HBFCL) cannot cover even a fraction of the demand. Without reform, the situation will not improve. If housing demand is to be better met, credit to purchase land for individuals or small cooperatives is required. To freeze the shelter shortage (backlog of 8.5 million units growing by 200,000 per year) 100 billion Pakistani rupees would be required annually for the next 10 years, whereas the 2017–18 national budget has allocated only 2.329 billion Pakistani rupees for housing.

The state is already transferring some of its responsibilities to companies, such as the collection of revenue. But this policy requires a strong regulatory framework to protect the poorer sections of the population. For example, they cannot afford to pay their energy bills since the costs are exorbitant. With solid waste management, the *katchi abadis* have been ignored. And unlike 15 years ago, a family must now pay to enter a recreational park or to park their motorbike or car, while heavy road tolls make private travel prohibitively expensive.

The state now ignores protests from communities who increasingly use NGOs or political parties as go-betweens for negotiations. The resulting culture has, apart from creating dependence, distanced government agencies from communities. The state does listen to those community projects which it showcases. But these are becoming increasingly rare due to capitalist domination.

Without land-use planning or implementation, expanding urban centres are swallowing valuable agricultural land and damaging the ecology where the cities are located. This is causing flooding and a rise in temperature, creating heat island effects in urban areas especially in the high-density high-rise informal settlements.

If unchecked these environmental hazards will increase. New building design and technology is needed. It must be affordable for low-income groups (especially insulation of external walls and roofs and planting trees) to deal with the effects of climate change. Urbanisation on the periphery is also destroying traditional cultural precincts, intangible cultures and archaeological sites. With the neoliberal regime and its emphasis on direct foreign investment, master and strategic planning has been replaced by unrelated projects for which funds are available in the international market and with international financial institutions.

If we accept this situation as ongoing, then we need criteria for judging future settlement projects. The Urban Resource Centre (URC) in Karachi has developed the following:

- Projects should not destroy the ecology of the region in which the city is located,
- Projects should prioritise the interests of the lower-income and lower middle-income groups who form the vast majority of the populations of urban centres,
- Land use should be decided on social and environmental considerations and not land value alone, and
- Projects should not damage the tangible and intangible culture of the communities that live in urban areas.

However, the most important issue is related to land, its use and conservation. The URC in Karachi believes that Pakistan requires serious urban land reform, including the following key elements:

- A heavy non-utilisation fee on land and property.
- An urban land ceiling act whereby no one person can own more than 500m³ of urban land.
- No settlement should have a density of less than 400 persons per hectare.
- No person who has already taken out a loan for house building should be given another loan.

Powerful developers' lobby and elite interests make it difficult to implement such an urban land reform. But the political scenario in Pakistan is changing and given the recent activism of the higher courts, such a conversation can take place.

These recommendations will need time and effort. More importantly, for the foreseeable future, housing will increasingly be provided by the formal and informal private sectors. 'Formal' because increasingly funds are being made available for it – and 'informal' because there is both demand and huge profits to be made with very little investment. But intervention is needed. Both formal and informal housing products must be better designed and more affordable. Legislation is needed whereby the state can acquire vacant land for low-income housing and develop appropriately located road infrastructure.

Academic institutions promote community housing projects. This is important. But to make relevant interventions, they must also understand formal and informal capitalist modes of housing production, its potential and its constraints in different Pakistan contexts – taking into account density, space per person, energy and their relationship with architecture and planning.

There are many peasant and indigenous peoples' movements against the urbanisation of agricultural land, water resources, cultural sites and orchards. They need the support of academic institutions and civil society – and many related issues are already before a supposedly pro-poor and involved Supreme Court. If these movements are strengthened – with research and advocacy support from academic institutions and civil society – then the political establishment and the courts of law, especially the environmental tribunals, will take note of it.

1

Pakistan's urban crisis in context

The State shall provide basic necessities of life, such as food, clothing, housing, education and medical relief, for all such citizens, irrespective of sex, caste, creed or race, as are permanently or temporarily unable to earn their livelihood on account of infirmity, sickness or unemployment

Government of Pakistan (1973)

1.1 Pakistan's population

Pakistan is a federation of four provinces located in South Asia and bordered by Afghanistan, China, India and Iran. Its coastline lies along the Arabian Sea and the Gulf of Oman. The provinces that make up the country are Sindh, Punjab, Khyber Pakhtunkhwa (formerly known as North West Frontier Province) and Balochistan.

Pakistan came into existence as a result of the partition of British India in 1947. The country has an elected national assembly, which is the lower house of parliament, and a senate, which constitutes the upper house. In addition, each province has an elected provincial assembly. The local government at the district level has mostly been subservient to the provincial bureaucracy.

Pakistan contains 2.3 per cent of the world's population. It is the seventh most populous country in the world. According to the 1998 census, its population was 132.4 million and had grown at the rate of 2.6 per cent per year in the intercensal period. Its urban population, on the other hand, had grown at the rate of 3.5 per cent per

year during the same period and was estimated at 43 million (Hasan 2006a).

Pakistan's urban and rural populations at the last census before independence (conducted in 1941) were 4 million and 24.2 million respectively. At present, the urban and rural populations have increased to 75.58 million and 132.18 million respectively as per the 2017 census (ibid).

Demographers have questioned these figures, especially in relation to the urban population which they feel has been understated. This understatement is related to three factors. For the 1981 and 1998 censuses the definition of 'urban' was changed to mean only those human settlements which had municipal governments. In the earlier definition, settlements with a population of 5,000 and above which had urban characteristics could be considered as urban (ibid).

1.2 Urban expansion in Pakistan: background

As a result of the partition of India and the creation of Pakistan, there was an exchange of populations. Seven million Muslims from India migrated to Pakistan and about 6 million Hindus and Sikhs migrated to India from Pakistan. All of this happened within three months. As a result of this migration, the population of many towns in Punjab and Sindh increased by well over 50 per cent and in the case of Karachi by over 100 per cent (ibid). The government faced an immense housing crisis. This was brought to light by the 1951 census which recorded over 48 per cent of urban Pakistanis saying that they had migrated from India.

Initially, the refugees invaded all open public spaces. They were removed from most of these and settled into what were known as displaced peoples' colonies. To facilitate the provision of services to these colonies, organisations known as improvement trusts were created such as the Karachi Improvement Trust or the Lahore Improvement Trust. These were managed by the provincial bureaucracy in a very top-down manner. Many of these colonies became permanent settlements with the people acquiring tenure rights.

In the early 1950s, the government initiated the building of core houses for the refugee populations. In the case of Karachi, the programme was very ambitious and sought to build 40,000 houses in the first phase. However, due to financial and administrative reasons and the lack of capability and capacity in

the implementing agencies, the programme was abandoned after building only 10,000 housing units. Following this failure, the government developed plot townships where it provided a plot, water by tanker trucks, a service road, and left the house-building and service-acquiring processes to the residents (Hasan 2000a). These townships were also on too small a scale to meet the demand and with internal migration increasing rapidly in the 1950s and 1960s, the demand increased phenomenally.

To meet this demand, two informal processes emerged through which the majority of urban Pakistanis have acquired their homes. One is the informal subdivision of government land (ISDs) (see Box 1). The second is the informal subdivision of agricultural land (ISAL) on the city periphery (see Box 2).

BOX 1. THE EVOLUTION OF YAKOOBABAD ISAL

Yakoobabad is an informal settlement in Orangi Town, Karachi.¹ Before 1977, it was vacant land belonging to the Board of Revenue (BOR) who had given it on a one-year renewable lease as pasture land to an elder of the Rind tribe (henceforth referred to as X). In February 1977, Y, who is a well-known informal developer, moved onto X's land with 100 destitute families whom he provided with bamboo posts and mats for constructing shacks.

X resisted the occupation and there was violence. The local police station intervened and arbitrated. It was decided that the Rind tribe would receive 500 Pakistani rupees for every plot that was developed by Y. The plots given to the 100 destitute people were exempt from payment and Y also did not receive any payments for them. It was also agreed that Y would pay 200 Pakistani rupees per plot to the Karachi Metropolitan Corporation (KMC) officials from the sale proceeds. Then the police would recover 200 Pakistani rupees or more from the owners who had converted their shacks into concrete constructions.

After this, Y laid out Yakoobabad on a grid plan, leveled the roads by informally hiring tractors and a bulldozer from the KMC staff and left an open space for a mosque and school. Commercial plots were set aside for speculation along the main roads. Negotiations were entered into with representatives and touts of government officials who could be of help in the future development of the settlement. Thirty per cent of all plots were set aside for these officials for speculation purposes. Whoever purchased a plot, except the KMC and government officials, had

to construct and occupy the house within a month, failing which s/he would lose the plot and the money they had paid for it. Thus, speculation was prevented and the settlement expanded quickly.

Y engaged donkey-cart owners to supply water (illegally acquired from the KMC water mains in Orangi) which was paid for by the residents. A few weeks after the first shack was built, a contractor, Nawab Ali, established a building-component manufacturing yard in the settlement and started supplying concrete blocks and tin roof sheets along with technical advice and small credit for house building. By 2000, 92 per cent of the families had built their homes with support from Nawab Ali and 62 per cent had taken credit from him. Another entrepreneur, Faiz Muhammad Baloch, moved into the area, set up a generator and started supplying electricity to the residents at the rate of 30 Pakistani rupees (payable in advance) per month for a 40-watt bulb.

Y formed and registered a welfare association of all the households who purchased a plot from him. Through the association, he has lobbied for infrastructure and improvements with the help of officials and politicians who held plots in Yakoobabad. As a result, by 2000, Yakoobabad had become a proper settlement with electricity, telephone lines, water and gas connections. Also by 2000, the area had 10 primary schools, two secondary schools, six clinics and paved roads including 401 micro-enterprise units providing employment to over 2,600 people in the settlement.

Source: Hasan (2000b)

¹ Karachi is the capital of the province of Sindh and is the most populous city in Pakistan. It contains 9 per cent of Pakistan's total population and 24 per cent of the country's urban population. It generates 15 per cent of national GDP, 25 per cent of the country's revenues, and 62 per cent of income tax. It is also Pakistan's media centre, economic hub, and the country's only port (City District Government Karachi 2007)

BOX 2. THE INFORMAL DEVELOPERS OF FAISALABAD ISAL

Chaudhary Ghulam Rasool Cheema is an informal developer in Faisalabad.² His family came from Gurdaspur in India and lived near a village on Jaranwala Road. His first job was as a storekeeper for the Water and Power Development Authority (WAPDA). He began his business as a developer because his salary could not support his large family.

To begin with, he sold a piece of land in his village, about 20 kilometres from Faisalabad. He chose to work along the Jaranwala Road because the people of the area knew of him through his political activities (Cheema was a member of the Pakistan People's Party and later of the Pakistan Muslim League). He planned his first housing scheme in 1990 but work on it started in 1994. Now, he has completed five small schemes, each with 70 to 150 plots. Plots are usually 5 *marla* measuring 30 by 45 feet.³ The streets are 20 to 28 feet wide. He raises the streets two feet above the road level. If the streets are not raised, then people will not buy the plots because they are afraid of flooding. The earthworks for the streets is done by Afghans who use trolleys and jackhammers for this job. Local people do not do this work since they lack the experience or tools.

The planning of the scheme is done by Mr Cheema himself, after which the sketches are provided to a draftsman for further development. His draftsmen are Faisalabad Development Authority (FDA) employees and are hired by him on a per job basis. In his business, Cheema employs two persons as office staff. However, he also hires a number of fieldworkers, who contact prospective clients, prepare the layout on site and supervise the earthworks. When a project begins, he usually has about 20 fieldworkers who provide forms to the clients at 10 Pakistani rupees. If they sell ten forms in a day, they earn 100 Pakistani rupees.⁴

For the advertisement of a scheme, a pamphlet is prepared and published in newspapers inviting young middle or metric educated boys to come and work as field staff. These boys visit areas which are congested or where people do not have their own houses. The fieldworkers brief them about the scheme and try to convince them that they should buy a plot. Most of the boys who respond to Mr Cheema's advertisement

already have experience in this field. They are given a further incentive of a commission for each plot that they sell.

The most important criteria for the purchase of land for the scheme is the availability of transport (access to the main intercity road) and electricity. If the land is more than 2km from the intercity road, the scheme will not sell. There is no attempt to develop corner plots or commercial plots, only 5 *marla* subdivisions. In smaller schemes, Mr Cheema provides no services such as water, sewage or electricity. Instead, people acquire water by hand pumps (which they later convert to piston pumps), self-made sewerage (invariably disposing it into a canal) and electricity by lobbying WAPDA.

The developer does not retain plots for speculation but 30 per cent of them normally remain unsold for three to four years. There is a written agreement with the person who purchases the plot and proper records of receipts of installments paid are maintained. People invariably pay regularly by coming themselves to Mr Cheema's office. For the transfer of land from the landowner to Mr Cheema, both parties visit the divisional headquarters where land records are kept. Here they pay legal as well as 'other' charges. In the revenue department ledger, land remains as agricultural and streets and roads are recorded as amenities. The cost of transfer of land to the developer is borne by the purchaser.

When Mr Cheema started his business in 1990, he had to seek out people who wanted to sell their agricultural land. Now that people know that he is in business and has an office where plans are displayed, landowners come to him themselves. Also, wherever he develops a scheme, he puts up a board on which the name, plan and details of the scheme are given. Mr Cheema says that the success of these schemes lies in the fact that the developers have understood what a poor man can afford to pay and they act accordingly. He also says that if the government could support this activity and provide the developers with loans, then in two to three years' time there would be nobody in Faisalabad who was still homeless.

Source: Observations and interviews by the lead author.

² Faisalabad is arguably the most important secondary city of Pakistan. It is the centre of the country's textile industry. In 1941 it had a population of 69,930 and in the 1998 census it had a population of 2,009,000 (AUICK 2004). It is expanding rapidly through ISALs and as an important academic centre for the Punjab province.

³ A *marla* is a traditional unit of area used in Pakistan, India and Bangladesh.

⁴ In Pakistan, the minimum wage is 18,000 Pakistani rupees a month. But for the unemployed youth, this small amount of money earned is still an attractive bonus.

The informal subdivision of agricultural land is a very different phenomenon from informal subdivisions of state land. The ISDs came to be known as *katchi abadis* whereas ISALs came to be known as slums in official documents. ISALs, though informally developed, have tenure security which the *katchi abadis* do not (see Table 1).

According to Faisalabad Development Authority (FDA) estimates, informal developers are subdividing agricultural land for housing on a large scale (2,000–2,500 plots per year) to meet the housing demand which is estimated at 7,000 units for low-income groups. There is no housing scheme in the public sector and one of the reasons for this is that the FDA

does not own any more land. In addition, there is no plan to integrate the informal housing projects into a larger city plan. Of the schemes that the informal sector develops, not even 10 per cent are approved by the FDA and in many cases, the FDA has no full information of them.

Between 1947 and 1998, Faisalabad's population increased by about 1.9 million. A minimum of 200,000 housing units would be required for this population increase. However, between 1947 and 1998, the government was only able to provide 38,785 plots and houses. This includes nuclear houses and 22 flats developed for the residents of bulldozed *katchi abadis* (Aleemuddin *et al.* undated).

Table 1. Comparison of ISDs and ISALs

INFORMAL SUBDIVISION OF GOVERNMENT LAND (ISD)	INFORMAL SUBDIVISION OF AGRICULTURAL LAND (ISAL)
On government land	On private agricultural land
A diminishing phenomena (mainly in Sindh)	Increasing rapidly across Pakistan
A government official-middleman joint venture (often politicians involved)	A middleman-landowner joint venture facilitated informally by government officials
Middleman overheads are bribes and <i>bhatta</i>	Middleman overheads are minimal
Speculation is controlled by forcing occupation of land	Speculation is not controlled and so parts of schemes may remain vacant for years
Initially no security of tenure	Security of tenure
Large schemes in Sindh (Karachi)	Small schemes (average of 60 plots)
Large plots, proper roads, amenities	Increasingly smaller plots, narrow roads, no amenities
Located wherever there is accessible government land	Located in 0.5 to 1km widths along existing corridors in urban areas
One-time payment for land to middleman but <i>bhatta</i> is paid till the settlement is secure	Payments made in instalments for land to the middleman – no <i>bhatta</i>
Strong middleman-backed community organisations for acquiring tenure rights and infrastructure (which is seen to add to tenure security)	Community-based organisations (CBOs) formed by public-spirited individuals/groups, but there are few CBOs
Government inputs: the Katchi Abadi Improvement Programme (KIP)	Government inputs: MNAs/MPAs/councillor ad-hoc schemes
Purely poor communities	Poor communities and for middle-income groups
	Informal cooperatives

1.3 Pakistan's housing situation

The current housing situation and trends are given below. The number of housing units between 1980 and 1998 increased by 2.47 million, which is an increase of almost 70 per cent. Persons per room declined from 3.2 to 2.6. One-room houses decreased from 42.58 per cent to 30.38 per cent and 2–4 room houses increased from 13.68 per cent to 19.11 per cent. This shows an overall improvement of the housing conditions in the country. However, there are major provincial differences between the provinces. In Balochistan, for instance, persons per housing unit increased from 7.6 to 7.8 and in Khyber Pakhtunkhwa to 7.9 while the national average stood at 7, with Sindh having the lowest at 6.8 (Government of Pakistan 2017). The current housing demand and supply is given in Table 2.

About 25 per cent of the unmet urban demand is accommodated by the creation of *katchi abadis*, 60 per cent through ISALs and 15 per cent through the densification of inner cities (Jabeen *et al.* undated).

In addition, there is a total annual housing backlog of around 605,000 of which about 50 per cent is urban.⁵ As a result, the *katchi abadis* and ISALs keep growing (see Table 3 for Karachi).

1.4 The improvement and regularisation programme

In the 1970s election, the Pakistan Peoples Party (PPP) with its socialist agenda came to power and initiated the '*malikana huqooq*' or ownership rights programme whereby it sought to regularise and improve *katchi abadis* on government land. However, a proper law, the Katchi Abadi Improvement Programme (KIP) was enacted only in 1978 giving the provinces the right to legislate on the regularisation processes and institutional arrangements.

Initially, local governments at the district and sub-district levels were given powers for this process and they created *katachi abadi* directorates. However, these local governments in Sindh and Punjab, where most *katchi*

Table 2. Current housing demand and supply

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

Source: Jabeen *et al.* (undated)

Table 3. Karachi's *katchi abadi* population

	1978	1985	1998	2006
Population	2,000,000	2,600,000	4,901,067	8,540,000
Number of households	227,000	356,000	700,152	1,200,000
% population	55%	43%	50%	61%

⁵ Calculated by the authors using government figures and reports.

abadis were located, were subservient to the provincial bureaucracy. The urban development authorities also became one of the regulating authorities/institutions. For example, under the provincial government the Sindh Katchi Abadi Authority (SKAA) was created for this purpose. As such, elected local bodies were not directly involved in the regularisation process. Over time, through election promises and their fulfilment, the majority of *katchi abadis* in Pakistan had been notified for regularisation and in the case of Karachi, 72 per cent have been notified.

The Junejo government in 1987 announced 23 March 1985 as the cut-off date for the regularisation of *katchi abadis* in Sindh. However, because of a number of administrative and legal issues related to the transfer of land process, regularisation was delayed. Meanwhile new *katchi abadis* were created. As a result, the cut-off date was later extended to 30 June 1997 and in the Punjab to 31 December 2011. The cut-off date means very little because it does not prevent the *katchi abadis* from densifying upwards and often encroaching on adjacent land if it is available.

Unlike the *katchi abadis*, ISALs have not been the beneficiaries of a national programme. Their acquiring of amenities and upgrading has been carried out by Members of the National Assembly (MNAs), Members

of the Provincial Assembly (MPAs), councillor funds and local government projects. As long as the local governments were empowered between 2001–2008, considerable funds were used for providing water, drainage and street paving to the ISAL settlements. However, since then, provincial governments have not provided their local governments with sufficient funds to continue with this work as before (Rashid 2018).

1.5 The regularisation process

The regularisation process involves much paperwork on the part of the house owner and visits to a number of offices. As a result, even despite improvements in the *katchi abadis* a very small number of people have actually acquired leases. The notification of regularisation of a *katchi abadi* provides de-facto ownership to the residents. The paperwork also involves drafting plans for a house, including areas and dimensions. Since this is beyond the capability of most house owners, middlemen have emerged who prepare the documentation required for the lease and undertake to obtain the necessary lease document as well. This is done for a considerable fee.

2

Pakistan's current housing policy

The current housing policy officially in use was framed in 2001. It dealt with a number of issues. It gave priority to the identification of land for housing by provincial and local authorities and removing bottlenecks from the land-acquisition process. It emphasised resource mobilisation and encouraged institutions to provide mortgage loans for housing at market rates. In addition, it proposed a housing refinance window at the State Bank of Pakistan for long-term multilateral agencies such as the World Bank, Asian Development Bank (ADB) and the Japan International Cooperation Agency (JICA). Further, it also gave incentives to the construction services sector to build for low-income and lower middle-income clients and proposed further regularisation for the *katchi abadis* and the slums through resettlement plans, emphasising that no eviction shall take place from slums and *katchi abadis* unless residents are relocated. The necessity of research on the building materials and construction technology required to respond to the housing crisis was also identified. An important section of the report deals with women in housing and community participation and emphasises the need for women to be a part of the decision-making process in housing-related fields (Ministry of Housing and Works 2001).

Although political parties have promised much (see Box 3) very little of the policy recommendations have been followed except for support to the builders in terms of accessing loans, reducing taxes on them, and increasing the number of *katchi abadis* for regularisation purposes. The other important recommendations on housing finance have been implemented and the process of acquiring loans has been considerably liberalised. As a result, many banks are today providing

mortgage finance. The policy also recommends that provincial governments initiate legislative measures encouraging even the smallest administrative units to effectively implement the policy. The lower middle-income groups are the main beneficiaries of these policies.

Despite liberalising the availability of mortgage loans, the poor are still not beneficiaries simply because no loans are available for the purchase of land. To add to this, loans for house building require a collateral or a formal-sector job, neither of which the poor have (72 per cent of all jobs in Pakistan are informal). The high interest rates on these loans also make them unaffordable to these poorer populations. However, in theory, banks have now started to accept a leased *katchi abadi* house as collateral for funding house improvement.

In the first decade of the twenty-first century, Pakistan adopted neoliberal policies for its economic and housing sectors. As a result, families have to simply access the market which is dominated by developers in the big cities. The developers acquire land from private owners or from government planned schemes and get loans approved for their clients from the House Building Finance Company (HBFCL) thus making their product more affordable. Large developers such as the Defence Housing Authority (DHA) (see Box 4) develop land (which they acquire from the state) into huge townships and sell it for commercial and residential use. More recently, developers have also started to cater to the lower-middle classes. But to make the product affordable, the units created are far too small for a family of five to live comfortably. Residents feel that their *katchi abadis* were friendlier in social and climatic terms.

BOX 3. UNFULFILLED PROMISES: INCOMPLETE HOUSING SCHEMES

In 2008, the PPP announced a project under which the poor would be provided with affordable homes and plots in all cities of Sindh including Karachi. This project, to be commenced under the Shaheed Benazir Bhutto Housing Cell, was to cater to around 15,000 underprivileged families. The former chief minister, Qaim Ali Shah had approved the allocation of 350 acres of land in different parts of Karachi for this project. However, the land was never transferred to the Shaheed Benazir Bhutto Housing Cell. The land utilisation department under the new administration of the housing cell issued *challans* (official payment receipts) worth 170 million Pakistani rupees to transfer ownership of the land to the housing cell in June 2016. The release of the payment was delayed and so was the transfer of the land. There have been several problems as a result:

- Because of the delays, land near Surjani Town has now been illegally occupied. There are fears that the rest of the land is also being encroached upon.
- In Hyderabad, 4.6 million Pakistani rupees were to be provided to the land utilisation department so that it could obtain ownership of land for a project to provide 300 families with plots at low rates on a total of 19 acres. But this is yet to happen.
- In Mirpurkhas, 12 acres of land has been allocated for 200 families, and 5 acres has been allocated for 120 families in Nawabshah. But no work has commenced on either project. Instead, the projects have suffered from reports of financial irregularities and a lack of administration.
- All of this – in Mirpurkhas, Nawabshah, Surjani and Hyderabad – resulted in the National Accountability Bureau (NAB) arresting the former chairperson and technical director of the cell, Manzar Abbas, along with several other employees in 2015.

In 2013, the Pakistan Muslim League (PML-N) party led by Prime Minister Nawaz Sharif announced the

Apna Ghar Housing Scheme. But the project has yielded nothing so far except for files.

- The Party's manifesto promised to provide at least 1,000 clusters of 500 houses each. The provinces were to provide the land free of charge and the construction costs would be taken up by the federal government. This project was to be completed within five years.
- However, of the 350 million Pakistani rupees asked for by the Housing Ministry, the government allocated only 10 million Pakistani rupees.
- The project also had no permanent chief executive or related staff to run the programme and continued to be a low priority for the government throughout its term.

Imran Khan of the Pakistan Tehreek-e-Insaf (PTI) party has announced that in the next five years his government will provide 5 million new housing units. However, his government in Khyber Pakhtunkhwa was the fourth provincial government to have failed to complete the Regi Model Town launched 26 years ago. The Peshawar Development Authority (PDA) has been accused of spending the funds for Regi Model Town on other projects.

- Regi Model Town has 26,000 plots and is the oldest and largest housing project in the province. But out of five proposed zones, in Zones 3 and 4 the PTI government has failed to develop 10,000 housing units. Only 600 houses have been built and a few dozen are under construction.
- There are no facilities available to the residents except for electricity and water. The residents were promised gas connections three years ago but these have also yet to be provided.

Sources: Haq (2016); Abro (2017); Mushtaq (2018); Shaheed Benazir Bhutto Housing Cell.

These developers and their clients have extremely bad relationships. Clients accuse the developers of cheating and bullying them. As a result, clients usually form associations which eventually take over the maintenance of the housing complexes. The developers and DHA mostly develop sites and services for high- and middle-income groups in gated settlements. These schemes are not created in response to a housing need: they are created because they are highly profitable.

Lot of property is being built exclusively for profit. There is a huge speculative market and there are

properties all over Pakistan that have been vacant for over two decades or even more. In the case of Karachi, there are over 300,000 plots lying vacant and 68,000 apartments. It is also estimated that there are over 200,000 apartments under construction in high-rise buildings of 12–40 storeys in the city. Most of these are on the immediate fringe of the city, most in gated settlements, and almost all housing schemes have the support of the HBFCL (Khan 2018). The citizens prefer gated communities because of the security situation in Karachi which is the result of the Afghan war and Karachi's association with it. The larger developers

BOX 4. DEFENCE HOUSING AUTHORITY (DHA) TOWNSHIPS

The Defence Housing Authority Karachi was initially called the Pakistan Defence Officers' Cooperative Housing Society (PDOCHS) and was developed under the 1860 Societies Registration Act. It is the largest cooperative society, owning about 7,000 acres of land or 5 per cent of the city area.

At the end of the 1970s, development was proceeding slowly and the society's financial situation was deteriorating. To avert a crisis, the then military dictator of Pakistan, General Zia-ul-Haq, dissolved PDOCHS and formed the DHA as an autonomous new authority with extensive development rights. Clifton Cantonment was established as a part of this process, with the express purpose and mandate of looking after and maintaining the DHA.

The DHA now has its own development plans, strategies and by-laws, and is not bound to follow development decisions made by the city

administration. Like other cantonments, it can share, consult with and receive advice from the city government regarding development decisions, but is not bound to follow its advice. All of the lands DHA holds is located in prime sites.

It recently acquired an additional 5,080 hectares of land to develop a DHA city on the city fringe. Through the power of the army, the DHA and its affiliated cantonments have become major players in land politics, leading to land and property speculation for and by the elite.

The DHA exists in all of the major cities of Pakistan and is now establishing itself even in the secondary cities. There are serious accusations against it of acquiring rural land and villages through coercion and use of its power base.

Sources: Hasan *et al.* (2015); Ezdi (undated).

are very close to politicians and have a number of joint ventures with them. They also invest in the elections for national and provincial assemblies, backing those candidates they think would be of use to them if they came to power. One such developer is Bahria Town (see Box 5).

Bahria Town Karachi (BTK) and DHA both coerce landowners on the periphery of the city to surrender their land to them with the help of the police. Since very little land in sufficiently large plots is available within the cities many of the townships being developed by the developers are beyond the peripheries of these cities, causing serious ecological damage to the peripheries of big cities in Pakistan (see Box 6).

BOX 5. BAHRIA TOWN KARACHI (BTK)

Bahria Town is a privately owned real-estate development company based in Rawalpindi. The company was founded in the late 1990s and has been developing gated communities ever since. Currently, it has developed six: Bahria Town Rawalpindi, Bahria Town Islamabad, Bahria Town Lahore, Bahria Town Karachi, Bahria Town Nawabshah, and Bahria Golf City.

Bahria Town Karachi (BTK) is the largest of these. Spread over 16,000 hectares (40,000 acres) it is estimated to house around 1 million people and the total cost of the project is a little over US\$1 billion.

This land has been acquired through political patronage and much of it was owned for centuries by villagers. Most of them were herdsmen and this land was their pastureland. BTK has coerced these villagers (residing in almost 45 villages) into abandoning their properties through encroachment, threats, arrests, harassment and the bulldozing of

their settlements. All this has been done with the support of the police. Apart from bulldozing poor settlements, BTK has also bulldozed many historical sites such as shrines, temples and a Buddhist *stupa* (an archaeological site) present within the vicinity. BTK's development also encroaches upon the water supply to Karachi. The evictions are creating a new housing problem and the project is the cause of a major ecological disaster (see also Box 6).

The project was largely done with support of the Malir Development Authority (MDA), which manipulated its laws by passing amendments that violate other sections of the law, such as the Disposal of Plots Rules 2006 framed under the MDA Act. Section 17 of the Colonization Act of 1912 has also been violated. The Supreme Court has recently taken notice of this, formed a committee and stopped the transfer of properties.

Sources: Zaman and Ali (2016); The News International (2014); Shaheen (2016); Bhatti (2018).

BOX 6. ECOLOGICAL DAMAGE IN KARACHI AND MULTAN

The construction of elite gated communities and informal settlements is causing much ecological damage in and around the cities of Karachi and Multan. Similar damage is being caused to all cities where population pressure is increasing.

Karachi faces these repercussions in the form of floods. These occur not because of climate change, but because of encroachment on the outfalls to the sea by elite housing projects and land reclamation for informal settlements. The reclamation from mangroves (about 15,000 hectares in the last five years) has damaged flora and fauna. The city's expansion evicted more than 2,800 villages, destroying the rural economy and impoverishing the rural population. Further, in 1985, 70 per cent of Karachi's vegetable/fruit requirements came from its rural areas. In 2013, this was reduced to 10 per cent. To add to all of this, 60 billion cubic metres of sand and gravel has been illegally lifted for construction from the seasonal rivers preventing water run-off, thus making recharging of the aquifer impossible and depleting the rainwater aquifer on which agriculture depends.

Multan is a typical example of a major city surrounded by prime agricultural land. Housing schemes have encroached over its once-fabled orchards severely damaging the country's mango production. An example of this is a gated society called the Buch Villas that have been constructed over land that was previously mango orchards. Bund

Bosan, Royal Orchards, and WAPDA Town Housing Scheme, among others, have all been constructed over the mango-growing heartlands of Multan. This has resulted in entire orchards being uprooted from the land – and families from their ancestral trade.

Multan's mango orchards are spread over 44,000 acres. Around 48 large housing schemes have been developed on 7,817 acres of land. Of this, 2,043 acres (26 per cent) was previously orchards. There are 460 legal and illegal housing societies in Multan, the majority of which have been built over agricultural land. An additional orchard area has already been marked for sale. The proposed DHA scheme plans to build on over 9,000 acres, most of which is currently mango orchards.

The increase in property prices was a factor which persuaded many owners of mango orchards to sell their land. One acre of land in DHA Phase 1 previously cost 2–3 million Pakistani rupees, whereas it now costs 6–10 million Pakistani rupees (a 200–300 per cent increase).

All of this has added to the climate concerns mango growers already faced. The resulting lower productivity and heavy losses have forced them to clearfell their orchards for other substitute incomes. As a consequence, the future for the country's mango industry and all its stakeholders is daunting.

Sources: Ahmed (2017); Farhan (2013).

The rapid and exponential growth in the housing market over the last three decades has pushed house-ownership beyond the reach of middle-class couples. However, the Supreme Court's recent ruling on BTK barring it from selling or allotting land after declaring that the land was acquired illegally seems to suggest that the market is moving towards some structural change (Subohi 2018, Bhatti 2018).

2.1 Financial policies

There are severe budgetary constraints at the federal and provincial levels as miniscule allocations are made for housing needs (see Table 4).

These allocations are insignificant in comparison to an estimated minimum outlay of 100 billion Pakistani rupees per year needed for the next 10 years to freeze shelter shortages at present levels (8.5 million low-cost housing units growing at 200,000 units per annum due to rapid urbanisation and lack of supply) (Said 2016).

It has been established that the minimum amount required to build a house for a poor family is 500,000 Pakistani rupees (US\$5,556 at current exchange rates). A family that earns 15,000 Pakistani rupees (US\$166) per month should not pay more than 5,000 Pakistani rupees a month to repay this amount over 15 years. The most important requirement for low-income groups is funding to buy a plot of land in a formal-sector

Table 4. Government spending on housing and community amenities 2012–2018

NATIONAL BUDGET	BILLIONS OF RUPEES	POPULATION	RUPEES PER PERSON
2012–2013	1.855	177 million	10
2017–2018	2.329	207 million	11.5

housing scheme on which to build a house. There is no provision for this with the HBFCL. Meanwhile, the housing backlog has increased to more than half of the total annual supply. It is against these realities that the financial institutions have been analysed below.

The high cost of urban land at 20,000 Pakistani rupees per square metre is unaffordable for the lower strata of society. Without free or subsidised government land, urban low-cost housing is a complete non-starter. The lack of foreclosure laws deters mortgage finance provided by the banking industry. Pakistan's mortgage finance to gross domestic product ratio is under 0.25 per cent, lower than the South Asian average (0.34 per cent) (World Bank 2018). The State Bank of Pakistan too sets no goals for compulsory housing finance by commercial banks as it does for agricultural lending. There also exists a skewed focus in the industry: of the 12 billion Pakistani rupees annually spent on shelter-building activity in the country, nearly all of it is in the private sector and is concentrated on upper-middle-class and luxury housing schemes as it seems that there is no money to be made in developing low-cost housing. Inflation has also had an adverse effect on key building materials: steel and cement now costs 250–500 per cent more than international prices. Therefore, a 450–500 square foot low-cost housing unit costs twice as much as it should (Said 2016).

HBFCCL has been the only consistently successful institution over the years. It was originally a federal government institution founded in 1952 called the House Building Finance Corporation. It has the largest portfolio of disbursement and active loans relating to housing finance and a strong, dependable relationship with formal-sector developers and builders, and its staff at every level understand the housing market. So far it has financed 456,256 houses through disbursing loans worth 47.82 billion Pakistani rupees (US\$0.53 billion). Most formal housing projects and initiatives automatically include a loan facility from the HBFCL (ibid).

The World Bank recently approved a US\$145 million loan in order to expand access to home-ownership to women and the poor by providing them with affordable housing finance. This loan has been approved under the Pakistan Housing Finance Project (PHFP) which is being financed by the International Development Association with a maturity of 25 years and a grace period of five years. It aims to extend financial and technical assistance to the Pakistan Mortgage Refinancing Company (PMRC), the Planning Commission and other institutions. This is of extreme importance as nearly a third of the country's population does not own a home and the pressure rises due to growing demand. The project incentivises the building of green and energy-efficient homes using climate and disaster-resilient construction designs and

materials (World Bank 2018). Apart from the issues mentioned previously, the recommendation to regularise and improve *katchi abadis* is still a very important government programme for which finances are made available. Upgrading consists of providing water, sanitation, drainage and road paving and supporting community and NGO initiatives for health and education by providing them with land and grants.

2.2 Migration and Karachi

According to the 1998 census, 10 million or 8 per cent of Pakistanis were migrants; 25 per cent had gone to Karachi, Lahore and Rawalpindi and 13 per cent to Karachi alone. Of total migrants, 63.7 per cent migrated to the urban areas, while 46 per cent of migrants were women and children who migrated with the family head (Government of Pakistan 2017).

In 1981, Karachi's migrant population was 1.7 million or 33 per cent of the total. In 1998, it has increased to 2.2 million or 22 per cent of the total population. In addition to this, Karachi has, according to newspaper reports, about half of the total 'aliens' in Pakistan. This means an additional 2 million persons including Afghans, Bangladeshis and the Burmese. The Afghans are considered refugees by the United Nations but the Burmese and Bangladeshis are not. Since they are not Pakistani citizens they are not entitled to vote. Consequently, their settlements are neglected and have very little social or physical infrastructure except what philanthropists and NGOs can provide (Raza 2018).

Karachi's population at the time of partition (in 1947) was approximately 450,000 people (Government of Pakistan 2017). On the basis of the 2011 house count, it has been estimated that the population has now increased to 22 million people (Cox 2012). This is, however, contested for various reasons.

The increase in population described above makes Karachi the fastest-growing city in the world. In numerical terms, no other city in the history of the world has grown that fast. This increase is predominantly due to internal migration and migration from India at the time of partition. There has also been conflict-related migration from Bangladesh and subsequently from other places such as Burma, Afghanistan and Iran. This has been added to by a large and undocumented increase in migrants from Khyber Pakhtunkhwa following conflict and natural disasters (earthquakes, floods and drought) since 2005.

As a result of the migration to Karachi, the housing demand has significantly increased. This recently created demand has not been met officially and so 62 per cent of the households in Karachi live in informally created settlements which have changed over time.

Earlier, from 1951 to the 1980s, migration occurred to Karachi from stable societies which had functioning community systems of governance in place. These migrants made a conscious decision to migrate in order to improve livelihoods and support families back home. Initially, they came and lived with family elders who had migrated before them. Today, migrants to Karachi come from societies where community systems of governance have collapsed or have lost their moral authority, making community cohesion difficult and creating a push factor. These villages are entirely dependent on urban-produced goods which they cannot afford and so migration becomes the only viable option. The collapse of the caste-profession-barter relationship and the community governance system has resulted in the collapse of village self-sufficiency and feudal authority. This is coupled with a decline in resource and land per capita because of an unsustainable increase in population. As a result, Karachi is being inundated by young men and women who come to seek a better life in the city.

2.3 Land and densification

Ownership of land all over Pakistan is highly contested. Previously, development took place on the immediate periphery of the city. Due to the increasing middle-class demand, the immediate periphery almost all over Pakistan is being held for speculation and development. Informal development is now almost always beyond this land. This makes living for low-income groups difficult because of the cost and time involved in commuting using substandard transport and due to the degraded environmental conditions from the settlement to the work area and back. As a result, hypertension, mental stress and cardiac disease are common (Urban Resource Centre et al. 2016). Also, physical and social infrastructure is absent in these distant settlements and women have no access to jobs. As a result, it has become cheaper and more convenient to live within the city on rent rather than own a home beyond the periphery. This is leading to the densification of both formal and informal inner-city low-income settlements and city centres abandoned by the rich (see Box 7).

BOX 7. DENSIFICATION: THE CASE OF KARACHI

The housing demand in Karachi is 120,000 units per year of which the formal sector supplies 42,000 units and the informal sector (*katchi abadis*) supplies 32,000 units (approximate figures). The rest of the demand is accommodated through the densification of existing homes.

Between 2005 and 2020, 1.7 million households will be added to Karachi at an estimated 100,000 units per year. Servicing this demand is not possible with the current resources and policies of the government and so informal settlements (*katchi abadis*) will continue to grow and/or densify.

There also exists a location issue with the emerging informal settlements. In the past, the city was small, land was cheap, there was no middle-class demand and the city periphery was near the city workplaces. Today, the city periphery where cheap land is available/exists has been pushed well beyond the city's workplaces by middle-income housing schemes and elite gated communities. Commuting to and from work from these distant settlements involves unaffordable costs and time. This creates a demand for housing within the inner-city low-income settlements which is being met by the formal and informal market leading to very high densities of between 1,200 to 3,000 persons per hectare.

The densification of existing *katchi abadis* is done by changing one- or two-storey informally built homes into multi-storey buildings in three ways: house owners build upwards either to accommodate an expanding family or to create rentals for additional income, or, in an increasing number of cases, informal developers purchase land from house owners by paying them in cash plus adding two apartments to the top floor.

This densification leads to smaller and smaller units being created in order to make them affordable (6–10 people occupying a single room). There are no lifts and this adversely affects women, children and elderly people. Further, no Sindh Building Control Authority (SBCA) rules and regulations are followed in the construction process. Women claim that this densification has led to children staying away from home, forming gangs and taking drugs. The most serious repercussion of this change is that women and children lose the use of the street as a public space. In the absence of cross ventilation and insulation the buildings also become heat islands, causing a large number of deaths (see Box 8).

Source: Hasan (2015).

The current crisis has led to a 'houses versus apartments' debate in Karachi which is also applicable to the whole country. It is understood that people invariably prefer houses to apartments and would like their settlements to be upgraded. This was acceptable to the state until the early 2000s. The government today, on the other hand, wishes to bulldoze these settlements and create medium-rise apartment blocks by providing land to developers. The reasoning provided for this by the government is that apartments can allow higher densities and they give the city a 'modern look'. Research, however, shows that individual houses can provide higher densities than permitted by the Karachi building bylaws and zoning regulations (1,625 persons per hectare) (Hasan *et al.* 2010). Continued densification has increased densities in Karachi's inner-city settlements from 450 persons per hectare in 1973 to over 3,000 persons per hectare in 2010. Persons per room in the case of government-provided labour housing in the form of apartments has increased from 5.8 in 1976 to 10 in 2010 (Hasan *et al.* 2010).

The nature of development has also resulted in skewed residential land use in Karachi as in the rest of urban Pakistan. Informal settlements currently accommodate 62 per cent (about 13 million) of Karachi's population on 23 per cent of the city's residential lands with continuously increasing densities of 1,500–4,500 persons per ha. In contrast, 36 per cent (about 7.5 million) of Karachi's citizens live in planned settlements on 77 per cent of the city's residential lands where

continuously decreasing densities (with the creation of new planned settlements) can be as low as 80 persons per ha.⁶ It is acknowledged that this manner of development is not sustainable given rapid urbanisation in Pakistan.

2.4 New laws and their repercussions

A number of new laws have been formulated in Pakistan in support of private developers. Those that will have a long-term effect have been implemented in the Sindh province. A brief description of these laws and their repercussions is given below.

The Sindh High Density Board Act 2014 has created a board of nine persons, all government officials and politicians. This board can declare any road, plot or area as high density and increase its floor-to-area ratio to 1:12. No urban design exercise has been done to determine which areas should be declared as high density. As a result, through official patronage, high-rise buildings are developing all over Karachi. Most of them consist of between 15 to 40 storeys. These are putting a heavy burden on the existing infrastructure and adding to the number of vehicles on already-congested streets. They are also creating approximately 200,000 plus apartments. Apartment living is creating a new urban culture by increasing nuclear families and breaking

BOX 8. THE 2015 KARACHI HEATWAVE AND CLIMATE CHANGE

More than 1,200 deaths and 40,000 cases of people suffering from heatstroke and heat exhaustion were officially reported in 2015 during the Karachi heatwave. Power outages also led to water shortages especially during the fasting hours of the holy month of Ramadan making it much more difficult to bear the heat.

Karachi in the past has experienced far higher temperatures than it did during the heatwave of 2015. However, deaths and people suffering from heatstroke were not reported. The reason for this is related to the creation of what is known as the urban heat island effect. Karachi, during the 1960s, 1970s and 1980s was by and large a low-density and low-rise city. Today, it is a high-density high-rise concrete jungle. To maximise on profits and space, new housing does not have cross ventilation, which is a requirement in

a city that is humid and receives a sea breeze for 9 months of the year. The streets in the informal high-rise settlements are narrow. There are thousands of kilometres of black tarmac roads and insufficient green cover. The external walls of buildings and homes are not insulated and nor are the roofs. Air conditioning is common to most commercial buildings and elite and middle-class homes. This is why most victims of the heatwave came from inner-city low-income areas.

To tackle the heat island effect, it is essential to research and develop cheap materials that can be used for insulating external walls and roofs, and introducing them to contractors and builders in low-income settlements. This could easily be a programme for an NGO working in Karachi's *katchi abadis*.

Sources: Ebrahim (2015) and lead author's observations.

⁶ Calculated by the authors based on the Karachi Strategic Development Plan 2020 (City District Government Karachi 2007).

communities and old neighbourhoods. Social and hence planning repercussions need to be understood and catered for.

The Sindh Special Development Board Act 2014 provides for the government identifying *katchi abadis*, demolishing them and rehabilitating their residents in medium- to high-rise apartments, thus making more than half the land vacant. This land is to be handed over to the developers free of cost to develop whatever they wish. However, they have to bear the cost of rehabilitating the *katchi abadi* residents in apartments. They are also to provide schools, health centres and run them for a period of 10 years. So far, no scheme has been implemented under this act because of the state's fear of retaliation from *katchi abadi* residents.

If these two acts are implemented, they will promote individualism and make community organisation and action difficult. The three most internationally recognised

housing-related projects that support poor communities are located in Pakistan (see Box 9). There has been constant pressure on the government to integrate the planning principles of these projects into official policy. The two acts are a negation of these principles.

Under the Sindh Cultural Heritage (Preservation) Act 1994, there are two committees: a technical committee that identifies heritage buildings, lists and details them, and negotiates with the owners. It sends its proposals to an advisory committee of which the chief secretary of the province is the chairperson. The advisory committee directs the Sindh government to notify the buildings. Over 2,000 buildings and sites have been identified in the province. However, there is a constant conflict between the committees and the developers who are often backed by the politicians. Much of the heritage properties are in the old cities and in the case of Karachi their residents are low-income communities who resist the conservation attempts. More recently,

BOX 9. THREE INNOVATIVE COMMUNITY PROJECTS

The best internationally known project in Pakistan is the **Orangi Pilot Project** (OPP) in Karachi. Through its various programmes, over 3 million people have built and financed their own underground sanitation systems at the neighbourhood level while the state has supported the building of trunks and disposal points. Over 16,000 houses have benefitted from the house improvement programme which supports contractors in improving their choice of building materials and components; masons in upgrading their skills; and supports rural settlements in documentation so as to help them to convert into urban neighbourhoods.

The **Khuda ki Basti** ('God's settlement') are incremental housing schemes in Hyderabad and Karachi, where homeless people are given land against a small down payment and affordable



A shop in Khuda ki Basti, a low-income settlement in Karachi © Fareena Chanda

monthly instalments. They build their own neighbourhood water and sanitation systems while the administration of the settlement invites NGOs to develop social infrastructure such as schools and clinics, helps in arranging transport routes through negotiations with the transport department of the government, and provides advice to the community on building water and sanitation systems.

The **Urban Resource Centre** (URC) monitors government policies that affect the poor and the environment in Karachi. They provide this information to community leaders, media and civil society. They invite government officials to make presentations of their plans to community leaders and the media. They also document the discussions that take place. Through this process the interests of low-income communities are safeguarded – especially in case of evictions.

All three projects have had a major impact on the thinking of government and international agencies, academia and the media. However, with the emergence of neoliberal thinking and policies, private-sector developments are increasingly supported by the government and as such these innovative community projects are given less importance than previously. What will be the future of these programmes with an apartment culture dominating the city? Will it increase the rich-poor divide and limit these institutions to the urban fringe?

the government has taken an US\$80 million loan for neighbourhood improvement projects for Karachi. As a result, a process of gentrification has begun in the city centre which is resulting in the feared eviction of hundreds of businesses which can have an adverse effect on the housing situation if the owners of the evicted businesses are living in rented accommodation.

2.5 Rental laws and evictions

Rental laws in Pakistan are very pro-tenant. As a result, formal developers and individuals are not willing to invest in rentals. However, an informal rental market in low-income settlements is growing rapidly due to difficulty in acquiring land and because of the increasing cost of construction as evident in Table 5 for Karachi below. And in low-income settlements, rental laws do not apply. Much of the control is done using coercion – muscle power – of which the poorer of the poor are the main victims.

Major infrastructure projects are being built in Pakistan and as a result, fairly large-scale evictions have taken place. The land is acquired under the Land Acquisition Act of 1884 which gives the government the right to acquire any land for public good. The legal landowners are compensated under this law but not persons who have no legal ownership or renters. The largest eviction

in Pakistan took place in Karachi whereby about 35,000 homes and businesses were demolished to make way for the Lyari Expressway. The evictees were rehabilitated far away from their original homes which were near their places of work. Studies have shown that they became much poorer as a result and the worst affected were women and children (Ghaus *et al.* 2012; Hasan 2006b).

There was very strong resistance to these evictions which was supported by civil society organisations. As a result, it has become difficult for the provincial government to take a firm decision on evictions and in some cases, they have opted to pay the evictees the market price of the land they occupy. The same decision has been taken by the Punjab government in the construction of its Orange Line Metro, although earlier they had carried out evictions for the building of the Lahore Ring Road.

The rehabilitation of the Karachi Circular Railway involves the relocation of 5,000 households. The Karachi Circular Railway Affectees Welfare Association has suggested that instead of relocation they should be compensated in cash for the demolition of their homes. This would increase the project cost by 0.4 per cent but it would not entail a whole new relocation project in an inappropriate site as usually happens in government projects (Hasan 2017). There is also considerable opposition in society to the Land Acquisition Act and it is possible that changes will be made to it if the opposition continues and increases.

Table 5. Karachi: increases in housing costs 1991–2007

COST PER SQUARE METRE		
	1991	2007
Land in new peri-urban <i>katchi abadis</i>	Rs 176 (US\$2.35) or 1.7 times the daily wage for unskilled labour	Rs 2,500 (US\$33.33) or 10 times the daily wage for unskilled labour
Construction cost of semi-permanent house in <i>katchi abadis</i>	Rs 660 (US\$8.8)	Rs 5,000 (US\$66.66)
RENTALS		
Rent for a semi-permanent house in <i>katchi abadis</i>	Rs 350 (US\$4.66) or 2.5 times the daily wage for unskilled labour	Rs 2,500 (US\$33.33) or 10 times the daily wage for unskilled labour

Source: Hasan (2008).

3

The institutional framework and reform

The 1978 Local Bodies Ordinance operated throughout the country until 1981. Under it, there were municipal councils who were subservient to the provincial bureaucracy. In the larger cities, there were development authorities which were also subservient to the provincial housing departments. However, in 2001, a major local bodies reform was enacted under which the magisterial powers of the bureaucracy were withdrawn. Power was passed on to elected local councils and their indirectly elected mayors at the district, *tehsil* (sub-district), and union council levels. This was carried out during a military-led government.

When the politicians came back to power in 2008, they scrapped the 2001 local bodies act and reverted back to the old system, centralising power at the provincial level. This happened in all the provinces to a lesser or greater extent. In addition, all provincial governments are increasingly transferring the provision of utilities and services to private companies or to build, operate and transfer systems and private-public partnerships. There is considerable agitation against this from workers' unions whose demands on this subject are not being met. Karachi's case is special for reasons described in Box 10.

3.1 House Building Finance Company Limited

For the HBFCL to fulfil its mandate of providing homes to the poorer sections of the country it is necessary to increase its finances which can be done by the floating of bonds and slashing low-cost housing building costs by having HBFCL schemes for the poor exempt from tariffs, regulatory duties and surcharges for importing building materials that are used in its self-constructed housing units. In addition, free land grants would also help it meet its objectives more effectively. The result of these suggestions could escalate HBFCL's target to 50,000 units built per year by 2025. This would allow the HBFCL to cater for at least 25 per cent of the country's incremental demand for low-cost housing units, without any monetary handout from the Government of Pakistan (Said 2016).

BOX 10. KARACHI: INSTITUTIONAL ISSUES

Karachi is the non-Sindhi speaking capital of a Sindhi-speaking province. The city contains 62 per cent of Sindh's urban population and 30 per cent of its total population. Karachi's large-scale industrial sector employs 71.6 per cent of the total industrial labour force in Sindh. The city produces 74.8 per cent of the province's total industrial output and contains 78 per cent of its formal private-sector jobs. In the 1998 census, 48.52 per cent of Karachi's population spoke Urdu as the mother tongue and only 14 per cent of residents spoke Sindhi and other local languages. In addition, Karachi is Pakistan's economic hub and contains the province's best education and health institutions. It is also the centre of Pakistan's media industry.

Karachi's enormous wealth can only be controlled by the Sindhi-speaking population through centralisation and by the Urdu-speaking inhabitants of the city by decentralisation. Since the Sindhi-speaking population controls the majority in the provincial assembly, they have embarked upon a process of large-scale centralisation through the establishment of companies under provincial control.

Electricity, solid waste management, infrastructure development, health and education are now provided by the private sector or increasingly through public-private partnerships controlled by the province whose bureaucrats, especially the new recruits, are increasingly Sindhi speaking.

Apart from the politics of ethnicity, Karachi has other problems. Since the Afghan war began in 1980, Karachi has been involved in it. American arms and ammunition to Afghanistan have flowed through Karachi. The Afghan transit trade has been managed through Karachi and during the second Afghan war, North Atlantic Treaty Organization (NATO) troops were supplied from Karachi. Due to this, the Taliban and the Afghan militias developed proxies in the city. As a result, until recently the city was subjected to targeted killings of its progressive citizens and continuous bomb blasts. In this way, the Afghans have also become a part of Karachi's political mix and have major financial interests in the city.

Sources: City District Government Karachi (2007) and Government of Pakistan (2017).

3.2 Land reforms

There has to be a method for containing speculation and making land available to the poorer sections of society. For this, it is important that all government land which is vacant within urban areas should be reserved for low-cost low-income housing projects. Laws should be enacted whereby the state as a priority can acquire such land. In addition, urban land reform should be carried out. The components of the reform should include a heavy non-utilisation fee on vacant land and property; an urban land ceiling act under which no one individual can own more than 500 square meters of urban land; no settlement (whether for the poor or for the rich) should have a density of fewer than 420 persons per hectare; no person should be provided a second loan for the purchase of a home; and the existing laws such as the High Density Board Act (2014) should be made subservient to an urban design plan.

3.3 Reforms to institutional arrangements

What we have learnt in Pakistan is that public participation in the development of human settlements is essential as it ensures transparency and accountability. We suggest that institutions such as the Sindh Building Control Authority, the Malir Development Authority (MDA), the Lyari Development Authority (LDA), and the Karachi Water and Sewerage Board (KWSB) should have civil society members on their boards who should also be responsible for the financial health of the institution, that all development plans should be displayed in public places where they are to be implemented, and that citizens' views on them should be solicited. Every project should be headed by an officer from its initiation until its end and the officer's name should appear on the letterhead and all advertisements related to the project.

4

What does the future hold for Pakistan's cities?

From the previous sections, it is obvious that there is an urban housing crisis in Pakistan where there is a backlog of 8.5 million new houses required, against a requirement of 350,000 per year. However, the number of homes which the formal sector supply is only 150,000. To freeze the current situation would require 100 billion Pakistani rupees annually (approximately US\$825.3 million) for the coming 10 years. Yet last year's budget allocation for housing was only 2.329 billion Pakistani rupees (approximately US\$192 million).

In addition to what has been discussed in the paper, a number of policy directions for the future can be extracted.

4.1 Legislate for land acquisition

For the last 15 years, the de-facto housing policy in Pakistan has been about individual families accessing the market and the state liberalising credit facilities for it. However, the low-income groups that constitute the majority of the population cannot access these credit facilities because accessing them requires collateral, or a formal-sector job, which most do not have. In addition, there are no loans available for the purchase of land. However, the new government has promised to provide 5 million homes in the next five years. The major problem in providing these homes is the availability of land at appropriate places, in the absence of which, housing

may not be occupied as has happened so often in the past. To make such land available, the government will have to pass a law through which it can acquire land for low-income housing.

4.2 Regularise informal housing

Katchi abadis and ISALs through which low-income families have traditionally acquired land for housing have become expensive. Also, cheap land for them is now only available on the fringe of expanded cities, far away from where they work and social amenities. This has made renting in *katchi abadis* nearer to the city cheaper than owning a home in the periphery.

The informal market has responded to this by densifying the inner-city *katchi abadis* by building upwards while continuing to create new settlements on the periphery. As such it has become the largest supplier of land, built housing and credit. Meanwhile, families are also adding to their homes or subdividing them into smaller units. The high rises that are emerging suffer from all the problems of severe overcrowding and the transition from single- and double-story homes to high-rise apartments has resulted in the loss of narrow streets as public space for women and children. This densification is going to continue in the absence of large-scale social housing.

Given this, it is necessary to launch a new regularisation programme for densified *katchi abadis*. This will be very different from the earlier programme because it would involve dealing with apartments and renters, and not just homes and individual families. Such a programme would include technical advice and guidance to informal developers, families, and/or communities in producing better designs and in the process a better social and physical environment. We suggest that an NGO such as the Orangi Pilot Project (OPP) or an academic institution initiate such a project, document the process, and establish a training centre for NGOs and relevant government agencies.

4.3 Set appropriate housing standards

The formal-sector developers have now started to cater to the needs of the lower middle-income groups and have also shown an interest in serving the lower-income groups. However, what they have produced so far is of poor quality and their product is becoming smaller and smaller so that it can be affordable to their prospective clients. The neighbourhoods they are creating are environmentally of a poorer quality than the *katchi abadis* where the poor live today. It is necessary to set appropriate standards for housing and develop the necessary legal and monetary processes to implement them. A reduction or removal on duties of building materials for such housing would considerably lower their costs.

The high-rise *katchi abadis* (5–10 storeys) are creating a heat island effect because of rising climate change-related temperatures. This is especially true for Karachi where there have been a number of deaths as a result of the heat island effect. For the existing *katchi abadis* there needs to be a programme of creating ventilation in homes and apartments and painting the exterior walls and roof with heat-reflective paints. It is also necessary to provide materials with high insulation values for the external walls. The paints and materials available today, and manufactured by corporate-sector industries, are far too expensive for lower-income and lower middle-income groups to afford. It is necessary to initiate a research programme for developing cheaper options and an extension programme for making the products available to prospective home owners, contractors and builders in low-income settlements. Such a programme could be a part of the NGO pilot project suggested above.

4.4 Suppress land speculation

Real estate development in Pakistan is highly speculative. This skews the housing market in favour of those who have money to invest and hold. This creates unnaturally high land and property prices, which works against the interests of lower-income groups.

Legislation is required to contain speculation. Such legislation can be in the form of a non-utilisation fee on vacant land and properties, and an urban land ceiling act which limits land holding to no more than 500 square metres per person. Given the fact that most legislators in Pakistan are involved in speculation, this might be difficult to enact.

Low-density housing (often only 80 persons per hectare) for the middle-classes and the rich is eating away at available land for low-income groups. In addition, it is also occupying land on the urban fringe through the creation of gated communities. As a result, forests, orchards, rich agricultural lands and drainage systems are being occupied, creating the beginnings of a massive ecological disaster. To contain this, it is necessary that for all future development, a minimum density of around 400 persons per hectare should be enacted. Also, civil society groups should support indigenous movements against the occupation of their land (often through coercion) by developers so that the courts of law (who are already cognisant of this) could pursue this issue seriously.

4.5 Establish criteria for new housing projects

Increasingly, planning has been replaced by projects and many of these projects take away space from low-income groups through a process of gentrification. Given the nature of financing development, projects will continue to dominate over plans for the foreseeable future. There has to be a set of criteria for judging the merit of development projects. What we have proposed in the report is that projects should not damage the ecology of the region in which they are located; should determine land use on the basis of sociological and environmental considerations and not on land value alone; serve the interests of the majority of the population who are lower-income and lower middle-income groups; and respect the tangible and intangible cultural heritage of the communities that live in the city.

4.6 Support housing research

Academic institutions give great importance to housing-related community projects. This is how it should be. However, given the importance of the role of informal capitalism in the provision of housing it is important that academic institutions should understand the processes and actors involved in delivering this form of development, especially the financial mechanisms. Research leading to an understanding of the processes will help create professionals who can deal with this phenomenon and support and guide it in the future.

4.7 Provide affordable credit

However, the most important issue is related to the availability of credit for house building and improvement and the terms associated with it. An issue that has been debated often is whether a house improvement loan can be provided to a resident living in a *katchi abadi* or whether a house building loan can be provided to him/her using his/her informally developed home as collateral. Decisions in favour of these proposals have been successfully opposed by bankers. In addition, the HBFCL (the premier housing bank in Pakistan) has very limited funds. To overcome this, it will have to develop innovative ways (such as floating housing bonds) for increasing its credit facilities. Also, to reduce costs and improve designs, it should create a design department which produces standardised designs for homes and apartments which can guide developers and individual families.

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Pakistan is experiencing an unprecedented urban housing crisis. Low-rise, low-income urban settlements are rapidly and informally becoming high-rise, high-density informal settlements, with all the physical, social and environmental problems of unplanned densification. Meanwhile, speculative low-density elite housing is encroaching on the ecological assets of the city. This working paper explores the factors that have led to this crisis – and also what policy actions can be taken to help mitigate it, such as passing legislation to acquire land for low-income settlements, suppressing land speculation and prescribing minimum density for all settlements. Providing affordable credit and house improvement loans for informal settlements will also be crucial, as well as advice on how to use those loans effectively. Appropriate housing standards are also needed so that design and technical advice is available to those involved in the informal and formal densification process, while also establishing criteria for judging the merits of new housing projects. Finally, more research is needed to better understand the processes, actors and dynamics of the evolving informal densification process.

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