

Role of Private Sector in Providing Affordable Housing in Lahore

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Abstract-Shortage of affordable housing has become a global issue. The governments in developed and developing countries have initiated various programmes but those have proved inadequate to meet the growing demand of affordable housing. Pakistani metropolitan cities are also facing this issue. Lahore is the second largest city of Pakistan and is an administrative, business, education and recreational hub of the Punjab province. The rapid growth of population has created huge demand for housing in the city. In addition to the Lahore Development Authority (LDA), the principal planning agency in Lahore, the private sector has also been contributing towards housing supply through development of housing schemes. This research mainly attempts to explore how far the small plots/houses in such schemes are affordable to low income people and how many of such plots/houses have actually been occupied by them? The methodology includes: analysis of data on approved private housing schemes, views of the LDA officials, private developers and the residents of selected private housing schemes. The analysis confirms that the small sized plots in private housing schemes are occupied by the high and middle income groups. The housing has become severally unaffordable for the low income people. The government is falling short of providing adequate incentives to the private sector for delivering affordable housing to the low income groups. The study identifies several measures to improve the situation.

Keywords-Affordable Housing, Private Sector, Housing Demand, Low Income People, Lahore, Pakistan.

I. INTRODUCTION

Shelter is globally recognized as a basic need of human being. Under the Universal Declaration of Human Rights and the UN Habitat Conference 1996, all the governments are responsible to make diligent efforts for providing affordable housing to their citizens [i-ii]. Affordable housing means the housing facility that low to median income households can avail within their resources without compromising their other basic necessities for living such as food, clothing, children education and medical facility [iii]. For housing to be affordable in metropolitan areas, it is suggested that, "housing prices should not exceed three

times gross annual household earnings" [iv].

Lack of affordable housing is a global problem but it is most severe in Asian, African, Latin and North American as well as some of the European countries. Several factors have contributed to this problem. Those mainly include: rapid increase in population, urbanization, limited tenure choice, shortage of land for affordable housing, high cost of construction, high rate of interest on mortgages, and inadequate supply of social housing etc. [v-vi]. As a corollary to that, "the average floor space of a new dwelling in England and Wales is now the lowest in Europe at 76 sqm (compared with 92 in Japan and 115 in the Netherlands, countries with higher population pressures). For all dwellings (new and existing) the figure was 85 sqm compared with 98 in the Netherlands" [vii].

As a planning instrument to promote affordable housing, diversity in lot sizes is used by planning agencies in some countries. For instance, while discussing housing affordability issues in non-metropolitan coastal Australia, Squires and Gurrin [viii] have noted that 36 out of 143 local councils were found to have developed planning instruments and policies specifically aimed at addressing the affordability of housing in the local area. Majority (19) of such councils sought to achieve this aim by promoting diversity of housing types and lot sizes. In Indonesia, the 1:3:6 rule requires private developers to provide 6 units of low income housing, 3 units of mid standard housing against every unit of luxury housing [ix]. Likewise, the land disposal policy of the Delhi Development Authority, India provided that the distribution of plots among low middle and high income groups should be in the proportion of 50:30:20 to roughly correspond to their population share [x].

In the case of Asia, the magnitude of the demand for affordable housing can be assessed keeping in view the facts that the urban population in Asian cities in 1950 was 229 million which has reached 2.161 billion in 2016 (i.e. 48% of 4.453 billion) [xi-xii]. The rate and scale of urban growth in Asian cities is distinctive from others. It is predicted that the major urban centres in Asia will have to accommodate 120,000 new residents every day. This will impose more pressure on

the availability of affordable housing [xiii]. The economic growth in the urban areas of Asian countries is pushing up the land prices and the availability of land at affordable prices is a major constraint towards supply of affordable housing. As in most of the Asian countries, the land is privately owned and development of affordable housing project seems to be less profitable for private sector, therefore the low income families are seem to be pricing out of formal land and housing market.

The situation is no different in case of Pakistan where population growth in cities of the country has also been rapid. It has increased from 58.74 million in 2008 to 74.77 million in 2015 (39% of 191.71 million). If the current pattern of urbanization continues, the urban population of Pakistan will be around 122 million in 2030, which will form 50 % of total population of the country [xiv-xvi]. The rapidly increasing population and economic competition are dominating urban land and housing markets, thus exacerbating the lack of housing of an acceptable standard that the poor can afford. The World Bank has estimated a shortage of 7.6 million housing units in Pakistan, of which two-third is because of the demand from low-income groups, earning less than Rs. 12000 per month [xvii]. According to the National Housing Policy of Pakistan [ii], over 70% of the housing shortage and recurring demand is for low income groups [ii].

Informal settlements house a significant proportion of low income groups in major urban centres. For instance, in Karachi, as many as 80% of city's inhabitants live in plots of 120 square yards or less. Similarly, of the 36.7% of land utilized in Karachi for the residential purposes, 27 percent has been developed formally and 8.1 percent informally. But 62% of the city's population lives on 8.1% of the city's land developed informally for residential purposes. Such informal settlements serve as alternative to affordable housing for the poor marked by below par provision and maintenance of infra structural services [xviii]. Moreover, Sheikh argues: "The emergence of katchiabadis in Islamabad (the federal capital of Pakistan) shows that even the better controlled and managed cities have not been able to extend affordable options for urban poor" [xix].

Similarly, Punjab being the biggest province of the country, is facing cumulative shortage of housing mainly in its urban areas [xx]. As a policy to provide low income housing, the Housing and Physical Planning Department (H & PPD) renamed as Housing, Urban Development and Public Health Engineering Department (HUD & PHE) of the Punjab Government developed several low income housing schemes during 1970s to 1990s providing plots of 3 to 5 Marla. Plots having an area of 5 marla or less are considered to be affordable, since the National Housing Policy provides for exemption of all taxes on construction of houses on

plots measuring up to 150 sq. yds (5 marla @272.25 sq. ft./marla.)[ii]. Moreover, the Punjab Government does not charge property tax on the house constructed on less than 5 marla plots, provided that it is occupied by its owner. However, author of [xxi] observed significant 'downward raiding' of the middle and high income groups on the small plots, since the housing requirement for these groups were not catered for in the planned sites and services schemes and the poor people soled their plots to these groups at higher prices.

In a recent attempt to facilitate low income people, the Government of Punjab Province has made it mandatory that at least 20% of the plots in every private housing scheme should be of 5 Marla or less in size [xi].

Lahore is a metropolitan city. Its total population in 1951 was 1.13 million with 75.73% urban share. It increased up to 8.83 million with 87% urban share in the year 2010 [xii] and is estimated around 9 million in 2012 [xiii]. The increased number of housing schemes played a major role in the expansion of the Lahore city. Major contribution towards development of these schemes was initially made by Lahore Development Authority (LDA). But since 1980s, the private sector is predominantly contributing towards development of private housing schemes in this city. As a result, the urban fringe has now grown to the greater extent along the Multan road, Ferozepur road, Canal road and Raiwind road accommodating most of such schemes [xviii].

Looking beyond different epochs of the city development and expansion, one of the most distinctive factors which can now be observed in case of Lahore is the occupancy of nearly 90% of the housing units already constructed in private housing schemes by high and middle income groups. Although small size plots of 5 Marla or less have also been provided in these approved schemes. But nothing can be said for sure that whether these too have gone in the ownership of high and middle income groups in the absence of any empirical evidence. This paper deals with the role of private sector in the development of approved private housing schemes in Lahore and resultantly its contribution toward affordable housing through provision of small sized plots generally perceived and associated with low income class. In particular, it attempts to explore:

- What is the number of 5 Marla and smaller size residential plots provided in the approved private housing schemes?
- Which income group is actually residing in the houses constructed on plots of 5 Marla and smaller size in those schemes?
- Whether the plots provided by the private developers are really affordable by the low income people?
- How to facilitate the provision housing that is affordable for the low income people?

II. MATERIALS AND METHODS

The materials and methods for this research include: review of relevant literature, collection of secondary data from LDA and face to face interviews with key stakeholders. There are over 236 approved private housing schemes within the jurisdiction of LDA but only 48 schemes provided 26.1% plots of 5 Marla or less along with 73.9% bigger plots ranging from 8 Marla to 2 Kanal. Of these 48 schemes, 19 were developed by individual developers, 15 by cooperative societies registered under the Co-operative Societies Act 1925, and 14 by groups/companies registered under the companies Ordinance 1984.

Out of the 48 private housing schemes mentioned above, three housing schemes were selected for detailed investigation, namely, River Edge, WAPDA Town, and Pak Arab. The River Edge Scheme represents individual developer, WAPDA Town represents cooperative societies and Pak Arab Housing Scheme represents groups/companies registered under the companies Ordinance 1984. Although the WAPDA town was launched much earlier as compared to other schemes, however, the houses in this scheme were constructed much later). The construction of houses in the scheme was another underlying criteria to ensure that survey from inhabitants of these schemes could be done.

For the purpose of interviewing, 30 residents/owners of 5 Marla houses from each of the scheme were chosen randomly using structured interview schedule. This type of sampling is also known as probability sampling where every member of the target population has an equal and independent chance of inclusion [xiv]. The questionnaire for the residents comprised of different sections depending upon the nature of information. It included general information regarding their income level, source of income and plots or house cost, which ever was applicable, since some interviewees bought plot and then constructed the house whilst others directly bought the house Table IV. The second section consisted of questions to know their affordability level and how did they arrange finances for buying the plot etc. Where the respondents/residents were reluctant to provide information regarding income level and the cost of buying plots/house, alternative housing units were selected. It was useless to increase the sample size, since the response trend of 30 interviews from each of the three selected housing schemes showed repetition of similar answers. The Residents' interview data was analysed using the Statistical Package for Social Sciences (SPSS) Version 18. The questions and possible answers were coded and assigned value labels before entering the data. Frequency tables, cross tables and bar charts were then generated to present the results while comparing the views of the key stakeholders.

Face to face interviews of 19 officials of the LDA

responsible for land use and building control, and 30 developers of private housing schemes were also conducted. The interview schedules comprised of open ended questions and issues concerning weaknesses in the housing policy/regulations, constraints in implementation, frequency of sale and purchase of small size plots, reasons of the reluctance of developers to provide small plots etc. and possibilities of facilitating or increasing the supply of affordable housing in Lahore.

III. RESULTS AND DISCUSSION

The following sections present results and discussion:

A. Contribution of the public (LDA) and private sectors in provision of small plots for housing in Lahore

Small size plots are available in both the public and private housing schemes within the jurisdiction of LDA. The distribution of different sizes of residential plots in both kind of housing schemes is presented in the Table I.

Usual sizes of residential plots found in Lahore are:

3 marla, 5 marla, 7 marla, 8 marla, 10 marla and 1 kanal, whereas, 2 kanal plots are very rare [xxix]. It is evident that out of the total number of plots provided by the public sector, 44% are small size plots and 56% are large size plots (56%). The private sector could provide only 5.4% small sized plots (5 Marla or less) while 94.6% plots are of large size.

TABLE I
DISTRIBUTION OF RESIDENTIAL PLOTS IN THE
PUBLIC AND PRIVATE HOUSING SCHEMES

Type of Housing Schemes	No. and Sizes of Plots		Total
	5 Marla or less	More than 5 Marla	
Public Sector Housing	35164 (44%)	44776 (56%)	79940 (31%)
Private Sector Housing	9476 (5.4%)	168169 (94.6%)	177645 (69%)
Total	44640 (17.4%)	212945 (82.6%)	257585 (100%)

Source: LDA, 2012

Note: Standard area of one marla= 25.33sqm. In Lahore: 21sqm
Standard are of one kanal = 506.51 sqm. In Lahore: 418.60sqm

Further, this analysis reveals that the percentage of small size plots is not according to the demand of housing because, as pointed out earlier, 70% housing demand is from low income sector [ii]. It is also clear from the above facts that the public sector is contributing more towards the supply of small size plots as compared to the private sector which is dominated by investors and land speculators. Fig. 1 presents the distribution of plots provided in the 236

approved private housing schemes. It shows that the maximum (62694) plots were provided during the course of 2005-2010 while the minimum (15213) plots were provided during the period 1985-1989. The provision of plots kept on changing during different time periods perhaps due to changing purchasing power of the buyers/investors.

B. Distribution and Inhabitation on plots in three selected private housing schemes

It is important to know the distribution of small (5 Marla) and large size (More than 5 Marla) plots in the three selected private housing schemes. In the Pak Arab and River Edge housing schemes, the distribution of small size plots is 64.4% and 51.9% respectively (Table II), whereas in WAPDA town, the distribution of small size plots is less (19.48%) as compared to large size plots. But the total number of small plots is higher if compared with the other two schemes due to huge size of this scheme.

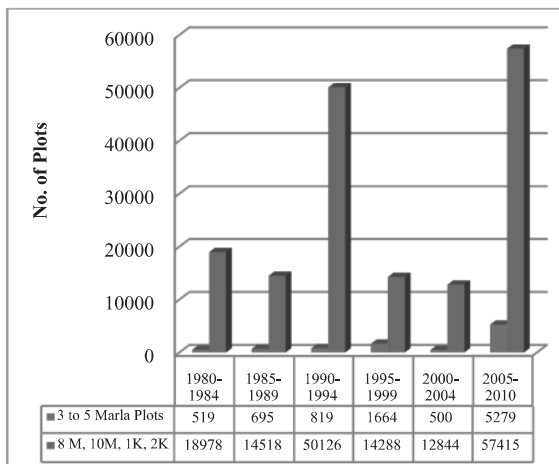


Fig. 1. Plots Distribution in Approved PHSs over the Years
Source: LDA, 2012

Note: The data collected from the Office of the Chief Metropolitan Planner, LDA revealed that in the 48 approved private schemes there was no plot of sizes between 5 and 8 marla.

TABLE II
DISTRIBUTION OF PLOTS IN THE THREE SELECTED PRIVATE HOUSING SCHEMES

Name of Schemes	Distribution of Plots in Case Study Housing Schemes		
	5 Marla	More than 5 Marla	Total
Pak Arab	1485 (64.4%)	818 (35.6%)	2303 (100%)
WAPDA Town	1606 (19.48%)	6637 (80.52%)	8243 (100%)
River Edge	515 (51.9%)	476 (48.1%)	991 (100%)

Source: Field Survey

It is encouraging to note that houses have been

constructed on most of the small size plots and people are living in the selected schemes. The Table III shows that 93.74% plots in Pak Arab, 96.51% plots in WAPDA and 76.7% plots in the River Edge scheme are inhabited by either owners or tenants. On the other hand, large size plots (8 Marla and above) are relatively less inhabited except in the case of River Edge scheme. The very reason appear to be that the large size plots were held by some of the owners for speculations purposes.

TABLE III
INHABITATION STATUS ON PLOTS IN THE THREE SELECTED PRIVATE HOUSING SCHEMES

Name of Scheme	Number of Plots Provided		Number of Plots Inhabited	
	5 Marla	More than 5 Marla	5 Marla	More than 5 Marla
Pak Arab	1485	818	1392 (93.74%)	464 (56.72%)
WAPDA Town	1606	6637	1550 (96.51%)	4975 (75%)
River Edge	515	476	395 (76.7%)	397 (83.4%)

Source: Field survey

C. Results of Interviews with the Residents of Small Plots in Three Selected Housing Schemes

i) Occupation, monthly income and price paid by the residents

The importance of exploring the occupation/income level of the residents is directly related to the main objective of this study that is to determine whether the small size plots are actually acquired by low income people. The Table IV reveals the whole situation.

TABLE IV
OCCUPATION, MONTHLY INCOME AND PRICE OF PLOT PAID BY THE RESIDENTS

Occupation/Source of Income	No. of Respondents				N	%age
	Pak Arab (n)	WAPDA Town (n)	River Edge (n)			
Personal Business	10	3	9	22	24.4	
Government employee	9	18	4	31	34.4	
Private employee	11	9	17	37	41.1	
Monthly Income (Rs.)						
15000-25000	5	1	2	8	9.8	
26000-35000	7	10	9	26	28.6	
36000-45000	12	8	7	27	29.7	
Above 46000	6	11	12	29	31.9	
Plot/House Price Paid (Millions)						

1.0-1.5	7	0	8	15	16.7
1.6-2.0	11	2	10	23	25.6
2.1-2.5	2	3	6	11	12.2
2.6-3.0	1	12	1	14	15.6
2.1-2.5 (House)	7	2	2	11	12.2
2.6-3.0 (House)	2	11	3	16	17.8
Total	63	27		90	(100%)

Source: Field Survey

The data suggest that 41.1% of residents are private employees, while 34.4% are employed in public sector. Only 24.4% of the residents are having their personal business. The monthly income of only 9.8% of the families interviewed for the study ranges between Rs. 15000-25000. The other three ranges of monthly income are almost evenly distributed, i.e. of 28.6% between Rs. 26000-35000, of 29.7% between Rs. 36000-45000 and of 31.9% above Rs. 46000. The Punjab Private Housing Schemes and Land Sub-Division Rules 2010 define a person as low income whose monthly income does not exceed Rs. 15000. A considerable percentage of interviewed developers and LDA officials revealed that households earning up to Rs. 25000 per month should be considered as low income given the increasing inflation. To account for all possible variations in the definition of low income, the range of Rs 15000-25000 per month has been taken. Thus, the analysis clearly shows that maximum number of residents of small size plot are those with middle and high income level.

Likewise, the maximum number of residents (23) of small size plot in selected three housing schemes had to pay an amount of Rs. 1.6 to 2.0 million. This indicates that the price of small size plots in private housing schemes is severely unaffordable for the low income groups. This observation is further substantiated by the fact that 16 residents purchased the house at a price ranging from Rs. 2.1 to 3.0 million.

In most of the schemes, holding the plots for a few years is generally a common practice to get better price. The residents of small size plots were asked about the year of the purchase of plot and whether they were the first purchaser of this plot or they bought it from previous owner. Most of the interviewees (63%) of the selected schemes purchased plot or house during the years 2010 onwards, 33% purchased during 2007 to 2009 and only 4% purchased during 2004 to 2006. The findings also suggest that 54% of the plots were bought from the previous owners in the form of either land or a house. There are only 46% plots still under the ownership of the first purchasers who bought the plots from the developers of the schemes. About this phenomenon, no study could be found which reports average figures for the city and hence it is not possible to make such a comparison. However, this analysis

justifies the above fact that most of the purchasers buy plots to get more profit by re-selling the same at higher prices.

The residents of the selected schemes were also asked about the instalments if paid by them while purchasing the plot/house. The analysis suggests that 23.3% of the respondents paid the price in instalments while the remaining 76.6% of the respondents paid the price in lump sum. It is thus evident that the residents of 5 Marla plots belong to middle income group. It is not possible for a low income family to pay the lump sum amount, as they can hardly manage to make the both ends meet then how they were able to save millions of rupees. Other studies also found similar situation in several private housing schemes of Lahore [xxi], [xxx].

ii) Arrangement of finance to purchase a plot/house

The residents of the selected private housing schemes were also asked how they arranged finance to purchase the plot/house. The analysis shows that most of the residents (50%) used savings for paying the property price. This confirms the findings of reference [xxv]. However, 37.8% of the respondents arranged finance by selling their previously owned or inherited property. Surprisingly, no respondent approached a bank to get loan for buying the property Table V.

TABLE V
ARRANGEMENT OF FINANCE TO PURCHASE A PLOT/HOUSE

Category	Plot	House	Total
Savings	37 (58.7%)	08 (29.6 %)	45 (50%)
Loan from Bank	-	-	-
Selling gold	03 (4.7%)	-	3 (3.3 %)
Selling previous property	15 (23.8%)	19 (70.3 %)	34 (37.8 %)
Any other	08 (12.8%)	-	8 (8.9 %)

Source: Field Survey

iii) Reasons of reluctance to approach banks for loan

The house loan facility is provided by the House Building Finance Corporation of Pakistan and the public as well as private banks, but most of the people hesitate to approach banks for getting loans. The main reasons as stated by the residents of small plots are: complicated procedure, high interest rate and various other conditions of the banks for this purpose. The analysis (Table VI) shows that 32.2% of the residents did not approach bank because of the complicated procedure of getting loan from the banks whereas 31.1% of the residents were not willing to pay high interest rates. Another 30% of the respondents also

showed their dissatisfaction towards several other conditions of the banks for providing loan to customers. Only 6.7% respondents said that they did not require loan for buying plot in private housing schemes.

TABLE VI
REASONS OF RELUCTANCE TO APPROACH BANKS FOR LOAN

Reason of Reluctance	No. of Respondents			Total	%age
	Pak Arab	WAPDA Town	River Edge		
Complicated loan gaining system	11 (36.6%)	12 (40%)	6 (20%)	29	32.2
High interest rate	8 (26.6%)	5 (16.6%)	15 (50%)	28	31.1
Not satisfied with the conditions	9 (30%)	10 (33.3%)	8 (26.6%)	27	30
Loan was not required	2 (6.6%)	3 (10%)	1 (3.3%)	6	6.7
Total	30	30	30	90	100

Source: Field Survey

The respondents were also asked why they didn't approach Islamic Banks where the interest rate is nil. They were of the view that the processing/service charges and other terms and conditions were very strict that is why they did not consider this as a feasible option.

iv) *Comparison of prices and affordability of 5 Marla plots in selected housing schemes at the time of their launch and in 2012*

The comparison is based on the prices of plots and income level at the time of launch of the scheme and at the time of our field survey during 2012. The Housing Affordability rate is calculated by using the formula of Median Multiple used in the "10th Annual Demographia International Housing Affordability Survey 2014". According to the survey report, this formula is recommended by the World Bank and United Nations. It has also been used by the Harvard University Joint Centre on Housing. It facilitates a transparent comparison of housing affordability in the international context [iv]. The formula is presented below: Median Multiple = Median House Price / Median Annual Income

The Table VII indicates that if the median house price in a housing market is three times the gross annual median income of the households (price to income ratio= 3 or below), it can be considered as affordable. Whilst a median multiple of 3.1 to 4.0 means the housing is moderately unaffordable, the value of 5.1 and above indicate server unaffordability.

TABLE VII
HOUSING AFFORDABILITY RATING CATEGORIES

Rating	Median Multiple
Affordability	3.0 & below
Moderate Unaffordability	3.1 to 4.0
Serious Unaffordability	4.1 to 5.0
Severe Unaffordability	5.1 & above

Source: [iv]

Using the aforementioned formula, the median multiple/affordability of the interviewed residents of the three selected housing schemes were calculated at the time of the launch of housing scheme and during the year 2012. The results are presented in the Table VIII. It is evident from the Table 8 that the small size plot in WAPDA Town was within the affordability of the low to middle income people (with a median multiple of 1.4) at the time of launch of the scheme, whilst those were severely unaffordable in the Pak Arab and River Edge Housing Schemes.

TABLE VIII
AFFORDABILITY RATING OF THE RESIDENTS OF THE THREE SELECTED HOUSING SCHEMES

Name of Scheme	Year	Average Price of 5 Marla Plot (Rs.)*	Average Annual income of low income household (Rs.)	Median Multiple	Affordability Rating
Pak Arab	2006	950,000	60,000**	15.8	Severely Unaffordable
	2012	1,850,000	240,000***	7.7	Severely Unaffordable
WAPDA Town	1982	8,500	6,000**	1.4	Affordable
	2012	2,950,000	240,000***	12.2	Severely Unaffordable
River Edge	2007	600,000	60,000**	10.0	Severely Unaffordable
	2012	1,250,000	240,000***	5.2	Severely Unaffordable

Source: Authors' own construct

*Based on discussion with estate agents operating in and around the selected housing schemes.

** Based on discussion with estate agents, and LDA officials.

***Based on Government of Punjab criteria of Rs. 20,000/month [xvi].

The median multiple values for these schemes were extremely high (15.8 and 10.0 respectively) because these schemes were launched 24-25 years after the unveiling of WAPDA Town. This indicates that the gross annual median income of the households increased 10 times whilst the plot prices increased 70 to 111 times during this era. Though the international housing markets (e.g. Australia, UK, USA, Canada) reached sever unaffordability level during the past 10 years, their median multiple values did not exceed 6.0 [iv].

The small size plot remained severely unaffordable in all the selected private housing schemes in 2012. However, the 2012 values of median multiple in the cases of Pak Arab and River Edge housing schemes remained relatively lower (7.7 and 5.2) than that of the WAPDA Town (12.2). These values indicate that the plot prices in WAPDA Town increased at much higher rate than the prices in the other two schemes. This is because the WAPDA Town is a project of a Federal Government Agency having much better credibility and high standard/maintenance of infrastructure facilities. The other two schemes are the projects of private developers with relatively lower standard/maintenance of infrastructure facilities. Comparing the median multiple in the case of WAPDA Town with the international housing markets, it is even higher than that in the Vancouver (10.3) which is found to be the second most unaffordable market in the World. The top most unaffordable housing market is that of Hong Kong with a median multiple of 14.9 [iv].

D. Views of the Regulators on How to Facilitate the Provision of Affordable Housing

The Town Planning officials of the LDA were interviewed to seek their opinion on aforementioned issue (Box 1).

BOX 1
VIEWS OF OFFICIALS OF LDA CONCERNING AFFORDABLE HOUSING FOR THE LOW INCOME GROUPS

- ✓ Realistic productive incentives should be provided to attract private sector for investment
- ✓ Land for housing should be provided by public sector by entering into partnership with the private developers
- ✓ Scheme plan processing charges should be lowered for the schemes having small size plots
- ✓ Joint problem solving approach should be adopted by all the relevant development sectors/organizations
- ✓ No new scheme should be approved till the habitation of existing schemes
- ✓ Housing finance mechanism should be improved
- ✓ Controlling the corruption by minimizing the bureaucratic role at local level

Source: Field Survey

It was revealed that the absence of any effective policy measures to control the use of plots for speculation purposes has also given land speculators room to acquire maximum number of plots in approved housing schemes without developing them. The speculators create artificial land scarcity and escalate the land prices. Therefore, it has become impossible for low income groups to own a small plot of even 3 Marla (675 sq. ft.). Moreover, the profit margin on small size plots is low as compared to that on large size plots due to more length of utility services required for such plots. It compels the developers to increase the rate of small size plots. Therefore, the low income people are forced to look towards informal land market to gain

access to land for shelter.

In order to control speculation phenomenon which contributes to pushing up the land prices artificially, it was suggested that the government should take steps to curb land speculation by imposing taxes on the vacant plots, and by banning sale/purchase of already sold out plots for at least five years. Similarly, majority of the interviewed officials were of the view that, in order to make the affordable housing project profitable, it was important to provide realistic and productive incentives to the private developers. In this regard, provision of land by the Government to the private sector, reduction in taxes on transfer of land and housing scheme processing charges were proposed as necessary measures. Other suggestion included adopting the joint problem solving approach by all the relevant development sectors and concerned organizations, and improvements in housing finance mechanism for facilitating low income groups. Another important viewpoint emerged during the interviews was that the private sector alone cannot contribute towards lowering the backlog of affordable housing. The Government sector should also continue its efforts and initiate more projects for this purpose.

E. Views of the Private Developers on How to Facilitate the Provision of Affordable Housing

The views of the private developers were also sought to identify necessary measures and incentives needed to encourage them for the provision of affordable housing. They insisted that they were already providing 20% plots of 5 Marla or of the smaller size as per the provision of the new rules for private housing schemes. However, they admitted that the plots were not affordable by the low income people due to high cost of land and infrastructure. Necessary measures suggested by the private developers were in line with those suggested by the LDA officials (Box 2). However, they emphasized that the land should preferably be located near the workplace of the target group.

BOX 2
VIEWS OF THE PRIVATE DEVELOPERS CONCERNING AFFORDABLE HOUSING FOR LOW INCOME GROUPS

- Under the new rules, every private housing scheme provides 20% plots of 5 Marla or of the smaller size. Such plots are being sold on the basis of instalments but still the amount is unaffordable for low income people having a salary of Rs.15000-25000 per month.
- Public private partnership can prove to be effective if the land is provided by the government sector preferably near the industrial area/workplace of low income people with access through public transport.
- Public sector should provide incentives in the form of tax reduction on transfer of land for low income housing.

Source: Field Survey

IV. CONCLUSIONS

The private sector has failed in providing adequate and affordable housing/plots for the low income people of Lahore. Compared to the public sector, though the private sector has played a significant role as reflected through 236 housing schemes approved by the LDA, but still it has proved ineffective in catering to the needs of housing for low income people. The plots provided by the private sector remained unaffordable by the target group because of lower supply and high cost of land and infrastructure. The Government will have to come forward and join hands with those private developers who are willing to expedite the pace of providing small but affordable plots for the low income people. This may take the form of equity partnership in terms of land and necessary tax reductions by the public sector and development of infrastructure/project management etc by the private developers.

The 2010 Rules in current state have little potential to help in ensuring provision of affordable housing and hence meeting the housing needs of low income groups. This is because in the absence of any appropriate mechanism, the condition of provision of 20% small sized plots in a housing scheme would never automatically assure that these plots would go in the hands of low income groups. In this regard, the Government will have to devise a mechanism in consultation with private developers.

It may prove useful to ensure that the most of those 20% plots comprise of 3 Marla in size and provided with relatively lower standard of infrastructure services, making them affordable by low income groups. Given the minimum size of a dwelling unit in developed countries (76 sqm or 3 Marla), it can be stated that 3 Marla plot can provide adequate housing or in other words less than 3 Marla plot may not provide adequate housing. Since the cost of plot per Marla in Lahore is increasing day by day, 5 Marla plot would not be affordable by the majority of low income groups. Hence, 3 Marla plot is expected to serve the purpose.

However, the possible locations where such schemes can now be developed in the case of Lahore are far away from the city centre. This in turn will lead to increasing the home to work place distance in case of such schemes in future thus emphasizing the need for effective role of efficient public transport. Finally, like other cities of Punjab, the speculation phenomenon is contributing to pushing up the land prices artificially. The Government should take steps to curb land speculation by imposing taxes on the vacant plots, and by banning sale/purchase of already sold out plots for at least five years. It is good to note that, during the revision of this paper, the Government has recently increased the tax rates on sale/purchase of vacant plots.

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