



**Government of Pakistan
Ministry of Housing and Works**



NATIONAL HOUSING POLICY 2025

SEPTEMBER, 2025

FOREWORD

Housing is more than a basic human need; it thus provides the basis for economic development, social well-being, and national development. Further, an inclusive housing policy provides shelter and fosters human dignity, security, and opportunity for individuals and families. Recognizing the immense importance of housing to sustainable development, this National Housing Policy has been carefully crafted to cater to the emerging needs of a burgeoning population while ensuring equal access to affordable, safe, and resilient housing.

The very formation of this policy is a sign of the government's commitment to giving every citizen a decent place to live. The policy aims to reconcile the demand and supply gap, focusing on affordability, sustainability, and inclusivity. By applying modern construction technology, innovative financing solutions, and environmentally friendly practices, we envision a housing sector that meets the aspirations of all segments of society, particularly those from marginalized communities.

This housing policy supports the national development plans and incorporates the international obligations under the provisions of the SDGs, especially Goal 11 on 'Sustainable Cities and Communities'. It provides a strategy for interventions that prioritize protecting prime agricultural land by adopting an approach that combines compact and vertical development, slum upgrading, urban regeneration, rural housing development, and climate-resilient infrastructure. The policy emphasizes the importance of enhancing public-private partnerships, community-based initiatives, and regulatory reform, thereby creating an environment that enables housing development.

The National Housing Policy aims to reinvigorate collaborative efforts among all stakeholders, including federal, provincial, and local governments, private sector players, civil society organizations, and the general public. The successful implementation of this policy shall hinge on our collective resolve through its effective implementation and continuous adjustment to emerging challenges and opportunities.

We firmly believe that this National Housing Policy will provide a vital instrument for socio-economic growth, improve living conditions, and foster inclusive communities nationwide. Let us work together to build a future in which every citizen has access to safe, affordable, and high-quality housing, where housing is not seen as a privilege for a lucky few, but as a right for all.

National Housing Policy 2025

FOREWORD.....	i
TABLE OF CONTENTS.....	ii
EXECUTIVE SUMMARY.....	iv

1.0

BACKGROUND OF THE NATIONAL HOUSING POLICY

1

1.1 Introduction.....	1
1.2 Situation Analysis.....	2
1.3 Policy Formulation Process.....	3

2.0

STRATEGIC POLICY FRAMEWORK

5

2.1 A Vision Statement.....	5
2.2 Goal and Objectives of the National Housing Policy.....	6

3.0

STRATEGIC THEMES OF THE NATIONAL HOUSING POLICY

7

Theme 1: Land for Housing.....	7
Theme 2: Planning and Development of Intermediate and Secondary Towns	12
Theme 3: Housing Finance.....	14
Theme 4: Construction Services, Technology and Building Materials.....	20
Theme 5: Slums/Katchi Abadis and Squatter Settlements.....	28
Theme 6: Affordable, Rural, Rental and Inclusive Housing	30
Theme 7: Institutional and Legal Framework.....	37
Theme 8: Green, Energy efficient, Climate and Disaster resilient Housing.....	42
Theme 9: Capacity Building and Knowledge Sharing.....	44

4.0

IMPLEMENTATION, MONITORING, EVALUATION, AND REVIEW

46

Annex-I: Working Group to Review and Update the National Housing Policy 2001.....	50
Annex-II: Experts’ Group to Review and Update the National Housing Policy 2001.....	51
Annex-III: List of Provincial Stakeholders for Consultation about Formulation of the National Housing Policy 2025.....	52
Annex-IV: Contributors to the Webinar for Reviewing, and Providing Feedback to the Draft National Housing Policy 2025, Organized by Punjab Affordable Housing Program(PAHP).....	53
Annex-V: Essential Highlights of the Feedback Received From The International Development Agencies.....	54
Annex-VI: Conceptual Case Study of Urban Regeneration and Slum Upgradation in Islamabad	56
Annex-VII: Glimpses of International Best Practices relating to Provision of Affordable Housing.....	62
Annex-VIII: TOKI – The Mass Housing Administration of Turkey A Successful Model.....	67
Annex-IX: GLOSSARY.....	68

Executive Summary

The National Housing Policy 2025 (NHP 2025) outlines Pakistan's commitment to ensuring access to affordable, adequate, and secure housing for all citizens, particularly marginalized and low-income groups. It envisions a nation where dignified housing is treated as a fundamental right and basic human need. The policy aims to create an enabling and inclusive framework for affordable housing development through collaboration among public institutions, private actors, and civil society. Guided by equity, sustainability, inclusivity, transparency, gender responsiveness, disaster resilience, and alignment with broader national development goals such as poverty alleviation and environmental protection, NHP 2025 seeks to address structural barriers that have hindered the housing sector for decades.

The policy was formulated through a participatory and consultative process led by a Working and Experts' Group, supported by development partners. Stakeholders from federal and provincial governments, the private sector, academia, civil society, international development organizations (including The World Bank, Asian Development Bank, JICA, and UN-HABITAT), and housing experts contributed to the policy development through workshops, webinars, and technical sessions. Their feedback, expert reviews, field insights, and international best practices informed the development of successive drafts. As a result, NHP 2025 is designed to be context-sensitive, evidence-based, and aligned with Pakistan's socio-economic realities.

NHP 2025 outlines comprehensive objectives that include increasing the supply of affordable housing, enhancing land tenure security, expanding access to housing finance, supporting rental housing, and upgrading informal settlements. It emphasizes governance reform, regulatory streamlining, and institutional strengthening as essential to these goals. Inclusive in scope, the policy addresses both urban and rural housing challenges, giving special attention to the housing needs of vulnerable groups, including women, persons with disabilities, older people, disaster-affected populations, and low-income households.

Pakistan's acute housing deficit—particularly among low-income people—is attributed to unplanned urbanization, weak land management, limited infrastructure, and inadequate financing mechanisms. These issues have led to the proliferation of informal settlements and declining living conditions, exacerbated by climate risks, inefficient construction practices, and outdated regulatory frameworks. In response, NHP 2025 marks a strategic departure from fragmented, project-based efforts, introducing a unified long-term approach that positions housing as a tool for social justice and economic development.

The policy comprises nine key thematic areas: housing supply and land use planning, land and tenure security, housing finance, public-private partnerships and institutional mechanisms, rental housing, green and resilient housing, rural housing, informal settlements, and housing for vulnerable groups. It promotes the integration of housing with urban planning, supports densification and mixed-use developments, encourages the establishment of land banks, and

calls for the modernization of spatial planning tools. To enhance tenure security, it advocates for the regularisation of informal settlements, the protection of occupancy rights, transparent titling systems, and improved cadastral records, with special attention to women's ownership rights and tenure security for marginalized populations.

In housing finance, the policy identifies affordability and access as critical issues. It recommends expanding financial instruments tailored to low- and middle-income households, including interest subsidies, risk-sharing mechanisms, and microfinance solutions. It also promotes Islamic finance, digital financial tools, and stronger partnerships with financial institutions. Complementing home ownership, the policy supports the development of formal rental markets through legal and fiscal incentives, tenancy protections, and affordable rental schemes for workers, students, and vulnerable groups.

Recognizing the private sector's central role, the policy supports public-private partnerships through regulatory incentives and streamlined approval processes. It calls for institutional reform to clarify roles, improve coordination, and strengthen local capacities. The establishment of a National Housing Council is proposed to oversee implementation, ensure accountability, and provide a platform for ongoing stakeholder engagement and collaboration.

Given the growing risks from environmental degradation and natural disasters, the policy emphasizes green and resilient housing. It encourages energy-efficient design, climate-adaptive construction, and retrofitting of vulnerable structures. Rural housing is addressed through community-led approaches, the use of local materials, and improved access to services and infrastructure. To address informal settlements, the policy favours in situ upgrading with participatory planning, infrastructure investment, and service delivery, discouraging forced evictions in favour of negotiated solutions that maintain community cohesion.

Finally, NHP 2025 outlines a phased implementation plan with clearly defined institutional responsibilities, strategies for resource mobilization, and capacity-building measures. Provincial and local governments are expected to develop aligned housing action plans. A monitoring and evaluation framework with key performance indicators is proposed to ensure transparency, accountability, and adaptive learning throughout the policy lifecycle.

In conclusion, the Draft National Housing Policy 2025 offers a bold and inclusive roadmap to confront Pakistan's housing crisis. It places housing at the centre of the national development agenda and presents a coherent, participatory, and future-ready framework to achieve the policy goal of housing for all.

CHAPTER 1 - BACKGROUND OF THE NATIONAL HOUSING POLICY

1.1 Introduction

Housing is one of the basic human needs. The Universal Declaration of Human Rights (proclaimed by the UN General Assembly on December 10, 1948) asserts the provision of housing and other social services as fundamental human rights. Therefore, national governments are responsible for acting as facilitators and creating an environment that facilitates the provision of housing to their citizens. The provision of housing, particularly for low and middle-income strata of the society, could not attract the proper attention of the regimes in Pakistan on account of the lack of resources. However, it is essential to mention that since the outset of development planning in Pakistan, housing and settlements have been a vital ingredient of the five-year plans. Pakistan's urban and housing policies, other than those in standalone reports, are usually reflected in its five-year plans.

The existence of a policy on a particular socio-economic realm reflects the solemnity of the regime. Pakistan's first national housing policy was formulated in 2001, about 53 years after her emergence as an independent country in 1947. The same policy remained in vogue for the last 24 years till the beginning of 2025.

In the wake of the 18th Amendment to the Constitution of Pakistan, housing has become a provincial subject. However, in line with international practices, such as those in Canada, Australia, and India, to mention a few, where housing is a provincial subject, the federal Governments play a vital role through the formulation of national housing policies, funding initiatives for affordable housing, and coordination among provinces. The housing policy formulated by the Federal Government is a broader framework, and the states/provinces/councils are independent in tailoring their own policies in the light of the national framework in accordance with their own peculiar contexts, such as housing demand, geographical location, type of housing, and design of the dwelling units/apartments, etc.

The most pressing backdrop for formulating a national housing policy is the urgent and undeniable impact of Climate change, a reality experienced by many countries worldwide, including Pakistan. The latest report by the Germanwatch Climate Risk Index 2025 places Pakistan among the top 5-8 most vulnerable countries facing the brunt of climate change in the form of floods, droughts, heatwaves, and other extreme weather events.

A well-articulated housing policy, developed in consultation and coordination with the provincial governments, and implemented with dedication, has the potential to effectively adapt the urban and rural development to climate change, mitigating its adverse effects.

However, the daunting challenge of providing adequate, safe and affordable housing has increased manifold. The situation has reached a critical point, necessitating an immediate review of the existing National Housing Policy 2001, the identification of gaps and weaknesses in the proposed strategies and implementation frameworks, and amendments to achieve the desired goals and objectives related to the housing sector.

1.2 Situation Analysis

Pakistan, with a population of 241.5 million, as per the latest census of the year 2023, ranks in the top 5th in the world in terms of population. The 1st population census in Pakistan was conducted in 1951 with a population of 33.7 million, so there was a sevenfold increase in population between the 1st and the last census. Likewise, cities in Pakistan have witnessed an accelerated pace of urbanization. The average annual population growth rate in urban areas is 3.67% compared to 1.88% of the rural population growth rate. The data reflects that the urban population growth rate (3.76%) is even higher than the country's overall population growth rate (2.55%). The urban population was 36.44% in 2017 and 38.88% in 2023.

Interestingly, in Islamabad, the Federal Capital, there has been a continuous decline in the urban population share from 65.7% in 1998 to 50.37% in 2017 and 46.91% in 2023. One possible reason is the shifting of the population to suburbs, which causes an increase in the percentage share of the population in rural areas. This also reflects the phenomenon of urban sprawl, a rapid and unplanned expansion of urban areas, and the invasion of development in the rural area of Islamabad, which leads to the conversion of agricultural land into residential and commercial areas.

The Census 2023 data reveals a significant increase in households across all provinces during these six years. The most notable surge is in Khyber Pakhtunkhwa, with a substantial 33% rise, followed by Baluchistan, with a 31% increase, and Islamabad, with a 22% growth. This data underscores the profound demographic shifts taking place in Pakistan. The average household size in Pakistan has also seen a slight decrease from 6.39 to 6.30 persons, reflecting a broader trend of increasing nuclear households and a reduction in household size in provinces, except in Sindh, where the household size increased from 5.55 in 2017 to 5.65 in 2023.

As per the 2017 Census, there were 31,915,884 households in Pakistan, and 82.14% (26,215,418) of the total households were residing in owned houses, while only 11.53% were residing in rented houses. The Census 2023 data reveals that there is an increase of about 20% in the number of households, with a slight decrease in house ownership, and it stands at 81.91%. It reflects a decrease of 0.23% in house ownership. The percentage of households living in rented houses increased from 11.53% in 2017 to 11.87% in 2023. However, the data also shows that the trend of house ownership remains stable.

Natural population growth in conjunction with urbanization exerts pressure on urban infrastructure and services, including housing - one of the key components. The massive demand for housing and meagre supplies, particularly in cities, has aggravated the problem. The housing shortage in the country's urban areas is estimated to be 9 million. Because of these circumstances, about 50% of the urban population finds no other way but to reside in slums and Katchi Abadis.

1.3 Policy Formulation Process

The forethought and sagacity of the current ruling regime attached enormous concern to having an updated housing policy to successfully handle the most challenging housing issue in both urban and rural contexts. The policy formulation process began with the review of the existing policy, i.e. Housing Policy 2001. A rigorous review of the existing policy revealed that it discussed the usual urban issues such as housing shortage, paucity of housing finance, unchecked growth of slums and squatter settlements/ Katchi Abadis, the inadequacy of affordable housing schemes, increasing inflation and skyrocketing building materials & construction costs. However, it became clear that these issues require more than just identification-they demand innovative approaches and tools to tackle the housing issues, underscoring the need for creativity and forward-thinking in policy formulation. The previous housing policy is notably deficient in several crucial areas that merit immediate attention:

- The promotion of compact, mixed-use, and high-rise housing developments to optimize urban space and foster vibrant communities.
- Innovative initiatives for land pooling and joint ventures that leverage collective resources for greater impact.
- A strong emphasis on the development of green, energy-efficient, climate-resilient, and disaster-proof housing solutions to protect our environment and communities.
- Encouragement for the corporate sector to take an active role in providing housing facilities for their employees, thereby enhancing workplace satisfaction and retention.
- Expansion of public and private rental housing options to accommodate the diverse needs of our population.
- Support for corporate citizenship initiatives that allow businesses to contribute to the provision of low-income housing for the community.
- The establishment of a dedicated fund to facilitate land banking, providing essential seed money to kick-start transformative housing projects.
- The establishment of data banks for availability of authentic and up-to-date data relating to housing
- Robust frameworks for implementation, monitoring, and evaluation to ensure accountability and effectiveness in housing strategies.

Addressing these areas can lead to a more comprehensive and impactful housing policy that meets the needs of all citizens

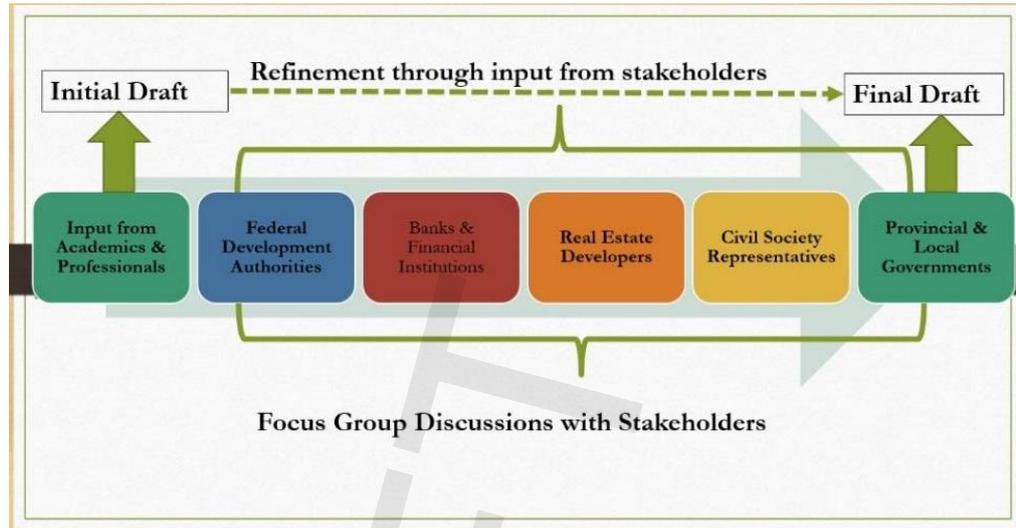


Figure 1: Policy Formulation Process

The Ministry of Housing & Works, Islamabad, constituted a ‘Working Group’ (**Annex-I**) and an ‘Experts’ Group’ (**Annex-II**) to review and update the National Housing Policy 2001.

As shown in Figure 1, the policy formulation process began after reviewing the existing Housing Policy 2001 and engaging in brainstorming sessions with academics and professionals. The input from these stakeholders was not just valuable, but integral to the process, helping identify strategic themes/subject matter relating to the housing policy and prepare the initial draft of the housing policy. It followed a series of focus group discussions with key stakeholders. The initial draft of the National Housing Policy 2025 was shared with the following key provincial stakeholders for their valuable feedback/suggestions (**Annex- III**).

The valuable feedback and suggestions on the National Housing Policy 2025 were received from a webinar organized by the Punjab Affordable Housing Program (PAHP) – a project funded by the World Bank. The webinar was held on the 13th of April 2025, and several acknowledged professionals representing the provinces, the private sector and the government, including urban planners, policy experts, engineers, architects, and developers, participated in the webinar (**Annex-IV**). Moreover, the professional and practical comments were received from the experts of International Development Agencies, such as The World Bank, Asian Development Bank (ADB), UN-HABITAT and Japan International Cooperation Agency (JICA) (**Annex-V**). Their invaluable suggestions, which have been incorporated in the refined and final draft of the National Housing Policy 2025, have significantly shaped the policy, making their contributions truly significant.

CHAPTER 2: STRATEGIC POLICY FRAMEWORK

2.1 The strategic framework acts like a beacon of light and provides guiding principles for formulating the National Housing Policy. It requires crafting a thoughtful vision, goals, and objectives around which the policy revolves. The brainstorming sessions with the key stakeholders helped craft the housing policy's vision statement, goal and objectives. The framework aspires to shape a resilient, inclusive, and affordable housing system across both urban and rural Pakistan.

Vision Statement: “Enable and deepen the housing market to deliver and ensure access to adequate, affordable, and sustainable housing for all”

The fate of a country's future lies in the well-being of its citizens, and housing is the foundation of a decent and prosperous society. This vision reflects our unwavering commitment to ensuring every individual and family has access to a safe, affordable, climate resilient, and environmentally friendly home.

Adequate housing helps prevent overcrowding, promote public health, and meet the increasing housing demand due to rapid urbanization and natural population growth in Pakistan's urban and rural areas. Adequate Housing also embodies the following:

- Adequate location: access to mobility (economic networks) and markets
- Access to Physical Networks: water, sanitation, electricity, sustainable drainage, roads, streetlights, etc.
- Access to Social Networks: educational, health, recreation, & culture
- Access to safe Land: tenure security, non-hazardous and resilient site
- Access to suitable Housing: adequate building size, material, and structure; cultural adequacy

Affordable housing ensures that families, especially those from low and middle-income groups, have access to housing that is affordable within their means, as shelter is a cornerstone of social integration and economic advancement.

Sustainable housing requires eco-friendly design, energy efficiency, and climate change adaptation. It incorporates green building standards, innovative technologies and efficient land use to reduce environmental impact while enhancing resilience and liveability.

Our vision is not just a policy statement; it's a promise to build strong, flexible, and equitable communities. We are committed to ensuring every resident has a home to return to. Through innovation, good governance, and most importantly, public-private

partnerships, we are working towards making this vision a reality. Our goal is to ensure that housing is not a right of the privileged but a fundamental universal right for all.

2.2 Goals & Objectives of the National Housing Policy:

The "Goal" and "Objectives" of the housing policy are given below.

Goal: “Ensure access to climate-resilient, adequate, affordable, and sustainable housing, particularly for low- and middle-income groups in both urban and rural areas in Pakistan.”

The key **objectives** of the national housing policy are specified as follows:

- i. To increase the supply of adequate housing for all income groups to cope with the existing housing deficit of 9 million housing units and the recurring demands by the year 2050.
- ii. To promote efficient land utilization through compact, mixed-use, medium - to high-rise vertical development, embodying Transit-oriented Development (TOD), to curb urban sprawl and conserve arable agricultural land.
- iii. To enhance housing finance systems, making them more affordable and accessible for ordinary citizens and developers, especially those working for underserved groups.
- iv. To promote the construction of housing that is climate-adaptive, disaster-resilient, and energy-efficient, adhering to sustainable design standards and green certification protocols
- v. To initiate efficient utilization of land in built-up areas, including slums and Katchi Abadis, and informal settlements often lacking basic services and infrastructure.
- vi. To effectively tackle the issue of land speculation and the prolonged non-development of plots intended for housing
- vii. To promote knowledge sharing and capacity building relating to the housing sector at the federal, provincial and local levels

The National Housing Policy 2025, a response to Pakistan's deep-rooted housing crisis, is built around nine (09) critical themes identified in the brainstorming sessions with key stakeholders. Each theme encapsulates a significant subject matter along with a set of allied housing issues. The following passages delve into each theme's issues and suggest policy measures to overcome them.

3.1 Theme 1: Land for Housing

3.1.1 Issues

3.1.1.1 Land- A Scarce Resource- in Conjunction with Urbanization

Land, a precious, scarce, and non-renewable resource, is particularly under immense pressure in the urban context due to rapid urbanization. Cities in Pakistan, like those in other developing countries, are experiencing a rapid pace of urbanization, leading to a massive demand for housing. This demand is needed to serve the needs of our expanding population, particularly for low and middle-income urban populations.

Therefore, efficient land utilization is indispensable for all urban uses, including housing. Modern urbanism offers curative measures in the form of compact and high-rise development embodying a mixed land use pattern. Such development provides an increased number of housing facilities over a comparatively small parcel of land and work opportunities in proximity to the living area, offering a promising solution to our housing challenges.

The accelerated urbanization rate in Pakistan with an annual urban growth rate of 3.67% also puts great pressure on agricultural land in the peri-urban areas in the major cities of Pakistan. The urbanization attracted by the concentration of development activities in the major cities of Pakistan possessing fertile agricultural land is eating away its food basket, leading to food security issues. It necessitates preserving fertile land and utilizing available land resources efficiently for various land uses, including housing. A low-rise and horizontal development with single or double-storey dwellings need to be eschewed to rescue agricultural land that is being exploited relentlessly and converted into built-up area. Compact and medium to high-rise development, including condominiums, is a viable approach to housing demand. This approach will help efficiently utilize precious land, stopping the urban sprawl and preserving the prime agricultural land, a prerequisite for our food security.

3.1.1.2 Exorbitant Land Prices

Land prices within cities/towns and nearby are expensive to match the affordable housing requirement. Thus, purchasing high-priced land at competitive market rates makes it quite challenging for the developers to provide low-cost and

affordable housing for the masses. Moreover, holding land for speculative purposes further adds to the issue of exorbitant land prices.

3.1.1.3 Illegal Occupation & Poor Enforcement:

The illegal occupation of precious government and private land limits its availability for housing development. Poor enforcement on the part of regulatory bodies due to collusion with the land encroachers may be one of the major reasons.

3.1.1.4 Under-utilization of Government land:

The government land within and outside the major urban centres is either poorly utilized or vacant without any use and thus vulnerable to encroachment. Properly utilizing this precious land may provide the government with an optimal revenue generation option and affordable housing for the masses.

3.1.2 Policy Measures

3.1.2.1 Employing the Land Banking Approach

The regulatory regimes at all levels (federal/provincial/district/local) should utilize the 'Land Banking' tool to make land parcels available for affordable housing for the population's low- and middle-income strata. A detailed and accurate record of potential patches of land suitable for affordable housing should be available with the regulatory regimes, and such land parcels should be purchased or acquired at market rate by employing 'The Land Acquisition Act, 1894' well advance in time. It should align with the information about the future growth trends of towns/cities provided in the outline development plans/structure plans or spatial plans of the towns & cities. The federal and provincial governments should institute funds to ensure land purchase and procurement for low-cost and affordable housing.

3.1.2.2 Land Pooling by Engaging the Small Landowners

The landowners in possession of small land parcels in the vicinity of towns/cities need to be engaged in housing activity through 'Land Pooling' – a planning strategy to organize and unify small land owners to amass enough land suitable for apartment/housing scheme purposes. This approach ensures that the land owners are shareholders in the housing activity and can benefit from their equity. The concerned development authorities and local government departments should attractively engage the small land owners to make land available, particularly for cheap and affordable housing.

3.1.3 Growth Boundaries and Green Belts

3.1.3.1 Issues:

Most of the towns and cities in Pakistan do not have designated growth boundaries. In a planned and formal set-up, green belts of a certain width and area are usually provided around the city/town to earmark city limits for containing development within the limits. However, in Pakistan, very few cities have employed this planning tool in their Master plans or Outline Development Plans. Its consequences are being born in the shape of sprawled and uncontrolled linear development. The absence of growth boundaries makes scarce, precious, green raw land readily available for development within cities and peri-urban areas. It causes hindrance to achieving the goals of compact development and efficient utilization of land.

3.1.3.2 Policy Measures

The planning instruments such as Outline Development Plans (ODPs), Structure Plans, Spatial Plans and Regional Development Plans must define the growth boundaries of respective cities/towns based on the scientific prediction of future growth directions and urbanization trends. The growth boundaries could be time-bound and must be widened and redefined once the objective of efficiently utilizing land and achieving compact development has materialized within the previously defined boundaries.

Green belts around cities should be provided to define the city limits and growth boundaries. They should serve as food baskets to cater to the needs of nearby cities. The green belts should also be used for recreational purposes for citizens, such as open spaces/country parks, joy lands, and theme parks.

The Project Management Unit, Local Government & Community Development Department, Govt. of Punjab, while preparing District Land Use Plans, has suggested providing a 'Ring Road' at the periphery of the next 20-year growth limit instead of a green belt. It has been assumed that this hard infrastructure feature will serve as a physical growth boundary and help enhance connectivity and manage traffic congestion. This approach has been recommended and incorporated into land use plans of almost all 300 cities and towns of the Punjab Province. However, it is highly recommended through the National Housing Policy 2025 that a buffer zone in the shape of a green belt with a minimum width of 2 km on each side of the proposed 'Ring Roads' must be provided; otherwise, the proposed 'Ring Roads' will cause ribbon development in the form of commercial activities on both sides of the proposed roads. Without green belts, the ring roads' land on both sides of the roads will be colonized, leading to ribbon development and urban sprawl.

The other relevant suggested policy measures include:

- i. ***Allow flexibility in urban extensions.*** Define flexible urban containment boundaries tied to annual housing targets; enable well-justified urban extensions or land swaps for affordable housing.
- ii. ***Avoid green-belt-induced sprawl.*** Make green buffers legally enforceable and complement them with Transit-Oriented Development.
- iii. ***Rezone with density/infill incentives.*** Promote density and mixed-use growth within urban boundaries; incentivize redevelopment and reuse of underutilized urban land with low-cost approaches (e.g., walkups to avoid elevator installation, operation, and maintenance costs).
- iv. ***Establish monitoring systems.*** Track land prices, vacancy rates, and new housing construction across segments (e.g., geographic boundaries, ownership vs rental, and low vs mid-market).

3.1.3 Land Hoarding and Speculation

3.1.1.1 Issues

Although land hoarding and speculation may induce monetary benefits for investors, they generate negative externalities in terms of idle land that neither provides housing nor agricultural produce. They have been observed as one of the factors inflating land prices and making affordable housing unavailable, underscoring the need for immediate policy measures.

3.1.1.2 Policy Measures

Land hoarding and speculation in housing schemes need to be discouraged. Not only individual investors but also the big developers indulge in land hoarding and speculation. It necessitates that the regulatory authorities devise well-defined specific rules and regulations to penalize the owners of plots in housing schemes that are not built within a given construction period. Similarly, land developers who cannot develop housing schemes within the stipulated timeframe must be severely penalized. The regulatory measures to dispel hoarding and speculation are levying substantial non-utilization charges after a certain period, i.e. three or five years. Open file systems in any housing scheme should be discouraged.

Taxation can shift incentives from hoarding land to other productive uses. Various taxes could help discourage land hoarding and speculation, such as progressive annual taxes on property and vacant plots, a capital gains tax on real estate, and a betterment levy (also known as a value capture tax).

3.1.4 Land Consolidation and Comprehensive Land Information Systems

3.1.4.1 Issues

Shortfalls in land consolidation and inadequacy of comprehensive land information systems give birth to many land ownership issues. Although several initiatives in various ruling regimes in Pakistan have been taken for land consolidation and the institution of land record information and management systems, there is still a long way to go to achieve the goal of an accurate and dependable system. The lack of land consolidation in urban regions in general and particularly in Islamabad and Pothohar region, is a significant cause of land disputes and sham land records, making it very challenging to have a compact chunk of land available for housing purposes that is free from all sort of encumbrances.

3.1.4.2 Policy Measures

The current state of affairs calls for urgent action to establish independent land record information and management authorities at federal and provincial levels by employing the latest technology measures like geo-tech mapping and tagging, etc. Another option is to outsource the land record information and management system to a third party. Then, it may also be resolved through a public-private partnership arrangement.

3.2 Theme 2: Planning and Development of Intermediate & Secondary Towns

3.2.4 Introduction

Intermediate and secondary cities are crucial for balanced and sustainable urban development. The major cities usually face the challenges of traffic congestion, pollution, slums, Katchi Abadis/squatter settlements, etc. The development of intermediate and secondary cities is a panacea for the above-mentioned issues in the major cities.

The balanced regional development, creation of jobs, diversification, and equal distribution of industrialization, keeping in view the raw materials specific to various areas of the region and access to better urban services, amenities, and facilities to the wider population of the region, call for the development of intermediate and secondary towns.

Urbanization plays an essential role in shaping the development of intermediate and secondary towns, acting as a catalyst for economic growth, infrastructure expansion, housing supply, affordable housing infrastructure and social transformation. Unlike planned urban expansion in countries like China, where secondary cities such as Shenzhen have been transformed into economic powerhouses through strategic policies, Pakistan has witnessed haphazard urban growth concentrated in a few megacities such as Karachi, Lahore, Faisalabad, and Islamabad. Accordingly, the housing sector within these mega cities remained trapped within hyperactive land prices and labour and material costs. Multiple studies conducted within Pakistan and worldwide also validate a strong and positive correlation between higher housing infrastructure costs and higher reliance on mega cities.

3.2.5 Importance of Strategic Urbanization

Without comprehensive strategic intervention, Pakistan's urbanization process will continue to be a burden rather than an asset for the housing sector. Unchecked urban sprawl will strain infrastructure, increase environmental degradation, and widen social inequalities. On the contrary, countries that have adopted well-structured urbanization strategies, such as India's Smart Cities Mission or Vietnam's secondary city development approach, have successfully decentralized economic growth, ensuring balanced urban expansion, improved quality of life, and basic human needs, including decent housing for all.

For Pakistan to harness the potential of urbanization, it must move beyond reactive policies and embrace a proactive, evidence-based approach that fosters

sustainable, inclusive, and resilient development. This would provide a conducive growth environment for intermediate and secondary towns.

3.2.6 Suggested Policy Measures

A. Adoption of an Evolutionary Urbanization Approach:

- i. Promote the gradual transformation of rural settlements into urban centres.
- ii. Upgrade small towns systematically to intermediate and secondary towns.

B. Balanced Urban Growth Strategy:

- i. Implement policies to control urban sprawl in large cities.
- ii. Encourage decentralized urbanization to distribute population pressure evenly.

C. Reform in Urban Policy and Planning:

- i. Develop integrated national and provincial urbanization policies that address hidden and lopsided urbanization.
- ii. Establish clear criteria for defining urban areas based on functional characteristics rather than administrative decisions
- iii. Strengthen and empower local governments to manage urban growth efficiently
- iv. Ensure adequate financial and institutional support for municipal services development and management.

D. Investment in Infrastructure and Services:

- i. Prioritize providing basic urban services such as water, sanitation, and transportation in small and medium-sized towns.
- ii. Encourage public-private partnerships for sustainable urban infrastructure development.
- iii. Generate economic activities by establishing industries and universities to develop intermediate and secondary towns
- iv. Align urban development strategies with Sustainable Development Goal 11 (SDG11) to create liveable, resilient, and sustainable cities
- v. Incorporate climate resilience measures into urban planning.

By adopting these recommendations, Pakistan can transition from its fragmented urbanization model to a more structured and sustainable urban development framework, fostering economic growth and social stability. Further, developing risk-sensitive and inclusive planning solutions for intermediate and secondary towns is crucial to managing rapid urbanization sustainably. By incorporating climate resilience, community participation, and affordability, governments can ensure a balanced and sustainable urbanization process, aligning with SDG 11 (Sustainable Cities and Communities)

3.3 Theme 3: Housing Finance

Access to high-quality, affordable housing is critical for social equity, economic stability, and resilient communities. *Housing affordability* refers to households' ability to meet housing costs without financial stress, while *affordable housing* typically denotes government-supported options for low-income groups. Clear distinctions between these concepts allow policymakers to design targeted interventions, including financing mechanisms, subsidies, and regulatory frameworks, to expand supply and improve accessibility for all households.

The following key issues are urgently highlighted in the context of housing finance, demanding immediate attention and action.

3.3.1 Key Issues

- i. **Housing Affordability:** It is a complex issues. Generally housing is considered affordable if the monthly rent or mortgage instalment does not exceed 30% of household income, so that essential needs such as food, education, and health are not compromised (HBFC, 2024). However, income-to-expense ratio (IER) rule has its limitation and does not reflect Pakistan's realities. Housing Affordability must instead be assessed using multi-criteria decision making (MCDM). Comprehensive 'Housing Affordability Assessment Framework (HAAF)' should integrate household composition and size. Household income variability, geographic location, and non-housing expenditure should also be considered. One of the most reliable methodologies for measuring housing affordability, as advocated by the World Bank (2023), is REM –Residual Expenditure Methodology.
- ii. **Poverty and Exclusion:** The poverty threshold indicates that more than 44 percent of Pakistani population lives below the poverty line. This extremely poor segment requires customized housing finance products. They require housing pathways linked to social protection and tailored financial instruments such as shared ownership schemes, incremental loans, and serviced plots.
- iii. **Low mortgage penetration:** Only around 2% of housing transactions involve the formal financial sector, the lowest rate in the region.
- iv. **High cost of borrowing:** Lending rates remain prohibitive for most low- and middle-income households.
- v. **Weak foreclosure laws:** poor implementation deters financial institutions from extending housing loans.

- vi. **Inadequate focus on low- and middle-income groups:** Short tenors (3–5 years) at market rates make repayment unaffordable.
- vii. **Informal & undocumented income** – and cash-based markets are not recognised within traditional and conventional lending frameworks. As a result, housing finance lenders, mortgage and housing finance systems exclude informal earners. Also, low- and middle-income groups struggle to get housing finance through mainstream banks or lenders.
- viii. **Institutional Weakness:** there is a need to re-introduce human centric approach to banking and lending system. Allowing banks, lenders and financial institutions greater autonomy to innovate and facilitate everyone without discrimination.
- ix. **Regulatory gaps:** A lack of protection for buyers and a weak framework for developers/builders.
- x. **Complex registration and approvals:** Real estate processes remain lengthy, costly, and opaque.
- xi. **Weak land record systems:** Manual handling of land titles leads to disputes and restricts mortgage financing.
- xii. **Disaster Vulnerability:** Post-disaster housing finance (PDHF) is absent from current housing affordability frameworks. A well-structured, sustainable and affordable mechanism is urgently required to support households in rebuilding safely after natural disasters.
- xiii. **Marginalised Groups:** Gender equality, homeless population, vulnerable women with kids, orphan and socially excluded groups remain absent and have no access to current housing finance pathways.
- xiv. **Taxation challenges:** High transaction taxes and inconsistent property valuation practices.

3.3.2 Policy Measures

The following policy measures are suggested to significantly improve access to housing finance and ensure that solutions are inclusive, sustainable, and responsive to diverse housing needs, offering a promising outlook for the future.

A) Offering Diverse Loan and Non-Mortgage Products

- i. Flexible and small loans with affordable interest rates should be introduced to support incremental home building or improvement.
- ii. Micro-financing options tailored for low-income households through local NGOs and microfinance institutions with proven community-level experience.
- iii. Fixed-term loans of 10, 20, and 30 years for long-term affordability.
- iv. Reintroduce mark-up subsidies for low-cost and affordable housing, targeted strictly at verified low-income households through a credible database.
- v. Prioritise first-time home buyers with affordable, low/fixed interest rate loans (10–30 years) and lower tax obligations.
- vi. Support for community savings schemes and cooperative housing finance, where the government can provide matching grants or guarantees to amplify community-led initiatives.
- vii. Committees (ROSCAs): The committee system, formally known as Rotating Savings and Credit Associations (ROSCAs). Elevate the committee system as the primary low-income finance mechanism, and formalise it through digital platforms, escrow management, and integration with micro-mortgage and incremental housing products.
- viii. Encourage site-and-services schemes with loan packages tied to land development and basic infrastructure, enabling families to build progressively.
- ix. Explore financing options for public/social housing initiatives, particularly at provincial and municipal levels, to build a stock of affordable rental housing.

B) Strengthening Housing Finance Institutions & Mortgage Mechanisms

- i. Establish an Apex Housing Finance Institution to coordinate housing finance policies, regulations and programmes.
- ii. Introduction of Mortgage Bonds for easier access to long-term funding.
- iii. Expand the role of microfinance banks, cooperatives, and non-profit organisations in housing finance delivery.
- iv. Develop end-user financing models for apartment and community-based projects.
- v. Require banks to allocate at least 10% of their private sector credit portfolio to housing and construction.
- vi. Strengthen the Pakistan Mortgage Refinancing Company (PMRC) with budgetary support and collaboration for subsidised credit facilities.
- vii. Develop a comprehensive risk management framework (e.g., mortgage insurance, takaful, credit guarantees) to protect lenders and borrowers.
- viii. Real Estate Investment Trusts (REITs) – needs to be strengthen as a capital-market tool. Particularly, for PPP backed affordable rental projects and mixed-use schemes, underpinned by government guarantees.

- ix. Introduce innovative mortgage products catering to all income groups, including:
 - a. Incremental housing loans
 - b. Community-based housing pools (NGOs, cooperatives, groups)
 - c. Subsidised rental housing schemes
 - d. Takaful-based housing insurance
 - e. Help-to-buy equity loans for first-time buyers
 - f. Fixed-for-life mortgages
 - g. Green mortgages
 - h. Buy-to-let mortgages
 - i. Offset mortgages (linked to savings accounts)
- x. Collaborate with developers and cooperatives to integrate mortgage financing options directly into new housing projects.
- xi. Develop digital mortgage platforms using blockchain for transparency and secure record-keeping.
- xii. Establish a Real Estate Regulatory Authority (RERA) to regulate the sector, monitor developers/agents, streamline approvals, and ensure consumer protection. RERA should also oversee financial practices to safeguard against predatory lending.
- xiii. Introduce a standardised housing warranty system that obligates developers and builders to provide minimum structural and construction quality guarantees, ensuring consumer confidence in financed housing.

C. Inclusion of Marginalised Groups and the Extreme Poor

- i. Develop tailored products to provide low-entry, low-risk housing pathways for the extremely poor.
- ii. Link these approaches with the social protection programmes such as Benazir Income Support Programme (BISP) and Ehsaas.
- iii. Customized housing finance products to marginalize and homeless groups. Consider extended transitional social housing finance for women-headed households, excluded communities and orphans.

D. Institutional Reform

- i. Re-engineer the Pakistan Mortgage Refinance Company (PMRC) into an Apex Housing Finance Institution offering refinancing, standardized product design, and secondary mortgage market facilitation.
- ii. Risk-sharing guarantees can be introduced to encourage bank participation. Directed lending quotas, however, should be avoided.
- iii. Establish Real Estate Regulatory Authority (RERA) to oversee and facilitate housing developers, estate agents, housing finance practitioners. Ensuring consumer protection and transparency.

E. Market Safeguards and Climate Alignment

- i. Introduce Ex-Ante price impact assessment before introducing any credit or subsidies programme
- ii. Introduce anti-speculation measures such as holding periods and resale restrictions must accompany subsidy-supported housing.
- iii. Monitor house-price-to income-ratio. Publish housing reports annually
- iv. **Standardised Housing Warranty System** – Mandate developers/builders to provide minimum structural and construction quality guarantees for all financed housing units. It will safeguard buyers against defects and improve consumer confidence in the formal housing market.
- v. **Ring-Fenced Disaster Housing Fund** – Establish a dedicated, transparent fund to support housing recovery in the aftermath of natural disasters. This fund should be complemented by mandatory mortgage cover and long-term buyer warranties, ensuring families are not left without shelter or protection in times of crisis

G. Post-Disaster Housing Finance and Risk Management

- i. Concessional Finance Windows – establish a dedicated post-disaster housing finance (PDHF) windows operation. Introduce a simplified and rapid approval strategy that can be managed through microfinance institutions and commercial banks.
- ii. Climate-Resilient Standards – Link all disbursements to climate-adaptive and resilient construction standards. Ensure that housing re-building and construction aligns with ‘build back better’ rules. Provide application and technical support to households to meet these standards.
- iii. Affordable Housing Insurance – introduce affordable housing insurance schemes. Include Takaful based models, with integrated premium support for elderly, vulnerable and low-income households.
- iv. Housing Recovery Reserve – create a federal anchored co-financed Housing Recovery Reserve. Providing support to provinces and local governments in injecting liquidity after declared disasters.
- v. Institutional Coordination and Data Sharing – formalise collaborative system between the National Disaster Management Authority (NDMA), Provincial Disaster Management Authorities (PDMAs), local housing authorities, and lenders. Improve transparency and accountability by introducing GIS-based verification systems and grievance redress mechanisms.

H. Climate Sensitive - Green Finance

- i. Mandate and pilot Green Affordable Mortgages to support and incentivise eco-friendly and energy-efficient
- ii. Introduce finance to low-cost alternative materials, sustainable construction technologies.
- iii. Link subsidies to resilient and energy efficient standards for compliance.

DRAFT

3.4 Theme 4: Construction Services, Technology and Building Materials

3.4.1 Introduction

Housing construction services, technology, and building materials vary depending on the region, availability of materials, climate, and other related factors. National Housing Policy aims to provide a framework for developing affordable, sustainable, high-quality housing in Pakistan. This policy promotes self-sufficiency by reducing reliance on imported materials, technologies, and services by adopting locally sourced building materials, indigenous construction techniques, and home-grown innovations. Importantly, the policy emphasizes income-sensitive benchmarks to ensure that regulations do not exclude the poor, while promoting inclusivity, gender sensitivity, and community-based solutions. By enhancing efficiency in construction services, encouraging climate-resilient technologies, and strengthening the local supply chain, the policy seeks to lower housing costs, minimize environmental impact, and improve structural durability. Additionally, it aims to build a skilled workforce, enforce strong regulatory mechanisms, and incentivize private sector participation, ensuring a resilient, self-reliant, and inclusive housing sector that meets the needs of present and future generations.

The following paragraphs discuss various aspects and issues and suggest policy measures relating to the theme.

3.4.2 Affordability

3.4.2.1 Issues:

High housing costs make accessing adequate housing complex for low and middle-income groups. The reliance on expensive imported materials, outdated construction techniques, and costly labour contributes significantly to these expenses. Inefficient construction processes and high land costs further exacerbate affordability challenges. There is a strong need for cost-saving strategies in material selection, construction methods, and service delivery to make housing more accessible. Additionally, overly stringent or poorly balanced standards may exclude low-income households and drive them into informal housing solutions, and there is a need to develop income-sensitive benchmarks and supportive regulations that safeguard affordability, while ensuring safety and sustainability without forcing households into informality.

3.4.2.2 Policy Measures:

- i. Promote cost-effective and locally available construction materials through government incentives and research investment.
- ii. Promote using Building Information Modelling (BIM) and digital tools for cost efficiency.
- iii. Promote community participation in the development of infrastructure and construction of buildings.
- iv. Support community-based cooperative construction models that lower costs and improve access.
- v. Prioritize technical assistance to support sustainability and building code compliance
- vi. Implement a progressive property tax system based on house size and occupancy, with additional revenues directed toward affordable housing initiatives.

3.4.3 Sustainable and Climate-Resilient Building Practices

3.4.3.1 Issues:

Construction practices in Pakistan often rely on energy-intensive materials and inefficient building techniques, leading to significant environmental impacts and increased vulnerability to climate change. Traditional brick production, for example, relies heavily on Fixed Chimney Bull's Trench Kilns (FCBTKs), which emit large amounts of carbon dioxide and air pollutants, contributing to poor air quality and greenhouse gas emissions. To address these challenges, it is essential to integrate sustainable construction practices in the housing sector that prioritize energy efficiency, low-embodied energy materials, and climate-resilient design, ensuring long-term environmental and economic sustainability.

3.4.3.2 Policy Measures:

- i. Prioritize sustainable materials like recycled and low-embodied energy alternatives.
- ii. Implement regulations and financial support for upgrading brick kilns to cleaner technologies like Zigzag Technology.
- iii. Encourage sustainable cement production by promoting alternative low-carbon cement, improving energy efficiency in manufacturing, and supporting research on eco-friendly cement alternatives.
- iv. Integrate energy-efficient technologies such as insulation, passive cooling, and solar panels with some incentives (Financial & Regulatory).

- v. Mandate climate-resilient building techniques to withstand extreme weather events.
- vi. Promotion of modern building technology through import substitution and set up of industries in Economic Processing Zones.
- vii. Development and upgradation of the building code by the Pakistan Engineering Council regularly.
- viii. Create a nationally recognized green certification program for buildings that meet specific sustainability criteria.
- ix. Establish a monitoring and reporting system to track the adoption of sustainable construction practices, ensuring that developers comply with incentive programs and sustainability guidelines. Regular reports on the uptake of these practices help identify gaps, bottlenecks, or barriers, allowing for adjustments to be made to the policy framework.
- x. Provide tax exemptions and financial incentives for the adoption of sustainable construction technologies. These incentives can reduce the high initial costs associated with green building practices, making them more accessible and attractive.
- xi. Establish dedicated research funds to support the development of climate-responsive and energy-efficient building technologies. This would encourage innovation in locally sourced, sustainable materials and methods better suited to the region's climate and environmental challenges.
- xii. Organize awareness campaigns and capacity-building programs to educate developers, builders, architects, and other stakeholders about the financial and environmental benefits of sustainable construction practices.
- xiii. Provide training on available incentives, green technologies, and climate-resilient construction methods to ensure the industry is well-equipped to meet sustainability targets.
- xiv. Provide technical assistance and capacity building to ensure small-scale builders and communities can comply with sustainability standards.

3.4.4 Promotion of Locally Sourced Building Materials

3.4.4.1 Issues:

Heavy reliance on imported materials increases construction costs and carbon footprint. Despite the availability of local resources, there is significant potential to expand the use of locally available materials in construction.

3.4.4.2 Policy Measures:

- i. Strengthen collaboration between professional bodies, environmental agencies, and academic institutions to establish guidelines for sustainable construction.
- ii. Support research on alternative, low-impact building materials through government funding and industry-academia collaboration.
- iii. Prioritize indigenous materials such as gypsum, lime (choona), stone, mud bricks and compressed stabilized earth blocks.

3.4.5 Advancement of Construction Technologies

3.4.5.1 Issues:

Traditional construction methods in Pakistan often lead to inefficiencies, higher costs, longer timelines, and more material waste. These outdated practices hinder productivity and limit the potential for sustainable development. Modern technologies like prefabrication, modular systems, and Building Information

3.4.5.2 Policy Measures:

- i. Balance labour-intensive and modern construction technologies to improve efficiency while preserving employment opportunities.
- ii. Incentivize prefabrication and modular systems for cost and material efficiency.
- iii. Promote BIM and digital construction tools for better planning and waste reduction.
- iv. Encourage green building technologies for enhanced thermal performance
- v. To reduce costs, introduce prefabricated uniform building elements like windows, ventilators, doors, bathroom accessories, kitchen accessories, sanitary and electrical fittings etc.

3.4.6 Development of Skilled Labour and Workforce

3.4.6.1 Issues:

A gap in specialized training programs leaves workers without the expertise to embrace emerging construction techniques and sustainable practices. This leads to continued reliance on outdated methods, which hampers productivity, sustainability, and innovation. The shortage of skilled labour further restricts the adoption of advanced technologies like prefabrication, modular construction, and energy-efficient practices. As the demand for sustainable, resilient, and cost-effective solutions grows in response to rapid urbanization, housing needs, and environmental challenges, the role of a well-trained workforce becomes even more critical. Without a strategic focus on upskilling and reskilling, the industry will face persistent inefficiencies and struggle to integrate innovative and sustainable practices.

3.4.6.2 Policy Measures:

- i. Establish technical training programs for traditional and modern building technologies.
- ii. Study successful global models as case studies, adapt them to local needs and implement tailored training programs to address workforce gaps in traditional and emerging building technologies.
- iii. Strengthen collaboration with universities and vocational institutions.
- iv. Develop construction sustainability, resilience, and safety guidelines through professional bodies like PCATP and PEC.
- v. Skilled labour force certification programs for the construction industry should be initiated in collaboration with government and private training institutes. A certificate should be made mandatory after an initial preparatory period of 3 to 5 years for practice in construction fields like masonry, plumbing, electrician, HVAC, shuttering, floor fixing, etc.

3.4.7 Strengthening Building Codes and Standards

3.4.7.1 Issues

The lack of stringent building codes and weak enforcement results in unsafe, energy-inefficient, and non-resilient housing. Many buildings are constructed without proper adherence to safety regulations, leaving them vulnerable to natural disasters such as earthquakes and floods. Furthermore, the absence of strong codes leads to inefficient use of materials and energy, contributing to higher operational costs, increased carbon emissions, and environmental degradation.

3.4.7.2 Policy Measures:

- i. Adopt a minimum achievable set of regulations to avoid exclusionary standards.
- ii. Link building size limits and design standards with affordability and inclusivity benchmarks.
- iii. Conduct systematic reviews of existing building codes, design guidelines and policies to ensure gender equity, addressing, accessibility, inclusivity and safety for women, children, and other marginalized groups.
- iv. Enforce updated building codes for sustainability, safety, durability, energy efficiency and gender inclusivity.
- v. Implement special regulations for earthquake and flood-prone areas
- vi. Establish a national quality control system for construction materials
- vii. Enforce international best practices for mid and high-rise construction
- viii. The regulatory bodies like PEC, PCATP, EDB, etc., are to be tasked with preparing and updating the codes where desired
- ix. Give local climate due considerations while preparing building regulations

- x. Provide assistance and capacity building to ensure small-scale builders and communities can comply with Building Codes and Standards

3.4.8 Enhancing Construction Supply Chains and Infrastructure

3.4.8.1 Issues

Inconsistent supply chains and the lack of locally manufactured, high-quality materials and building components contribute to construction delays and inflated costs. These inefficiencies in the supply chain undermine affordability and hinder material availability, further delaying project completion. The construction sector's reliance on imported materials increases vulnerability to external market fluctuations, leading to unpredictable costs and supply shortages. A comprehensive policy approach is recommended to strengthen local supply chains, encourage domestic production of high-quality materials, and enhance transportation infrastructure to ensure timely, cost-effective material delivery.

3.4.8.2 Policy Measures:

- i. Invest in strengthening local supply chains to ensure steady and cost-effective material availability
- ii. Incentivize local industries to manufacture high-quality materials, building components and assemblies
- iii. Improve transportation infrastructure for efficient material delivery

3.4.9 Waste Management and Circular Economy in Construction

3.4.9.1 Issues

The construction sector in Pakistan generates large amounts of waste, with limited systems for effective recycling and reusing materials. Inefficient waste management practices contribute to environmental degradation, increase construction costs, and deplete valuable resources. The lack of infrastructure and technology to handle construction waste properly limits the adoption of circular economy principles, hindering the sector's potential to minimize waste, reduce costs, and incorporate sustainable building materials.

3.4.9.2 Policy Measures:

- i. Develop a national strategy for recycling and reusing construction waste.
- ii. Establish Monitoring and Compliance Frameworks, including audits, reporting mechanisms, and penalties for non-compliance. The introduction of green certifications and incentives for developers who meet sustainable construction targets should further reinforce adherence to waste management practices
- iii. Encourage markets for recycled materials through financial incentives and regulatory support.
- iv. Encourage collaboration among key stakeholders, including construction companies, material suppliers, research institutions, and universities, to drive innovation in sustainable materials and waste management technologies
- v. Develop specialized training programs for industry professionals, including architects, engineers, contractors, and workers, to build capacity in sustainable construction practices, reusing and recycling techniques, and the use of eco-friendly materials
- vi. Promote planning for circularity from the beginning of housing projects

3.4.10 Vertical Living: Ensuring Safety and Sustainability

3.4.10.1 Issues

The increasing demand for vertical housing in urban centres of Pakistan can outpace the integration of essential safety, infrastructure, and material resilience measures. As a result, many high-rise residential developments may be constructed without proper attention to critical factors such as fire safety, disaster resilience, and sustainable design. The lack of fire-resistant materials, inadequate emergency response systems, and insufficient disaster preparedness in these buildings can expose residents to significant risks. Additionally, the growth of vertical housing may overlook the need for energy-efficient designs, climate-resilient construction, and robust materials that can withstand natural disasters like earthquakes and floods. This highlights the need for comprehensive policy measures to ensure that vertical developments prioritize safety and sustainability in their design and construction.

3.4.10.2 Policy Measures:

- i. Establish regulations requiring fire-resistant materials, advanced emergency response systems, and innovative safety technologies in medium and high-rise buildings.

- ii. Introduce and implement building codes that mandate energy-efficient designs, materials, and earthquake-resistant structural systems tailored explicitly for vertical living.
- iii. Ensure fire safety measures meet international standards and are adapted to local conditions. This can include automatic sprinkler systems, smoke detection and alarm systems, and fire-resistant facades and materials.
- iv. Establish a robust monitoring framework to track the implementation of safety, sustainability, and resilience standards in vertical developments. Conduct regular inspections and audits to ensure compliance with building codes and safety regulations, particularly in fire safety, disaster resilience, and material quality.
- v. Invest in and develop specialized firefighting infrastructure, such as high-rise firefighting equipment and personnel training, tailored to the unique challenges of vertical housing.
- vi. Ensure that municipal infrastructure, including water, electricity, and waste management, is upgraded to support the increased demand from vertical housing developments.
- vii. Promote water conservation strategies to reduce the wastage of clean and fresh water. Introduce wastewater recycling in multi-storeyed buildings. Encourage rainwater harvesting in all buildings. Provide water recharging wells to recharge the aquifers and raise the underground water table.

Theme 5: Slums/Katchi Abadis and Squatter Settlements

3.5.1 Issues:

Slums/Katchi Abadis and Squatter settlements, commonly observed in major cities in Pakistan, signal the unavailability of affordable housing. Unfortunately, its number is on the rise with time. Over 50% of the urban population is estimated to reside in slums or informal settlements known as Katchi Abadis. Even in Islamabad, Pakistan's capital and a well-planned city, there exist approximately 63 underserved slums. Its existence is vivid evidence of malady and disorder in urban and regional development policies and management.

3.5.2 Policy Measures

3.5.2.1 Urban renewal and urban regeneration

These are two planning approaches to effectively deal with slums and squatter settlement issues sustainably. They effectively tackle not only the physical upgradation of the area but also promote its social, economic, and environmental development.

3.5.2.2 High-rise with Mixed Land Use Development

The concerned city governments, particularly in large cities, must launch urban regeneration and renewal initiatives in existing slums and squatter settlements. It is all about efficiently utilizing precious land occupied by the slum dwellers. Instead of evictions, displacement, and relocation of residents, the development projects must adopt the planning approach of urban regeneration, which comprises constructing mixed-land use (commercial plus residential) high-rise apartment buildings and providing planned infrastructure and urban services. The sale of the first 3-4 storeys of such buildings meant for commercial use will help generate enough financial resources to cross-subsidize residential apartments to accommodate the original residents of slums/Katchi Abadis.

However, the slums and Katchi Abadis developed in disaster-prone areas must be relocated by a well-conceived plan for resettlement of the affected residents. The new settlements must be located within 10 km of the city centre and workplaces interlinked with an efficient transportation system. Moreover, formulating the Urban Regeneration Act at the Federal and Provincial levels is imperative for implementing urban regeneration measures.

3.5.2.3 Land/Apartment Ownership Rights

The long-term residents of the upgraded/regenerated areas must be granted land/apartment ownership rights to ensure its inhabitants' social, economic, and environmental sustainability.

3.5.2.4 Preference for Apartment Buildings

It is imperative to enhance the supply of housing stock to cope with the demand caused by the accelerated pace of urbanization, particularly for low and middle-income groups. It is the need of the hour to adopt the approach of constructing more apartment buildings than low-density single/double-storey bungalows. The city regulatory authorities shall adopt a policy of earmarking a reasonable percentage of residential areas in public and private housing schemes for apartment buildings, with cross-subsidization achieved through inflated prices for low-density bungalows.

3.5.2.5 Slums Rehabilitation

Slum rehabilitation, a traditional planning approach, is particularly suitable for small cities. It upgrades existing slums by improving basic infrastructure and providing essential facilities, thereby making them a better place to live. This approach is also applicable in areas within large cities where mid to high-rise mixed-use development is not feasible based on cost-benefit analyses.

Also known as slum upgradation and slum improvement, Slum rehabilitation encompasses aspects such as improving services, securing tenure, creating economic opportunities for the residents, improving the circumstances for social inclusion and empowering the local communities through their active engagement.

3.5.2.6 Enhance Public Private Partnership

To curb the emergence of slums and squatter settlements, Public-Private Partnerships (PPPs) must be enhanced, particularly for low-cost and affordable housing close to the city centre/business district.

3.6 Theme 6: Affordable/Low-cost, Rural, and Rental Housing Including Housing for the Marginalized and Disadvantaged Population

3.6.1 Introduction

The Population and Housing Census of 2023 shows that there are 38.3 million houses in the country, and 60.7% of them are in rural areas and 39.3% in urban areas. The housing stock comprises 20% kacha houses, 12.5% semi-pukka houses and 67.5% pakka houses. The inadequate quality of housing for the low-income groups is reflected in the Katchi Abadis, squatter settlements, shanty towns and slums in the urban areas. The studies also show that about 50% of the population of the urban centres lives in slums/katchi Abadis. Unfortunately, the situation, as far as rural housing is concerned, is also not a rosy one. Historically, rural housing has received scant attention partly due to a lack of an adequate institutional set-up for dealing with rural housing problems and partly because of diversity.

3.6.2 Issues Relating to Demand for Affordable Housing

- i. Low savings for down payment to purchase or for long-term debt payments
- ii. Low acceptance of low-cost housing due to poor location and quality
- iii. The unwillingness of families to accept alternative building materials that would be lower cost and more sustainable
- iv. Low financial literacy and limited access to organized finance
- v. Accessibility issues - Jobs far from affordable housing - Auto-dependence in housing development - spatial fit does not match their needs
- vi. The majority of the target group doesn't have formal income sources, particularly rural Population
- vii. Differential Origination Rates for households of low-income status
- viii. Poorly serviced by infrastructure networks and public services

3.6.2.1 Issues Relating to the Supply of Affordable Housing

- i. Investor uncertainty due to unpredictable macro political pressures
- ii. Scarcity of affordable land near city centres with access to services, jobs, schools, etc
- iii. Lack of financial incentives for private sector and developers
- iv. Lack of R & D in the affordable housing sector of market data to plan
- v. Lack of professional housing developers specialized in affordable housing
- vi. Mega housing projects without budgetary resources for long-term implementation
- vii. Lengthy regulatory processes

- viii. Availability of critical raw materials
- ix. High energy prices
- x. Limited risk sharing by the state
- xi. High infrastructure deficiencies

3.6.2.2 Issues Relating to Financing of Affordable Housing

- i. Fragmented and uncoordinated funding sources, policies, and priorities
- ii. Unaffordable mortgage loans
- iii. Hesitation of financial institutions to provide loans to developers for projects meant for low-income housing
- iv. Discrimination in credit lending
- v. Rising costs of homeowners' insurance

3.6.3 Policy Measures for Affordable/Low-Cost Housing

3.6.3.1 Making Land Available for Affordable Housing

- i) The provincial/local government departments, in collaboration with other concerned regulatory bodies, shall identify and make land parcels available for development subject to the condition that proportionate subsidy is passed on to the "target groups", i.e. the low-income group, poor and needy and the rural population
- ii) Part of the sale proceeds of valuable public land shall be set aside to provide plots for low-income housing and housing for the poor and needy at concessionary rates
- iii) The land identified for low-cost housing shall be physically accessible, preferably near the city centre, socially acceptable, economically affordable and environmentally resilient

3.6.3.2 Facilitating the Affordable Housing Initiatives

- i) Local government departments, urban councils, development authorities, and developers shall provide prospective home builders with standard and cost-effective designs and plans
- ii) Dedicated approval window for affordable housing must be launched
- iii) All building construction elements, such as doors, windows, and ventilators, shall be standard sizes throughout the region and manufactured in bulk to reduce construction costs
- iv) The building plans approval process shall be made simple and fast along with cost-effective with reduced fees
- v) Infrastructure for housing, such as water supply, sewerage, and drainage, shall be provided before the low-cost housing scheme is developed, and community participation shall be promoted to reduce the cost of development

- iv) Low-cost houses shall be allowed to use up to 25% of the house for commercial activity to earn a livelihood for the family at home without compromising the local environment.
- v) The minimum size of the house shall not be fixed
- vi) The government needs to launch schemes for solar and wind energy keeping in view the local conditions.
- vii) Relaxation on registration charges, transaction taxes and stamp duties must be allowed
- viii) Use of advanced technologies such as Geographic Information System (GIS) and Remote Sensing (RS) must be incorporated
- ix) Slums /Katchi Abadis upgradations and regeneration must be carried out

3.6.4 Rural Housing

Rural housing development in Pakistan requires a comprehensive policy integrating economic, social, and environmental factors. Current housing challenges in rural areas include limited financial resources, geographical barriers, policy gaps, and a lack of skilled labour.

3.6.4.2 Policy Measures for Rural Housing

Addressing these challenges necessitates a multi-sectoral approach that enhances affordability, sustainability, and inclusivity.

a) Affordable and Sustainable Housing

To ensure affordable and sustainable housing, subsidies and incentives for low-cost housing should be introduced, public-private partnerships for financing should be encouraged, and microfinance initiatives tailored for rural residents should be supported. The use of locally sourced and sustainable materials, such as compressed earth blocks and recycled timber, should be promoted to minimize environmental impact.

b) Infrastructure and Services Integration

Infrastructure and services must be integrated into rural housing projects by ensuring access to clean water, sanitation, electricity, and internet connectivity. Comprehensive land-use and zoning policies should be developed to optimize land allocation for housing, schools, and healthcare facilities. Establishing community-based organizations contributing 10-20% of development costs can enhance project sustainability

c) Disaster-Resilient Housing Solutions

Rural housing must be designed to withstand natural disasters. In Sindh and Punjab, flood-resistant housing with elevated foundations and waterproof materials should be prioritized. In Khyber Pakhtunkhwa and Gilgit-Baltistan, earthquake-resistant designs with reinforced mud walls and lightweight roofing are essential, while Balochistan requires fire-resistant materials to counteract extreme heat and drought-related fire hazards.

d) Gender-inclusive and Community-Centred Housing

Housing policies should also be gender-inclusive and community-centred. Schools must be established closer to villages to enhance girls' education, while better street lighting and safer pathways can ensure secure mobility for women. Engaging local communities in housing planning and execution will help incorporate traditional architectural styles and cultural preferences.

e) Strengthening Rural Housing Finance

Expanding access to housing loans and mortgage products with fair credit terms, partnering with NGOs and cooperatives, and providing grants or low-interest loans for home renovation and maintenance will improve financial accessibility for rural residents.

f) Innovative Construction Techniques

Innovative construction techniques should be promoted to reduce costs and construction time. Modular and prefabricated housing models, training rural youth in modern and traditional construction methods, and integrating renewable energy solutions like solar panels and rainwater harvesting will ensure sustainable development.

g) Policy and Institutional Strengthening

Policy and institutional strengthening is necessary to enforce NDMA guidelines for disaster-resilient housing across all provinces. Aligning rural housing policies with agricultural, health, and education strategies will foster holistic rural development while simplifying building regulations and offering prototype housing designs can ensure cost-effective and efficient construction.

h) Multi tiers/levels of Planning

A broader regional plan should be prepared first at the district level. Regional plans should give broader guidelines and cover every corner of the region. Urbanization

control and promotion areas should be identified in Regional Plans using "Bottom up Approach". Then, union councils should prepare their plans in light of the regional plan policies. Tehsil Municipal Administrations should prepare their plans based on the recommendations of the Union Councils and in the light of the policies of the Regional Plan. A vast publicity campaign to encourage public participation should be ensured, and the plans should be finalized. Strict implementation should be ensured once the plans are finalized and backed by a strong legal framework. Revision of the plans should be made after each decade. TMA should be the coordinator or bridge between Union Council and District Council levels, and TO (P&C) in each TMA should be empowered for the purpose.

3.6.5 Rental Housing

Rental housing is a much-neglected option for most developing countries' low-income population.

The Population and Housing Census 2023 reveals that there are 15,023,689 households in urban areas in Pakistan. It also illustrates that the majority of households in urban areas (10,669,829), i.e.71.02% of the total urban households, live in owned houses, and the percentage of those who live in rented houses is 23.82%, while those living in the Govt. houses is only 2.03% (304,943). It is evident from the data that there is an overwhelming trend of owning housing units rather than living in rental housing. The data also reveals that there is much larger space for the private rental housing market in urban areas of Pakistan.

There are two main types of rental housing: public and private. The issues and policy measures relating to each type are described here.

3.6.5.2 PUBLIC RENTAL HOUSING

The most common form of public rental housing in Pakistan is typically provided by government departments that offer subsidized accommodations to their employees. In Pakistan, however, there is a significant lack of public rental and social housing options for the general population, with the only exceptions being found in a few attractive tourist destinations that provide short-term accommodations for visitors.

Issues:

- i. The public sector is not investing anymore in the provision of subsidized public housing on a rental basis to poor and needy common citizens, owing to very high costs and a plethora of mismanagement problems.
- ii. The high construction cost and scarcity of financial resources have also caused a decline in the construction of government accommodations for its employees.

- iii. A similar trend has been observed in semi-government/autonomous bodies. For example, most universities, except a few large public ones, spend the least on producing accommodation for faculty members and students hailing from other cities.
- iv. At the moment, no specific department or organization in Pakistan has complete records and up-to-date information about the number of rental housing units and rental values in various parts of a city.

Policy Measures

- i. The government sector needs to increase the supply of public housing by allocating a considerable budget for building houses and apartments for government employees.
- ii. Maximum accommodation should be provided to low- and middle-income public sector employees.
- iii. Automation and the application of information and communication technology (ICT) must be integral to the work environment of estate management departments, as they help promote efficiency and transparency.
- iv. A government employee who owns a house in his name or the name of his spouse in the duty station should not be allowed to live in the official accommodation in that particular city.
- v. Labour colonies near industrial/commercial hubs need to be built to provide rental housing for labourers/workers.

3.6.5.3 Private Rental Housing

Private rental housing plays a key role in urban areas of Pakistan in providing accommodation to most inland migrants, particularly students, labourers, and workers. However, it is worth mentioning that most private organizations, including industries, universities, and commercial trade businesses, do not provide accommodation to their employees, who find no other way but to rely on private rental housing.

Issues:

- i. Exorbitant rental values beyond the paying capacity of most of the prospective tenants
- ii. Less incentives for the investment made in private rental housing
- iii. Lack of proper urban services/utilities and proper building maintenance
- iv. Unregulated private rental housing market
- v. Lack of planned and healthy living environment

Policy Measures

- i. Establishment of Real Estate Regulatory Authority (RERA) to regulate private rental housing

- ii. The corporate sector must be encouraged and facilitated to play its vital role in providing rental housing/labour colonies to its workers/employees in the context of corporate social responsibility and corporate citizenship.
- iii. Tax rebates should be offered to attract private investment in rental housing
- iv. NGOs/CBOs should be encouraged to take part in providing rental housing to people in need and poor
- v. Private developers and investors should be extended subsidized and preferential access to housing finance for the construction of apartment buildings to be used for rental housing for low-income strata of society

3.6.6 Housing for Marginalized and Disadvantaged Population

Persons with disabilities, female-head households, transgender, and internally displaced persons due to natural and man-made disasters are among the marginalized and disadvantaged groups. They are in dire need of immediate and special treatment in terms of housing access.

3.5.6.1 Policy Measures:

- i. Marginalized and disadvantaged groups of people should be given priority for easy access to housing finance
- ii. Financial institutions, particularly in regions with a high proportion of marginalized and disadvantaged populations, play a vital role in addressing housing needs. They should allocate a certain percentage of housing finance to these groups.
- iii. The NGOs should be encouraged to provide low-cost and affordable housing to this segment of the population
- iv. All the low-cost and affordable housing projects should reserve 1-5% of housing units for the marginalized and disadvantaged group of population
- v. The National Disaster Management Authority (NDMA), in collaboration with provincial disaster management authorities must identify disaster-prone areas and prepare emergency disaster management plans. These plans are crucial for handling housing-related emergencies and ensuring the safety of marginalized groups.

3.7 Theme 7: Institutional and Legal Framework

3.7.1 Issues:

The housing sector's existing institutional and legal framework is fragmented and complex, with limited policy vision and overlapping functions among multiple federal, provincial, and local government institutions. For example, Naya Pakistan Housing Authority and Federal Government Employees Housing Authority at the federal level; Housing and Town Planning Agencies/Departments, and Government Employees Housing Foundations at the provincial level; Development Authorities at the major city level; all these organisations have been established under different acts, powers and mandates for the provision of housing. It is essential to bring institutional and legal reforms in the housing sector's public institutions at all three tiers of government in the shape of rationalizing the roles of such institutions, eliminating duplication of functions, promoting decentralization and pro-active roles of the concerned local institutions, and developing strategic/policy/legislative linkages with the strengthening of existing city and regional planning system all across the country.

3.7.2 Policy Measures:

The following sub-sections present specific policy recommendations for the three tiers of government:

a) Federal Government Level

- i. The Ministry of Housing & Works (H&W) should establish a permanent coordination mechanism to take a strategic lead role in implementing the National Housing Policy 2025. This would involve active collaboration with Provincial Housing Ministries and other stakeholders.
- ii. Amend relevant legislation to ensure that access to adequate and affordable housing is a legal right for every Pakistani citizen. The Federal and Provincial Governments should take necessary measures to materialize this right within their respective jurisdictions.
- iii. Introduce legislative and policy reforms on rationalizing the role of federal executing housing agencies, including the merger of similar federal institutions.
- iv. Provide strategic support to provincial governments in resource mobilization, allocation of finances for affordable/low-income housing, alternative technology transfer, climate change resilient housing construction, and provincial-level policy research.
- v. Under the National Housing Policy 2025, a 3-Year National Housing Action Plan should be formulated through the requisite implementation of desired policy/legislative/institutional reforms, integrating and streamlining ongoing housing programs at the federal/provincial/local government levels, identifying new housing programs for provincial/district governments as per identified

needs, and initiating urban renewal/slums/squatters improvement programs all across the country.

- vi. The Ministry of H&W should establish an evaluation and monitoring system in collaboration with provincial housing ministries to oversee the implementation of the national housing policy and analyse the performance of provincial governments, particularly their targets for housing delivery.
- vii. The Ministry of H&W, in coordination with provincial housing ministries and local governments, should contribute to establishing national, provincial, and district-level housing data banks to strengthen the evaluation and monitoring system for the housing sector at these three levels. The Data Banks should be updated continuously to make data available for informed decision-making on housing demand/supply at the district/city scale, monitor/regulate land/housing values, control illegal housing schemes, promote subsidized low-income housing, ensure availability of housing finance, construction subsidies, and infrastructure investment to address bottlenecks in the housing market.

b) Provincial Government Level

- i. Introduce strategic/policy/legislative reforms for the housing sector to clearly define the role of policy institutions, executing institutions and regulatory institutions at the provincial level. Such reforms also eliminate duplication of functions and multiplicity of public housing institutions functioning at the provincial level.
- ii. Introduce legal reforms to ensure property rights/tenure security and simplify land titling and inheritance procedures.
- iii. In line with the National Housing Policy 2025, provincial governments should formulate and implement the Provincial Housing Policy through active collaboration with local governments and all other concerned stakeholders.
- iv. All provincial governments should promulgate Spatial Planning Acts and establish Spatial Planning/Development Control Authorities to ensure the implementation of land use master plans and serve as a deterrent against informal and unregulated urban expansion. The Authorities shall create spatial databank by mandatory digitization of cadastre as well as existing and proposed land use plans and real time monitoring of land use change/urban growth. The Authorities shall also develop an online spatial decision support system to regulate urban expansion.
- v. All provincial governments should enact Multi-Storey Buildings Acts to facilitate the construction of vertical housing and address issues related to strata title, responsibilities for shared spaces, operation, and maintenance, among others.
- vi. Establish a Real Estate Regulatory Authority (RERA) to regulate the real estate sector, including real estate agents, builders, and developers. It will maintain real estate/housing transaction data for all stakeholders through an online

portal/single platform and regulate issues such as land documentation, departmental NOCs, environmental clearances, duties, and taxes, thereby bringing transparency to the sector. Monitoring real estate agents, builders, and developers would also be possible and practical with the creation of RERA, which would encourage builders and developers to finance their projects through the formal banking sector.

- vii. Develop a provincial-level monitoring system and key performance indicators (KPIs) to keep analyzing progress against provincial housing programs and delivery targets.
- viii. Arrange funding from the Federal government and international donor agencies (e.g. the World Bank) for providing affordable housing to low-income households.
- ix. Build the capacity of Spatial Planning Authorities/Development Authorities and Housing and Town Planning Agencies to implement the National Housing Policy
- x. Enhance the coordination mechanism among the relevant provincial departments/agencies and other stakeholders to expedite the implementation of provincial housing programs.
- xi. Promote regulatory frameworks that increase public-private partnerships and enhance the private sector's role in delivering climate-resilient, affordable housing construction projects and programs across the provinces.
- xii. Ensure appropriate quality and price structure to promote region-specific usage of local building materials and indigenous housing construction techniques.

c) Local Government Level

- i. Capacity building of town planning departments within development authorities/local governments should be carried out to facilitate the preparation and implementation of Master/Regional Plans through local multi-stakeholder participation.
- ii. Develop and implement district/metropolitan/city-specific housing action plans/programs aimed at addressing regional or local-specific housing shortages and improving the quality of existing housing stocks through urban renewal/slums/ squatter improvement plans.
- iii. Identify and designate land in the Site Development Zones Structure Plans/Land use Master Plans for affordable/low-income housing purposes at all levels of local governments, and facilitate appropriate housing delivery systems.
- iv. Upgrading squatter settlements and slums (urban renewal) should be given priority attention in the Master/Regional Plans.
- v. Create policy/plan implementation units in all development planning and controlling authorities/agencies and local governments.

- vi. Promote private sector participation in housing and establish a monitoring system to ensure the development of private housing schemes in accordance with approved plans/planning standards, as well as the timely possession of developed plots/constructed dwelling units.
- vii. Ensure online processing/approval of applications for housing schemes/mixed-use projects.
- viii. Establish land record automation and create district-level housing data banks/housing market information systems in coordination with RERA.

3.7.3 Planning, Zoning, and Building Regulations

Pakistan's fragmented city and regional planning system is a fundamental reason behind the unregulated urbanisation and unchecked growth of informal settlements and urban sprawl across the country. The sustainability of urban environments in Pakistan is currently threatened due to the absence or lack of implementation of spatial/master plans for urban areas. The inordinate poor quality growth of the housing sector and its associated speculations in the housing market are also linked with the poor functioning of the spatial planning system in the country. The land use zoning and building regulations did not account for the realities of 21st-century living and were unable to contribute to achieving effective development control at various scales of urban settlements in Pakistan.

3.7.3.1 Policy Measures

The following are proposed strategic/policy/legislative measures to improve land use zoning and building regulations.

- i. The preparation and implementation of Master Plans/Regional Plans for urban and rural areas across the country should prioritize providing low-income housing, necessary infrastructure, and public amenities in their respective areas. It should also be ensured that Master Plans/Regional Plans are reviewed every five years.
- ii. To arrest urban sprawl and promote densification, the Zoning Regulations need to be replaced with Form-Based Coding (FBC), which varies in line with the requirements for numerous potential sub-zones or specific built-up urban areas within a city.
- iii. National/Provincial/Local level building by-laws and regulations, as well as the National Reference Manual on Planning and Infrastructure Standards, should be updated/revised in line with 21st-century requirements and the latest urban planning frameworks. For example, functional building codes/regulations imported from the West must be replaced with local climate-sensitive building codes/regulations.

- iv. The current Land Use Plan (Classification, Re-Classification, and Redevelopment) Rules primarily include five land use classes: Residential, Commercial, Industrial, Agricultural, and Notified areas. It is necessary to include parks/open spaces/recreational land use and institutional/public buildings as separate land use classes.
- v. Building regulations and planning standards should be revised to permit incremental development and lower planning standards, making relocation, resettlement, redevelopment, and upgrading of squatter settlements and slums cost-effective for low-income groups.
- vi. Correlate the land revenue system with the approved land use plan of the respective jurisdiction, requiring a mandatory NOC to ensure compatibility with the proposed land uses before a change in ownership of land parcels.
- vii. Specify site development zones and procure land for banking and the provision of low-income housing.
- viii. Create specific zones for transit-oriented development (ToD) and prepare regulations for urban regeneration/high-density mixed-use ToD projects.
- ix. Introduce fiscal and procedural incentives for private developers to undertake urban regeneration/ToD projects (e.g., a 50% rebate in the land use conversion fee and plan approval fee if a mixed-use building provides 80% of its aggregate floor space area for residential use/apartments for low-income households.
- x. Lower planning standards for housing schemes in small cities and peri-urban areas (e.g. min. street width: 20 ft., no graveyard within the scheme)
- xi. Private housing scheme regulations should encourage the provision of apartments and smaller dwelling units rather than the provision of larger than one kanal serviced plots. The proportion of apartments could be adjusted, taking into account housing demand and the city's size.
- xii. New regulations should be formulated to provide Home-Based Enterprise Housing in peri-urban and rural areas.
- xiii. Grant waiver of the scheme plan approval fee for private developers who provide built houses/apartments in a minimum 40% residential area of a housing scheme
- xiv. Permit the sponsors of the private/ cooperative housing schemes with 80% clear ownership to submit their LOPs to the regulatory bodies for approval. Development Authorities/Local Governments may be authorised to compulsorily acquire the remaining 20% of small pockets within municipal limits by declaring it "public purpose" land, preferably on a land-sharing basis. Holders of such pockets may be offered 15-20% more compensation than the market rate. The sponsors who avail themselves of such a compulsory acquisition model shall be bound to reserve a proportionate number of affordable plots for low-income groups in their schemes, which the government will subsequently allot to low-income shelter recipients on a no-loss, no-profit basis.

3.8 Theme 8 - Green, Energy Efficient and Climate Resilient Housing

The National Housing Policy 2025 envisions providing adequate, affordable, and sustainable housing for all. One of the critical themes for achieving this policy goal is the provision of green, energy-efficient, climate- and disaster-resilient housing. The concepts and policy recommendations under this theme are described as follows:

3.8.3 Green Housing

The Concept:

Considering the challenges of climate change, the emerging trends of green housing need to be addressed with more clarity, and action-oriented approaches need to be adopted by involving the ultimate beneficiary strata of the population, i.e., ordinary citizens. The improvement in the overall quality of life (QoL) and the assurance of environmental sustainability while providing affordable housing remain fundamental components of the National Housing Policy (NHP). The objective of green housing may be achieved through community-based smart urban farming initiatives that may integrate effective utilization of urban spaces and engage residents for green initiatives such as the production of vegetables and herbs of daily use at the household level.

In addition to incorporating the concept into individual housing units, the initiative requires that the blue and green infrastructure be integrated into the planning system of the overall housing project.

3.8.4 Policy Measures

The laws, rules, and regulations of regulatory regimes must ensure that the Green Building Codes formulated by UNHABITAT, Islamabad, are adopted in letter and spirit for energy-efficient and green housing designs. Moreover, incentives and tax rebates should be introduced for complying with the green building codes.

<https://unhabitat.org.pk/wp-content/uploads/2021/07/Policy-Guidelines-Green-Building-Code.pdf>

3.8.5 Climate and Disaster Resilient Housing

The Concept:

The National Housing Policy prioritizes climate and disaster-resilient housing as a key objective, emphasizing the development of energy-efficient homes designed

to withstand natural disasters such as floods, earthquakes, and extreme weather events linked to climate change. This vision aims to create durable, sustainable housing to safeguard vulnerable populations in both urban and rural areas.

3.8.3.1 Issues:

The previous housing policy's approach is significantly lacking, as it lacks policy measures to integrate crucial elements such as renewable energy systems, water management practices, integration of climate and disaster resilient housing approaches, and retrofitting strategies for existing housing stock. A comprehensive program that includes these elements is essential for the realization of climate-resilient housing initiatives.

3.8.3.2 Policy Measures:

The regulatory regime and the concerned development authorities and city governments need to ensure the followings:

- i. It is imperative to introduce mandatory climate vulnerability assessments for housing projects. This ensures that the designs align with local climatic conditions, thereby enhancing the resilience of the housing stock and reducing the risk of damage from extreme weather events.
- ii. Offer targeted subsidies or tax incentives for climate-resilient construction, including renewable energy systems, water management technologies, and efficient building designs.
- iii. Create climate resilience funds to assist low-income households and small-scale developers adopt green housing practices.
- iv. Mandate renewable energy solutions like solar panels, microgrids, and energy storage systems in government-supported housing projects
- v. Promote public-private partnerships to co-fund housing projects that incorporate sustainability and resilience principles.
- vi. It is crucial to actively involve local communities in designing, planning, and maintaining resilient housing and infrastructure. This not only fosters a sense of ownership and responsibility but also ensures that housing solutions are tailored to each community's specific needs and conditions.
- vii. Promote urban farming and green initiatives at the household and neighbourhood levels, fostering food security and environmental awareness
- viii. Utilize GIS-based platforms to map climate vulnerabilities and monitor compliance with resilience standards.
- ix. Leverage digital tools for awareness campaigns, stakeholder coordination, and transparent reporting on project progress.
- x. Establish SMART (Specific, Measurable, Achievable, Relevant, Time-bound) goals to reduce greenhouse gas emissions, improve energy efficiency, and minimize disaster risks.

3.9 Theme 9: Capacity Building and Knowledge Sharing

Capacity building and knowledge sharing play a key role in development and growth. It is always essential to keep abreast of the latest knowledge and modern techniques. It gives people, groups, and communities more power by making them better at what they do, helping them work smarter, and sparking new ideas. These two things together create an environment where people always learn, can change when needed, bounce back from setbacks and ensure success in the long run. However, there is hardly any platform in Pakistan from which up-to-date and authentic data relating to housing can be obtained. The current state of affairs calls for establishing a data hub for housing-related knowledge sharing and capacity building of the most relevant stakeholders.

3.9.3 Policy Measures:

Keeping in view the best international practices relating to housing, the following policy measures are suggested for capacity building and knowledge sharing:

- i. A national data bank/repository relating to housing, in collaboration with relevant provincial organizations need to be established in the ministry of housing and works at the federal level as well as in relevant provincial ministries. The data bank should envelop housing statistics, housing surveys, future trends, supply and demand assessments and case studies of best practices
- ii. Empower citizens with knowledge through awareness campaigns and mobile applications, about housing rights, available subsidies, and financial literacy to make informed decisions
- iii. Providing free online courses on sustainable housing models and policies to educate communities and professionals. Highlighting affordable, eco-friendly construction techniques to promote green and cost-effective housing solutions.
- iv. Establish specialized information technology (IT) wings in the regulatory and monitoring authorities to ensure the integration of real-time intelligent monitoring systems to enhance housing management and efficiency
- v. Offer tax incentives to companies that contribute their expertise in housing finance and sustainable development.
- vi. Promote the utilization of geospatial data and Artificial Intelligence (AI) analytics to design more innovative, more efficient urban housing projects
- vii. Establish national housing academies to train policymakers and developers in smart, sustainable urban planning
- viii. Partner with universities to advance research in urban planning and housing policies. Promote adoption of Building Information Modelling (BIM) standards to improve construction efficiency, lower costs and using data-driven insights to develop innovative and sustainable housing solutions for the future

- ix. Provide specialized training for housing professionals on climate adaptation and building disaster-resistant homes, ensuring safer and more resilient communities.
- x. Encourage sustainable urban development by offering incentives and subsidized loans to developers prioritizing eco-friendly and community-focused projects.
- xi. Involve local communities in the planning and managing of housing projects to ensure their needs are met.
- xii. Promote cooperative housing with shared ownership to make homeownership more affordable. Establish community-managed housing governance models to give residents a voice in decision-making and foster a sense of belonging.

DRAFT

CHAPTER 4: IMPLEMENTATION, MONITORING, EVALUATION, AND REVIEW

4.1 Introduction:

An implementation, monitoring, evaluation, and review mechanism is crucial for ensuring the success of housing policy in achieving its goals and objectives.

4.2 Issues:

1. Lack of reliable data and data management system
2. Ambiguity in roles of regulatory departments for implementation, monitoring and evaluation of the housing policy
3. Lack of skilled personnel to conduct monitoring and evaluation
4. Limited financial resources
5. Low community involvement

4.3 Policy Measures:

The provincial housing departments, city development authorities, and local government departments, in collaboration with the federal Ministry of Housing & Works, are entrusted with implementing the housing policy. A collaborative effort will synergistically accomplish the desired objectives. The existing housing deficit of 9 million housing units and the recurring demands by 2050 will be met through a phased implementation of the annual targets set by each province and federally administered area.

The following measures are suggested for having a pertinent system for implementation, monitoring, evaluation and review mechanism:

- i. The housing and urban planning departments at the provincial levels, in collaboration with the Ministry of Housing and Works at the federal level, will lead the policy implementation and identify the most pertinent departments/authorities for the tasks.
- ii. An independent Real Estate Regulatory Authority (RERA) should be established at the federal and provincial levels for monitoring, evaluation, and adherence to the provisions of the housing policy in letter and spirit in all private and public housing initiatives.
- iii. Develop pertinent indicators for monitoring, evaluation and review of housing policy-related projects.
- iv. The Ministry of Housing and Works at the federal level, through its attached departments, may identify the available pieces of land in provinces and federally administered areas to launch pilot project for affordable housing
- v. The concerned provincial and local governments must allocate financial resources for the streamlined development of the housing sector in accordance with the approved national housing policy.

- vi. Awareness campaigns should be launched by the concerned federal and provincial housing-related ministries as a regular and permanent feature for the sensitization of all key stakeholders.
- vii. Well-qualified professionals must be engaged with the monitoring and evaluation agencies/authorities.
- viii. A midterm review must be conducted after 05 years.
- ix. Every ten years, the policy must be comprehensively reviewed to measure its accomplishments and, if necessary, realigned.

Setting timelines and identifying the stakeholders responsible for taking action on various components of the crafted housing policy framework becomes crucial for the following reasons:

1. It provides a clear direction and keeps activities on track.
2. It improves coordination among relevant stakeholders because roles and responsibilities are clearly defined, along with time-bound tasks to be accomplished.
3. It helps facilitate monitoring and evaluation.
4. It also enhances time management and increases accountability.

Here are the policy-related tasks together with relevant stakeholders and the time periods to accomplish the same

Table 4.1: Policy Actions, Stakeholders and Timelines

S. #	Policy Actions	Responsible Stakeholder/s	Timeline
1.	Establishment of Real Estate Regulatory Authorities at federal and provincial levels	Ministry of housing & works at the federal level and provincial housing departments	1 to 2 year after approval of the housing policy 2025
2.	Establishment of Spatial Planning Authorities at provincial level	Provincial housing & local govt. departments	1- 2 years after approval of the housing policy 2025
3.	Promulgation of Urban Regeneration Act	Federal Government Ministry of Housing & Works	01 year after approval of the policy
4.	Promulgation of Spatial Planning Act	Provincial housing ministries & local govt. departments	Within 02 years after approval of the housing policy 2025
5.	Zoning regulations for vertical development	Concerned federal/provincial departments/development authorities and local govt. departments	01 year after approval of the policy
6.	Formulation of action plans, including identification of projects in the light of the approved housing policy backed by the availability of financial resources	Federal and provincial housing ministries, in collaboration with concerned development authorities and local government departments	Within 0.5 to 1 year after approval of the housing policy

S. #	Policy Actions	Responsible Stakeholder/s	Timeline
7.	Preparation of Master plans of cities and towns, specifically including: <ul style="list-style-type: none"> i. Demarcation of city boundaries/Growth boundaries along with green belts ii. Land use plan iii. Site development zones iv. In-depth transportation surveys and feasibility studies for the provision of mass transit v. Determination of Transit-Oriented Development Zones vi. Identification of private & state-owned land parcels for infill development 	Federal Ministry of Housing & Works, Capital Development Authority & Concerned local Govt. departments Concerned provincial ministries, along with local govt. departments/development authorities	2 to 2.5 years after approval of the housing policy
8.	Preparation of regional development plans, including peri-urban structure plans of major cities	Concerned federal & provincial ministries, along with local govt. departments & development authorities	2 to 2.5 years after approval of the housing policy
9.	Launch of web portal/Housing Data Bank and updating the same regularly for ready reference	Ministry of Housing & Works to launch and maintain the web portal – provincial data to be provided by the concerned provincial departments	within 01 year after approval of the policy
10.	Frequency of in-person/virtual meetings for updates on all activities relating to housing	Between federal ministry, i.e., the ministry of housing and works & concerned provincial departments Among concerned provincial departments & local govt. departments/development authorities	After every 04 months Quarterly
11.	keeping in view the future growth directions of cities/towns, identify the private and state-owned land parcels suitable for low-cost/affordable housing projects in the periphery of cities/towns,	Capital Development Authority and Ministry of Housing and Works at the federal level City development authorities and local governments at the provincial level	0.5 to 01 year after approval of the housing policy

S. #.	Policy Actions	Responsible Stakeholder/s	Timeline
12.	Acquisition of the identified land parcels in phases every year	Capital Development Authority and Ministry of Housing and Works at the federal level	On yearly basis
		City development authorities and local governments at the provincial level	
13.	Launch of housing finance schemes through house building finance company, commercial & microfinance banks	State Bank of Pakistan	0.5 to 1 year after approval of the housing policy
14.	Mid-term and comprehensive review of the policy	Federal Ministry of Housing & works, in collaboration with concerned provincial ministries/departments and other key stakeholders	Midterm review after 5 years and comprehensive review after 10 years

DRAFT

GOVERNMENT OF PAKISTAN
Ministry of Housing and Works

A 'Working Group' to review and update the "National Housing Policy 2001" is constituted with the following composition:

1.	Mr. Waseem Hayat Bajwa, Director General, Ministry of Housing and Works, Islamabad	Chairperson
2.	Dr. Malik Asghar Naeem, Chief Planner, Federal Govt. Employees Housing Authority (FGEHA), Islamabad	Coordinator/Secretary
3.	Javed Akbar Sheihk, Director Policy & Planning Wing, Ministry of Housing and Works, Islamabad	Member
4.	Mr. Mian Rizwan Director (Planning), FGEHA	Member
5.	Representative of PHA-F(not below BS -19)	Member
6.	Representative of Estate Office (not below BS -19)	Member
7.	Representative of PCATP (not below BS -19)	Member
8.	Representative of NAPHDA (not below BS -19)	Member
9.	Mr. Usman Faisal, Poverty Alleviation Expert, Ministry of Poverty Alleviation and Social Safety	Member
10.	Mr. Abdul Rahman, Director Punjab City Improvement Program Funded Project of Local Government Department of Punjab	Member
11.	Khurrarn Farid Bargatt, Managing Director. Sheher Saaz Pvt. Limited.	Member
12.	Dr. Fariha Tariq, Dean/Professor, University of Management and Technology, Lahore	Member
13.	Satwat Syed, Specialist Urban Planning and Design N.J. U.S.A.	Member
14.	Mr. Kashif Hameed, Chief Executive Geo-Green (Pvt) Ltd.	Member
15.	Mr. Iqbal Ahmed, Deputy Chief, Physical Planning & Housing (PPH) Planning Division.	Member

GOVERNMENT OF PAKISTAN
Ministry of Housing and Works

The “Experts’ Group” to review and update the “National Housing Policy 2001” is constituted with the following composition:

1.	Muhammad Anwar Hussain Chaudhary, Senior Chief (Technical), Ministry of Planning, Development & Special Initiatives	Member
2.	Imtiaz Ahmed Vohra, Former Chief, Physical Planning & Housing (PP&H) , Pakistan Planning Commission, Islamabad	Member
3.	Dr. Tariq Habib Malik, Prof. (r) Department of City & Regional Planning, UET, Lahore	Member
4.	Dr. Shaker Mahmood Mayo, Prof. and Chairman Department of City & Regional Planning, UET, Lahore	Member
5.	Dr. Asad Jalal Sindhu (Affordable Housing & Housing Finance Specialist)	Member
6.	Dr. M. Atiq Ur Rahman, Professor & Chairman City & Regional Planning Department, LCWU, Lahore	Member
7.	Dr. Obaidullah Nadeem, Professor, Department of Department of City & Regional Planning, UET, Lahore	Member
8.	Dr. Muhammad Imran, Professor, School of People, Environment & Planning, Massey University, New Zealand	Member
9.	Dr. Abdul Waheed, Associate Professor, HOD, Urban & Regional Planning Department, NUST, Islamabad	Member
10.	Dr. Ghulam Sarwar Sandhu, CEO M/s. Multi Node Planners and Consultants (Pvt.) Ltd. Isb.	Member
11.	Prof. Dr. Tabassam Raza, Executive Director, Planning and Development Research Foundation (inc.) Philippines	Member
12.	Dr. Abdul Rauf, Assistant Professor, Department of Architectural Engineering, United Arab Emirates University, UAE	Member
13.	Dr. Arshad Ali Javed, Senior Lecturer – Property Studies, Director – Real Estate Analysis Unit (REAU), School of Economics & Finance, Massey University, New Zealand	Member
14.	Dr. Zafar Iqbal, Zafar, Director General Planning, Capital Development Authority (CDA), Islamabad	Member
15.	Ar. Dr. Waqas Ahmed Mahar, Professor, School of Art, Design and Architecture (SADA), NUST, Islamabad	Member
16.	Mubushar Hussain, Manager DDR & DRF, National Disaster Management Authority (NDMA), Islamabad	Member
17.	Muhammad Saleem Baluch, CEO Urban Community Housing (Pvt.) Ltd.	Member
18.	Jawed Ali Khan, UN-Habitat Program Manager, Pakistan	Member

GOVERNMENT OF PAKISTAN
Ministry of Housing and Works

The initial draft of the National Housing Policy 2025 was shared with the following key provincial stakeholders for their valuable feedback/suggestions

1.	Secretary Housing, Urban Development & Public Health Engineering Department, Govt. of Punjab, Lahore, Pakistan
2.	Secretary Planning & Development, Punjab, Pakistan
3.	Secretary Local Govt. & Community Development Department
4.	Project Director, Project Management Unit (PMU), LG&CD Department, Government of Punjab, Pakistan
5.	Secretary Public Health Engineering & Rural Development department, Govt. of Sindh, Pakistan
6.	Chairman Planning and Development Board, Govt. of Sindh, Pakistan
7.	Local Government, Housing & Town Planning Department, Govt. of Sindh, Pakistan
8.	Secretary Housing Department, Govt. of Khyber Pakhtunkhwa, Pakistan
9.	Urban Policy Unit, Govt. of Khyber Pakhtunkhwa, Pakistan
10.	Secretary Communication, Works, Physical Planning & Housing Department, Govt. of Baluchistan, Pakistan
11.	Secretary Local Govt. Department, Govt. of Baluchistan, Pakistan
12.	Secretary Planning and Development, Govt. of Azad Jammu & Kashmir, Pakistan
13.	Secretary Physical Planning & Housing, Govt. of Azad Jammu & Kashmir, Pakistan
14.	Secretary Works Department, Govt. of Gilgit Baltistan, Pakistan

GOVERNMENT OF THE PUNJAB
PUNJAB AFFORDABLE HOUSING PROGRAM (PAHP)

World Bank funded Punjab Affordable Housing Program, organized a webinar on 13th April 2025 for discussing, reviewing and seeking recommendations on draft National Housing Policy 25 (NHP 25). The webinar brought together leading policy experts, urban planners, architects, engineers, developers, and government officials to incorporate perspectives from all sectors and provinces of Pakistan. Following is the list of contributors.

1.	Mr. Imran Ali Sultan, Project Director, Punjab Affordable Housing Program, Govt. of Punjab
2.	Mr. Waseem Hayat Bajwa, DG Planning & Policy, Ministry of Housing and Works, Islamabad
3.	Dr. Nasir Javed, Urban Policy Expert & Ex-CEO the Punjab Urban Unit
4.	Dr. Noman Ahmed, Professor and Acting Vice Chancellor at NED University
5.	Mr. Nadir Ali Shah, Senior Urban Planner at Local Government and Community Development Department presented Punjab's perspective
6.	Mr. Yaqoob Khan, Director at Planning & Development, Khyber Pakhtunkhwa
7.	Mr. Waqas Ahmed Mahar, an Architect, currently working in NUST presented Baluchistan's Perspective
8.	Mr. Muhammad Shoaib, Chief Executive of Spatial Logics presented Architectural & Planning firms' perspective
9.	Mr. Babar Mumtaz, Housing Policy Advisor

ESSENTIAL HIGHLIGHTS OF THE FEEDBACK RECEIVED FROM THE INTERNATIONAL DEVELOPMENT AGENCIES

The essential highlights of the feedback on the draft of the National Housing Policy 2025 received from the international development agencies such as the World Bank, Asian Development Bank (ADB), UN-Habitat and JICA, comprise the followings:

- i. **Urban Extension**, enable well-justified urban extensions or land swaps for affordable housing and urban containment boundaries needs to be tied to annual housing targets
- ii. **Green Buffers**, make green buffers legally enforceable and complement them with Transit-Oriented Development. Where green preservation is considered, focus on radial approaches (instead of circular) to ventilate urban cores.
- iii. **Rezone with density/infill incentives**. Promote density and mixed-use growth within urban boundaries; incentivize redevelopment and reuse
- iv. **Establish monitoring systems**. Track land prices, vacancy rates, and new housing construction across segments (e.g., geographic boundaries, ownership vs rental, low vs mid-market).
- v. **Avoiding mandating percentage** While encouraging higher density is beneficial, mandating that 40-50% of residential areas be reserved for apartment buildings and cross-subsidized through a 30-40% price increase is counterproductive.
- vi. **Defining housing affordability**, the traditional method of measuring housing affordability is percentage of income spent on housing, (less than or equal to 30% of income spent on housing is considered affordable) however on account of its limitations, the most reliable methodology for measuring housing affordability i.e. REM –Residual Expenditure Methodology should be used
- vii. **Public rental housing** There are good reasons why the public sector should not build public rental housing. Issues like failed rent collection amid high capital cost is unfeasible for Pakistan given the high level of public debt.
- viii. **New Legislation vs Amendments**, new Acts be drafted in a selective and consultative manner, and be taken up only if amending the current Acts is not possible
- ix. **Housing vs. Habitat**, the issue should not be addressed solely at the level of individual housing units, but rather within the broader context of the surrounding habitat. For example, implementing green-blue nature-based solutions such as sustainable stormwater management and tree planting that mitigate flood and heat risks and reduce energy costs for cooling, are primarily functions of the larger habitat/planning framework.

- x. **Regulation of interest rates:** Any suggestions for regulation of interest rates by government should be avoided. For low-income borrowers, access to loans is a key concern, higher interest rates may result in households adopting shorter and faster investment cycles. A lack of loan availability can be a more significant barrier.
- xi. **Interest Rate Subsidies.** Proposing interest rate subsidies as a housing finance solution is not in line with the best international practices. Costs associated with interest rate subsidies can balloon out of control, considering Pakistan's rather volatile macroeconomy
- xii. **Periodic reviews** of monetary policy, local taxation and fee policies and measures needs to be conducted for its impacts on land markets
- xiii. **Rental Housing**
The government sector needs to increase the supply of public housing by allocating a considerable budget for building houses and apartments for government employees. The words 'considerable budget' needs to be replaced with a stated figure, for instance as a percentage of the allocated budget
- xiv. **Prioritized/phased implementation plan:** the target of 10 million housing units need to be split into achievable phases by 2050. Start with federal-led pilot projects in each province to demonstrate scalable models (e.g., slum upgrading, redevelopment, rural housing) Ensure each phase aligns with available financing, provincial/local capacity, and NHP (Federal role could be leading on overall phasing strategy ensuring alignment with NHP)
- xv. **Clear institutional roles to avoid overlap,** primary responsibility should be assigned for each strategic theme:
 - Federal may lead: Theme 3 (housing finance), Theme 5 (slum upgrading), Theme 7 (harmonized regulations), Theme 8 (resilience/energy efficiency), and Theme 9 (data & capacity)
 - Provincial/Local may lead with federal support: Theme 1 (land use & land banking), Theme 2 (balanced growth), Theme 4 (construction modernization), and Theme 6 (rural & rental housing)

Conceptual Case Study of Urban Regeneration and Slum Upgradation in Islamabad, Pakistan

Adequate housing supply is directly linked to rapid urbanization and institutional and professional inadequacies in implementing sustainable housing strategies and managing fundamental resources, such as land and finances. Urban regeneration and renewal are well-thought-out, sustainable approaches to urban development planning that efficiently manage low-cost/affordable housing resources.

2. In Pakistan, various programs have been launched for the improvement of slums and low-income housing, and state approaches mostly entail forcibly shifting to the outskirts or, more generously, awarding ownership rights to the dwellers. These strategies for moderating housing stock are mostly government-funded and lack community involvement, resulting in greater complications, such as enlarged grey footprints, insecurity, social isolation, and inadequate urban services. These initiatives have not supported improvements in living standards and the alleviation of poverty [DAWN, 2022]. Thus, the comprehensive upgradation of slums is more relevant for creating equal opportunities for slum dwellers to achieve social and economic growth, provide tenure security, and improve accessibility to urban services.

3. Conceptual Case Study of Slum Upgradation in Islamabad

Like other metropolitan cities, Islamabad faces the challenge of slums in the town and unregulated, indecent developments in the suburbs. Slum upgradation in Islamabad relies on government approvals from the Prime Minister (1995), the Chief Executive of Pakistan (2001) and the Cabinet (2004). Slum upgradation in Islamabad involves:

1. Rehabilitation at the existing location
2. Shifting at the Model Urban Shelter Project

The project execution strategy included awarding ownership rights and site development; therefore, these initiatives have become liabilities to the public purse. This state warrants the application of a comprehensive city planning approach and sustainable urban development planning strategies.

City planning practitioners, town planners in CDA, and residents of adjoining areas supported the concept of providing decent housing to the dwellers of this slum in an appropriately developed and convenient location and transforming the slum site into a sustainable, profitable, and environmentally friendly development.

This slum upgradation project is focused on principles including decent housing for the neglected poor, environmental improvement, optimum utilization of precious land, revenue generation, funds for cross-subsidized community facilities, rainwater harvesting, and urban flood control.

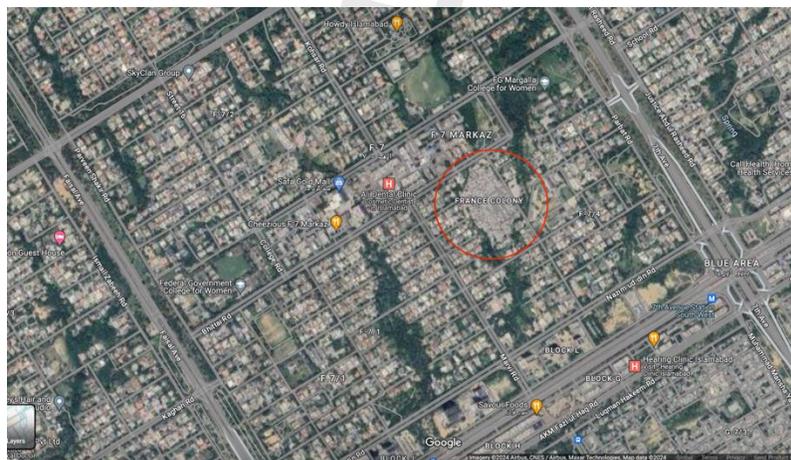
4. Description of Case Study Area

This urban renewal project involves re-planning and redeveloping two squatter settlement sites in sectors 'F-7 and G-7', each measuring approximately 67000 sq. yds and 145000 sq. yds, respectively. It focuses on efficient land use, enhancing housing space, providing adequate infrastructure, community facilities, and promoting environmental improvement.

1. *Project Site F-7*

This site measures approx. 67000 sq. yards and comprises approximately 900 dwelling units. It is one of the squatter settlements recognised for the award of property rights of dwelling units built before a survey conducted jointly by CDA and UNDP in 1992-1993. However, linked with official complexities, the number of housing units has increased. For a sustainable urban development planning project, clearance of the site and provision of decent housing for the inhabitants of slums are essential components of the project strategy.

PROJECT SITE SECTOR F-7



The project planning strategy entails a comprehensive household survey to ascertain an accurate number of dwelling units, identification of a site for the relocation of dwellers of the project area, topographic survey, land use planning, infrastructure development, consultative discussions with the potential beneficiaries, community leaders and management of civic body – land owner and custodian of the project, consultation with town planning practitioners, residents of adjoining communities and sale/land management and project management after execution.

Project site F-7



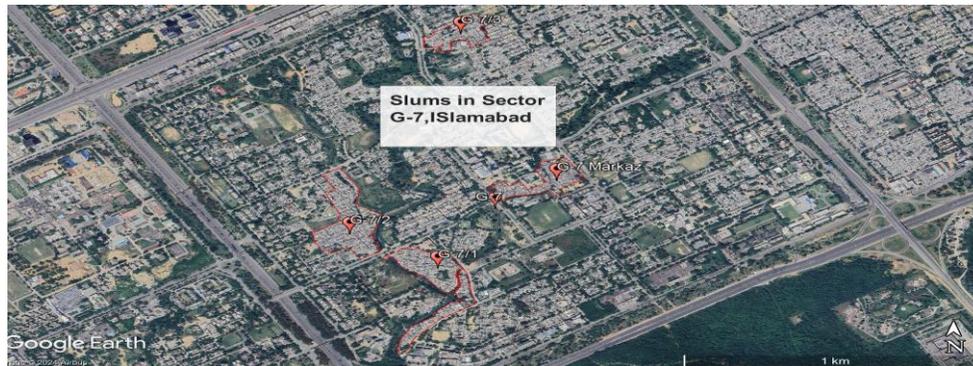
Site Land Use Planning

The project site has been divided in a ratio of 60:40 for mixed-use development and multilevel parking and other amenities, respectively, 40000:37500 sq. yds). Proposed land uses include mixed-use, shopping malls, hotels, hospitals, apartment buildings, community facilities, multilevel parking, mobility corridors and environmental spaces. A Floor Area Ratio (FAR) of 1:12 has been proposed for this project; thus, the estimated built-up area comes out to 480,000 sq. yds/4320,000 sq. ft. Thus, the net sale proceeds are estimated to be RS. 72,000 million at a rate of Rs.1.8 million / sq. yd as of 2022.

b) Project Site G-7

This part of the case study project site is presently a complex of three squatter settlements in sub-sectors G-7/1(58000 sq. yds), G-7/2 (63000 sq. yds) and G-7/3 (24000 sq. yds). The dwelling unit size is small and predominantly double-storey structures on irregular, narrow streets. These three squatter settlements comprise approximately 2000 dwelling units. Land measuring 145000 sq. yds under these squatter settlements is proposed to be transformed into low-rise (4/four storey) apartments to accommodate approx—3500 dwellers of squatter settlements

PROJECT SITE SECTOR G-7

***Land Use Planning of the Site in Sector G-7***

All three sites currently under squatter settlements are located along natural water streams, designed for rainwater drainage, and are served by essential services such as water supply, drainage, sewerage, and roads at the periphery. The site is proposed to be primarily used for low-rise (4/four-storey) apartments over an area of approx. seventy per cent (70% - 100000 sq. yds.) and thirty per cent (30% - 45000 sq. yds.) for allied facilities and circulation. The project site is planned to provide 4,500 apartments, each of 800 sq. ft., to meet the requirements of 3,000 residents to be relocated from Sector F-7 (1,000) and 2,000 residents of three squatter settlements in Sector G-7. Apartments would be allotted to slum dwellers at subsidized prices in easy instalments over 20 years. An additional 1,500 flats would be made available for sale to the general public at a competitive price, generating funds for housing construction for slum dwellers. Although the commercial area and other facilities are already close to the project site, the land use plan proposes educational, healthcare, and community facilities, as well as places of worship.

This project of reuse of underutilized valuable land in the posh sector of Islamabad and slum upgradation is coupled with several benefits:

Social Benefits

The project's social benefits include providing decent housing for approximately 2,000 neglected low-income families engaged in sanitary services, as well as adequate infrastructure and amenities for people experiencing poverty. It also aims to create a neat and clean living environment, foster comfortable community interaction, and ensure convenient access to health, education, and workplace facilities.

Economic Benefits

The project's economic benefits include job creation for skilled and unskilled labour and professionals, optimal utilization of underutilized precious land, fund generation, Institutional sound financial health, adequate funds for the reinforcement of ageing infrastructure and community facilities, and large-scale economic activity.

Environmental Benefits

Environmental benefits of urban development projects include the neat and clean development with ample landscape spaces in place of dirty, unhygienic and smelly settlements, environment-friendly redevelopment of highly polluted water streams, eradication of environmental inconvenience to the nearby communities, more spacing for mixed-use developments – less grey area leaving bounteous open spaces, community walking tracks and rainwater harvesting.

Project Sustainability

Project sustainability is the fundamental element of the project strategy. The project aims to tap the potential of the project site for revenue generation, provide decent housing, amenities, and community facilities to people experiencing poverty, and engage key stakeholders.

Replicability of the Project

Given the social, economic, and environmental benefits of the project approach, as well as its financial sustainability, there is considerable potential for replicating the project concept to achieve sustainable urban development. There are over fifteen slums in the sectoral area of Islamabad, which are probable sites for technically and financially sustainable urban growth, in line with the principles of comprehensive city planning, as well as the regeneration/redevelopment of unregulated urban sprawl in the suburbs of Islamabad. Further, the unregulated horizontal development pattern of urban development in urban agglomerations throughout the country provides ample space for launching sustainable urban development initiatives.

5. Conclusion and Recommendations

Slums in Islamabad, in the aftermath of rapid population growth, pose enormous challenges similar to those faced by other fast-growing urban centres in Pakistan. On the one hand, these slums congest the city, while on the other hand, they acquire valuable land that can be used efficiently for multifaceted, gainful projects. Therefore, upgrading these slums should be the preferred option over alternatives involving displacement and demolition. The aforementioned methodologies are comprehensive and can help address diverse challenges related to slums. Such slum upgradation strategies and plans will enhance the efficiency of the cities and stimulate the economic prosperity and growth in the long run. In the case of suburbs, applying sustainable and compact urban development strategies is a top priority for sustainable urban growth. The proposed development model, which encompasses stakeholder participation, financial sustainability, public-private partnerships, social upliftment, and environmental considerations, has considerable potential for replication in Islamabad and other urban centres.

For further technical sophistication in the application of sustainable urban development planning approaches, suggested ways forward include:

1. Regular periodical review of the enforcement of development plans
2. A high-level advisory committee of city planning professionals may review and suggest remedies.
3. Public-private partnerships should be a top priority for urban regeneration and renewal projects.
4. Vertical compact/mixed-use development should be incentivised regarding approval and fees charged by the CDA.
5. The approval process for such projects needs to be simplified and standardised for the convenience of developers.

DRAFT

Glimpses of International Best Practices Relating to Provision of Affordable Housing

A. Indonesia: The National Affordable Housing Program (2017-2023)

- ***The National Affordable Housing Program*** was initiated in March 2017, funded by the World Bank with a US\$450 million loan, to support the Government of Indonesia's efforts to improve access to affordable housing for low-income households.
- ***Indonesia's government has strategised*** to reduce the housing backlog and improve housing conditions among the bottom 40% of the population, specifically those living below the poverty line.
- ***Mortgage-Linked Down Payment Assistance***: First-time homeowners were helped with their down payment. It also helped informal sector workers own a house through a subsidised mortgage facility, particularly those who previously had limited access.
- ***Home Improvement***: The program also provided subsidised loans, particularly to those living below the poverty line, to facilitate home improvement.
- ***Technical Assistance***: The program also facilitated Policy formulation of the housing sector, encompassing institutional reforms, upgradation of standards & Housing Sector
- ***Challenges***: Despite financial and Technical help from the World, the program faced several challenges and constraints, including physical and logistical issues, particularly during COVID, delays in land acquisition, high costs for acquiring the land, budgetary constraints on the part of the government, and verification of eligibility of the target population working in the informal sector
- ***Targets Achieved***: The program was a success story in the face of the above-mentioned challenges, and it helped about 0.26 million people across the country in achieving the desired goals
- ***Lessons Learnt***:
 - An affordable housing program works well if it focuses on both aspects, i.e., demand-side subsidies (down payment/mortgage finance) and supply-side quality enhancement (house repair/upgradation).
 - Quality standards and quality assurance are crucial for ensuring resilience, safety, and durability in the face of natural disasters.
 - Targeting low-income households and informal workers helps achieve social equity.
 - Private sector engagement, which enables a finance mechanism, is crucial for the program's success.
 - The application of digital tools and monitoring helps enhance transparency and compliance with standards.

(Source: The World Bank Group Internal Research)

B. Singapore: A Case of Successful Affordable Housing Model

- Singapore faced a severe housing shortage at the time of independence in 1965. It was characterized by overcrowded slums and squatter settlements. Only 10% of the population lived in formal public housing.
- The Housing Development Board (HDB), established in 1960, assumed the responsibility of providing mass housing facilities. It accomplished the task of delivering over 50,000 flats within a period of 05 years and rehoused the people living in slum areas.
- The government owns 90% of the land acquired through the Land Acquisition Act of 1966
- State ownership of land helps control land prices and makes land available for various prioritized land uses
- Over 80% of Singaporeans reside in subsidised flats developed by the Housing and Development Board (HDB). The homeownership rate in Singapore is approximately 90%.
- The subsidized flats were sold to eligible people based on their income and family structure.
- Affordability was increased by allowing citizens to utilise compulsory savings, i.e., the Central Provident Fund (CPF), to purchase the apartments.
- Urban Renewal Authority (URA) was established to provide services such as shopping centres, open spaces on the ground floor for social gathering, and community centres around the flats.
- **Key Lessons** learnt from the Singapore model are:
 - Firm and sustained political will is essential for the successful provision of affordable housing to the citizens.
 - Basic facilities, such as open spaces for gathering, community centres, and shopping centres, need to be integrated into housing developments.
 - The development of housing units can be made more affordable through government subsidies and the utilization of compulsory savings.
 -

(Source: The World Bank Group Internal Research)

C. Thailand: Baan Mankong Housing Program

- It is one of the best success stories of community-driven slum upgradation and affordable housing programs in the World.
- Thailand, like other developing countries, faced the issue of widespread urban slums.
- Urban development through community participation is the essence of the model. A radical approach of community empowerment, bottom-up planning and execution was introduced by the Community Organisations Development Institute (CODI)
- The Baan Mankong program was launched in 2003.

- Funding was provided directly to the community, but not to the contractors and developers
- The program led to massive improvement in the provision of infrastructure, sanitation and community facilities
- Partnership was forged with the local Government, NGOs, professionals, and the universities
- Land tenure was secured through land purchase, lease, land banking and pooling techniques
- More than 1,000 communities were upgraded in over 300 cities
- Over 100,000 households benefited from the program
- **Lessons learnt:**
 - The community needs to be trusted and engaged for the successful execution of slum upgradation and affordable housing programs
 - Secure land tenures lead to investment in houses owned by the residents
 - Partnerships and networking help in enhancing the social capital of the communities, which is essential for bottom-up project planning and execution
 - The flexibility of the program in terms of standards and project implementation modes is key to addressing informal settlements.

(Source: The World Bank Group Internal Research)

D. Chile's Market-Driven Approach for Affordable Housing

Chile is one of the first countries to adopt a market-driven approach for affordable housing.

Its salient features include:

- Subsidies to low-income families
- Incentives to private developers
- Flexible urban regulations
- A policy shift was made from building more houses to building better neighbourhoods and cities.
- The government's role was to be an enabler and facilitator, rather than a provider and executor of housing construction.
- The private sector was engaged in funding low-cost housing projects, which led to transparency and fair competition among private developers for the construction of quality, low-cost housing units.
- Targeted subsidies were provided to low and middle-income citizens.

Chile's Vertical Housing:

- It is an excellent model for transforming informal settlements into a planned community
- The ground floor area of each planned unit measures 36 sq. meters (387.5 sq. feet) and can be extended to the 1st and 2nd floors incrementally.

- The Government provided a subsidy of \$ 7,200 per unit, while the contribution from each household amounted to \$300.
- It is a practical example of in situ slum upgradation.

Lessons Learnt:

- The government's role should be that of a facilitator and enabler
- The private sector needs to be incentivized to play a role in funding and executing the low-cost housing projects
- One-time demand-side subsidies should be provided to enhance the access of low-income people to affordable housing

(Source: The World Bank Group Internal Research)

E. Morocco's Villes Sans Bidonvilles (Cities Without Slums) Program

- 'Cities without slums' was a major urban policy program launched by the government in 2004 with the support of the World Bank
- Its salient multi-dimensional features included relocation of residents, public-private partnership, subsidies for low-income households, and a participatory approach
- Various housing agencies were consolidated into a single authority
- Two mortgage guarantee funds were launched: one for the low-income/informal settlements (**FOGARIM**), and the other for the public servants (**FOGALOGÉ**)
- 10 separate housing agencies were consolidated under the new *Al Omrane Holdings*, under the Ministry of Housing
- It was initially funded by government funds, but has now become financially independent & a profitable entity.
- Its features include various approaches, including in situ upgradation, relocation to serviced plots and relocation to low-cost apartments
- Its unique feature for serviced plots was to establish partnerships between two families and an investor for the construction of a 4-story apartment.
- The upper two storeys, i.e., the 3rd and 4th floors, are occupied by the two families, while the first two floors, i.e., the 1st and 2nd, are to be settled by the investor. The first floor is used for retail services, and the 2nd floor is an apartment. The investor receives the rent from both the 1st floor and the 2nd floor.

(Source: The World Bank Group Internal Research)

F. INDIA's PMAY (Pardhan Mantri Awas Yojana)

- It is one of the key housing programs initiated by the government in 2015
- Multi-dimensional approaches are employed to address demand and supply side issues relating to existing slums and new housing projects
- The approaches included the following:

In-situ slum redevelopment: Slum dwellers are provided free apartments in a high-rise development. The free plots are cross-subsidised by the sale of commercial areas and other flats at market prices.

Credit-linked subsidy scheme: housing loans are provided through commercial banks and a building finance company

Affordable housing through partnerships: Affordable housing projects are launched by the government through its concerned organizations and through public-private partnerships

Beneficiary-led construction: subsidised loans are provided to the economically weaker section of the society for self-help construction, or repairers of a dwelling unit in a slum

Affordable rental housing: Affordable housing projects were launched by the government near the workplaces for low-income people through PPP

- The flagship projects led to the improvement of more than 118 lakh housing units.

(Source: The World Bank Group Internal Research)

G. Government of Shandong (China) Cheap Rental Housing (CRH) finance program

- Implementation of central government policies according to the local needs by states.
- Means of financing the CRH include allocation by the central government, net income from leasing the land, bank loans, income from government bonds, net profit from providing affordable houses and other sources, such as mobilizing the capital reserves of developers.
- Land leasing schemes stipulate that at least 10% of the net income from land use rights must be allocated to the capital reserves of CRH, which will be used to cover basic costs.
- Land management on the ground is carried out entirely by local state and local governments, eliminating the problems of bureaucratic delays and operational costs.
- Housing Provident Fund (HPF) is a savings scheme which obliges the employees and the employers to allocate a specific amount of their savings to the HPF account, which is a source of finance for CRH

A Snapshot of 'TOKI – The Mass Housing Administration of Turkey'

A Successful Model

- TOKI is a government agency in Turkey, established in 1984, that provides affordable housing solutions for low- and middle-income families. It has been playing an active role since 2003.
- TOKI acquires public land and develops housing projects in partnership with private construction firms
- The program offers flexible payment plans ranging from 10 to 20 years
- TOKI – the government agency was given more power and authority for the successful processing and implementation of the projects
- TOKI transforms slums and shanty towns into liveable areas, thus helping improve the quality of life of the residents
- It has also played a crucial role in post-disaster reconstruction by delivering affordable housing and ensuring disaster resilience
- The local government institutions go hand in hand with TOKI and play a critical role in identifying the target population, implementing the projects and delivering the housing units to the targeted segment of society
- The Turkish Ministry of Environment and Urbanization (MoEU) published the Urban Renewal Strategy in 2019 with the following basic design principles to be employed in urban renewal projects:
 - ✓ Evaluate the risks of disaster and ensure the security of citizens' lives and property
 - ✓ Horizontal development and low-rise construction
 - ✓ Disability-friendly construction for easy accessibility to buildings and other areas
 - ✓ Preservation of neighbourhood culture
 - ✓ Preservation of historical and cultural heritage in areas of urban renewal
- One of the most critical factors that accelerated the production of social housing was the authority given to the administration for land acquisition.
- The monthly instalments of the low-income groups are determined according to the public sector wage index or the consumer price index specified by the Turkish Statistical Institute (TurkStat)

GLOSSARY

Affordable Housing

Generally housing is considered affordable if the monthly rent or mortgage instalment does not exceed 30% of household income, so that essential needs such as food, education, and health are not compromised. However, one of the most reliable methodologies for measuring housing affordability, is REM –Residual Expenditure Methodology. It is a measure of housing affordability which assesses whether a household’s ‘non-housing expenditures’ (i.e., expenditures after paying for housing) fall below a minimum socially acceptable standard. If the residual (non-housing) expenditures are less than the established minimum standard, the household is considered to be experiencing unaffordable housing conditions

Climate and Disaster Resilient Housing

Housing structures specifically designed and built to resist damage from extreme weather events, natural disasters, and long-term climate risks through the use of robust materials and adaptive designs.

Compact Development

A land-use strategy that promotes higher-density, mixed-use neighborhoods with pedestrian-friendly environments to reduce sprawl and infrastructure costs.

Energy-Efficient Housing

Housing designed to consume minimal energy through features such as insulation, efficient windows, natural ventilation, and energy-saving appliances.

Green Housing

Housing constructed using environmentally sustainable materials and technologies that reduce energy consumption, limit carbon emissions, and support efficient use of water and other resources.

Household

A household consists of all those persons who usually live together and eat from the same kitchen.

Household Size

The number of people living in a household

Housing Backlog

The stock of housing shortage that has accumulated from previous years due to insufficient construction, population growth, or deterioration of existing housing stock.

Housing Deficiency

Housing deficiency refers to the current shortfall in adequate housing, capturing both the quantitative lack of housing units (i.e., households without their own dwelling) and the qualitative inadequacy of existing units (i.e., substandard, overcrowded, unsafe, or lacking basic services).

Informal Settlement

Informal settlements are housing units built on land that inhabitants occupy illegally or to which they have no legal claim, or as dwellings that are not in compliance with planning and building regulations.

Kacha / Semi-Pakka / Pakka Houses

Kacha houses are made from temporary materials like mud and bamboo. Semi-Pakka houses combine temporary and permanent materials. Pakka houses are built entirely from durable materials such as brick, concrete, or cement.

Katchi Abadis

Lower-standard residential areas developed without legal rights to the land or permission from authorities.

Land Banking

Land banking is the practice of aggregating parcels of land for future sale or development.

Land Hoarding and Speculation

Land hoarding is the retention of undeveloped land by owners to profit from future price increases.

Land Speculation

Speculation is the purchase of land primarily for resale at higher prices without development.

Low-Income Group

The minimum wage set by the federal government in Pakistan is PKR 37,000 per month for the 2024-2025 fiscal year. This figure holds significant importance as it serves as a benchmark for wage policies. In Punjab and Sind provinces, the minimum wage has been set at PKR 40,000 per month, effective from July 1, 2025. Therefore, the low-income individuals can be categorized as those having an income from PKR 37,000 to PKR 40,000 per month. However, this value will change over time in accordance with the changes made by the government.

Public-Private Partnership (PPP)

A formal arrangement between a government entity and a private firm to develop, finance, or operate housing projects, with shared responsibilities and risk allocation.

Rental Housing

Housing occupied by tenants who pay rent to landlords under a formal or informal agreement, with the rental arrangement potentially regulated by tenancy laws.

Site Development Zones

Geographic areas officially designated for planned development, equipped with infrastructure and utilities, intended for structured residential or mixed-use projects.

Slums

A slum is an urban area which lack one or more of the following conditions: durable housing, sufficient living area, access to clean water, proper sanitation and secure tenure

Spatial Planning

The method of managing land use by coordinating the spatial distribution of people, activities, and infrastructure to promote orderly and sustainable urban and regional development.

Squatter

A squatter settlement can be defined as a residential area which has developed without legal claims to the land and/or permission from the concerned authorities to build; as a result of their illegal or semi-legal status, infrastructure and services are usually inadequate.

Subsidized Housing

Residential units provided to eligible households at below-market costs, supported by government contributions such as financial assistance, land waivers, or tax benefits.

Transit-oriented development (TOD)

It is a planning strategy that aims to concentrate jobs, housing, and services around public transport stations.

Urban Regeneration

The process of revitalizing deteriorated urban areas through redevelopment, improvement of infrastructure, housing, and public spaces while aiming to prevent displacement of residents.

Urban Sprawl

Uncontrolled and spread-out growth of cities into rural areas, often characterized by low-density development, car dependency, and inefficient land use.

Vertical Housing

Multi-storey residential buildings developed to maximize housing density within limited land areas, commonly used in urban and peri-urban locations.