



HOUSE BUILDING FINANCE
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PUBLIC HOUSING MODELS: A GLOBAL PERSPECTIVE

RESEARCH REPORT

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FOREWORD

Pakistan is currently grappling with a significant housing crisis, intensified by rapid urbanization and a burgeoning population. The impact of this shortage is starkly visible in the cramped one-room dwellings scattered across urban areas, highlighting a profound disparity between urban and rural living standards. Addressing this issue demands robust public housing initiatives that can provide affordable, secure housing to low- and middle-income families, effectively narrowing the socioeconomic divide.

Given the country's fiscal constraints, it is critical to learn from the experiences of other nations that have faced similar challenges and have still managed to implement successful public housing programs under strained conditions. This report delves into various international public housing strategies, examining models from countries across Asia including China, India, Bangladesh, Indonesia, Singapore, Malaysia, Hong Kong, South Korea, Taiwan, and Japan. Our goal is to distill effective practices and adapt them to fit Pakistan's unique circumstances.

The approaches to public housing in Asia are as diverse as the continent itself. In China and Indonesia, the strategies strike a balance between governmental intervention and market dynamics. China, for instance, has significantly expanded its housing options to enhance affordability for its most vulnerable populations, adapting its policies to find an optimal balance. Indonesia has combined government action with market-driven solutions to meet urgent housing needs through innovative strategies.

In contrast, Hong Kong and Singapore demonstrate the success of structured government interventions. Singapore, in particular, is renowned for a housing model that promotes widespread homeownership, strategic land use, and community self-sufficiency, contributing immensely to the country's social and economic stability.

South Asia offers its own insights, with India's Pradhan Mantri Awas Yojana (PMAY) serving as a prime example of a government-led initiative bolstered by public-private partnerships and subsidies to enhance housing accessibility. Bangladesh employs a similar approach, though it also faces challenges like land scarcity and the difficulty of reaching its most vulnerable populations.

Further afield, Taiwan, Japan, Malaysia, and South Korea showcase the evolution of public housing policies aimed at not just meeting basic needs but enhancing living standards and promoting inclusive communities. Taiwan emphasizes heritage preservation and sustainability, Japan has shifted from providing post-war shelter to improving quality of life and social integration, and Malaysia and South Korea have moved towards systems that foster homeownership and support mixed-income communities, reflecting the evolving needs of their populations.

This comparative analysis underscores the importance of crafting public housing policies that are tailored to the local context, demonstrating the pivotal role these strategies play in urban planning. These examples offer invaluable insights into how well-conceived public housing initiatives can shape urban futures and promote social inclusion.

THE EVOLUTION OF PUBLIC HOUSING IN CHINA

China's public housing landscape has dramatically transformed since the pre-1990s era when state-owned enterprises provided stable but rigid housing options through a work unit system. Following the economic reforms of the 1990s, the government privatized much of its housing stock, pushing toward a market-driven approach that encouraged homeownership to boost economic growth and give residents more control over their housing choices. Today, efforts focus on supporting low-income families and urban migrants through subsidized Public Rental Housing (PRH) and affordable housing programs like "Monopoly Housing," which offers below-market prices. Additionally, targeted initiatives cater to the specific needs of groups such as migrant workers and the elderly.

The government's role in facilitating affordable housing extends to allocating land at reduced costs, providing financial incentives to developers and renters, and regulating the market to prevent excessive price hikes and speculation. Despite these measures, challenges like supply shortages, especially in major cities, and issues with construction quality persist, sometimes exacerbating regional disparities. In response, recent strategies include boosting investment in PRH and developing mixed-income communities that blend public and private housing to promote social integration and address the diverse needs of China's population.

EVALUATING SUCCESSES AND CHALLENGES IN INDIA'S PUBLIC HOUSING INITIATIVE

Launched in 2015 by the Ministry of Housing and Urban Affairs, the Pradhan Mantri Awas Yojana (PMAY), or Housing for All, represents a major social welfare initiative by the Government of India aimed at ensuring affordable housing for all eligible urban households by 2022. The ambitious program rolls out through four strategic verticals, each addressing different aspects of the housing challenge. The Beneficiary Led Construction (BLC) or Individual House Subsidy Scheme (IHSS) provides financial aid to beneficiaries for constructing permanent homes on their own land. In contrast, the In-situ Slum Redevelopment (ISSR) focuses on transforming slums by enabling dwellers to construct permanent homes within the same area, thereby improving living conditions without displacing communities.

Further broadening the scope, the Affordable Housing in Partnership (AHIP) fosters public-private partnerships to create more affordable housing units, enhancing the scalability of housing efforts. The Credit Linked Subsidy Scheme (CLSS) assists individuals from economically weaker sections (EWS), low-income groups (LIG), and middle-income groups (MIG) by offering subsidies on home loans. This holistic approach not only addresses the need for housing but also ensures a diverse range of solutions tailored to different economic capabilities.

The impact of PMAY has been profound; by December 2023, nearly 32 million houses were sanctioned, with over 24 million completed, marking a significant stride towards improving the housing infrastructure and living conditions of millions of urban poor and lower-income households in India. This program underscores the government's commitment to not just housing, but also to social stability and equity, providing a foundational step towards more inclusive urban development.

BANGLADESH: STRATEGIES, CHALLENGES, AND EFFECTIVE PRACTICES

Bangladesh is refining its approach to public housing to manage its rising population and rapid urbanization effectively. Government-led initiatives by the National Housing Authority and other agencies focus on direct developments such as housing for government employees and slum rehabilitation programs. Public-private partnerships are increasingly vital, leveraging private developer involvement with government incentives to build affordable homes. Financial support mechanisms, including subsidized loans from entities like the Bangladesh House Building Finance Corporation, are pivotal, complemented by proactive initiatives like "Housing for All."

However, the public housing sector faces significant challenges including limited urban land availability, which escalates project costs, and gaps in essential infrastructure that affect living standards. The programs' reach is also hindered by income verification processes that exclude the poorest, and the sustainability of these initiatives is often at the mercy of fluctuating government budgets. To enhance efficacy, successful strategies involve community engagement in planning, integrating housing with urban infrastructure, and ensuring ongoing maintenance and service delivery to maintain living standards post-construction.

INDONESIA'S MULTIFACETED APPROACH TO PUBLIC HOUSING

Indonesia has implemented a robust public housing strategy to address its significant housing deficit, particularly for low-income citizens. The strategy includes a variety of government initiatives such as subsidized mortgages through programs like FLPP and BP2BT, which aim to make homeownership more affordable. Additionally, the government supports self-help housing projects where communities actively participate in building and improving their homes with provided materials and expertise. There are also public rental housing options (Rusunawa) and efforts to upgrade slum areas by enhancing infrastructure and services.

However, the program faces several challenges, including its limited reach that often fails to close the affordability gap for the poorest populations, and the difficulty in acquiring affordable urban land for development. Issues with the quality and sustainability of some self-help housing projects have also been noted.

To further address these challenges, recent trends include the ambitious One Million Houses Program intended to significantly increase housing production, and expanding public-private partnerships to create mixed-income housing projects. These efforts represent a comprehensive but challenging attempt to balance government intervention with market-driven solutions to meet urgent housing needs.

SINGAPORE: A MODEL OF CENTRALIZED HOUSING SUCCESS

Singapore's public housing program provides important insights for nations dealing with housing shortages. The program is driven by a government strategy that emphasizes extensive homeownership, effective land use, and the creation of inclusive communities. Established in 1960, the Housing & Development Board (HDB) centralized the planning, building, and management of public housing, streamlining the process significantly.

Introduced in 1964, the Homeownership Scheme allows citizens to buy flats using savings from the Central Provident Fund (CPF), making homeownership affordable for most Singaporeans. Due to limited land, the 1966 Land Acquisition Act enabled the government to acquire land at reduced prices for housing development. To meet urgent housing needs, Singapore also launched large-scale construction of standardized high-rise apartments.

However, Singapore's program extends beyond housing. HDB estates are designed as self-contained communities with schools, shops, healthcare facilities, and recreational areas. The Ethnic Integration Policy promotes a balanced mix of ethnic groups in each estate, supporting a cohesive multicultural society and preventing segregated neighborhoods.

Over the years, Singapore has updated its housing policies. HDB flats have evolved in design and are part of continuous government efforts to refurbish and modernize older estates. Thanks to these efforts, Singapore enjoys a high homeownership rate of over 90%, showcasing the effectiveness of its public housing strategy.

HONG KONG: FROM CRISIS RESPONSE TO MODERN CHALLENGES

Hong Kong, a bustling global financial center known for its cultural diversity, faces a unique and challenging housing situation, largely due to its history and limited geographical space. Originally, the government took a minimal role in housing, but this changed dramatically following a catastrophic fire in 1953. The disaster prompted the establishment of the Housing Authority, which began by constructing simple resettlement blocks. This marked the beginning of more comprehensive public housing efforts.

During the 1960s and 1970s, there was a significant drive to provide housing for the growing population. The focus was on developing new towns complete with necessary amenities, which greatly improved living standards.

By the 1980s and 1990s, the policy shifted towards encouraging homeownership. Programs like the Home Ownership Scheme and the Tenants Purchase Scheme made it easier for lower to middle-income families to buy homes, increasing both economic stability and opportunity.

Since the early 2000s, however, Hong Kong has faced new challenges in housing. A reduction in the construction of direct public housing, combined with skyrocketing property prices, has exacerbated affordability issues. With limited room to expand, the city has turned to creative solutions such as land reclamation and redevelopment. Despite advancements, Hong Kong's housing market remains one of the most expensive globally, underscoring the ongoing tension between fostering economic growth and ensuring housing accessibility.

Key Takeaways:

- Hong Kong's housing strategy has evolved from emergency response to an emphasis on homeownership and community building.
- Modern challenges include maintaining affordability and managing space constraints.
- Hong Kong's situation highlights the complex dynamics of government intervention, market pressures, and limited land in shaping housing markets.

TAIWAN'S PRESERVING HERITAGE, EMBRACING INNOVATION

Taiwan's approach to public housing is a vivid illustration of how a nation can intertwine its rich historical past with modern sustainability practices, particularly visible in Taipei, its dynamic capital. The city's housing strategy includes the adaptive reuse of older buildings, which not only preserves the architectural heritage but also reduces environmental waste by repurposing existing structures rather than constructing new ones. Additionally, Taiwan has been pioneering in the development of sustainable new housing projects that emphasize energy efficiency and include green spaces, addressing the dual needs of environmental sustainability and urban accommodation. This integration of historical preservation with modern ecological practices exemplifies Taiwan's commitment to maintaining its cultural identity while advancing towards a sustainable future.

Furthermore, to combat the challenges of housing affordability exacerbated by escalating property prices, the Taiwanese government has implemented targeted rent subsidies. These subsidies are particularly aimed at low-income residents in bustling urban areas like Taipei, ensuring that the economic barriers do not hinder access to housing. This strategy has not only diversified housing options but also enhanced inclusivity, allowing a broader section of the population to benefit from safe and affordable housing. Despite the persistent challenges, Taiwan's flexible and holistic approach offers a valuable model for other countries striving to balance heritage conservation with contemporary housing needs. By integrating affordability with ecological and cultural considerations, Taiwan's housing policy not only safeguards its historical tapestry but also aligns with global sustainability goals, setting a precedent for thoughtful urban planning on a global scale.

SOUTH KOREA: FROM POST-WAR URGENCY TO MODERN SOLUTIONS

South Korea's transformation in public housing is a powerful narrative of resilience and strategic planning, reflecting the country's journey from post-war recovery to becoming a global leader in economics and technology. After the devastation of the Korean War from 1950 to 1953, the nation faced an urgent need for housing. The initial response was the rapid construction of basic shelters, mainly in urban centers, to address the immediate crisis of displacement and homelessness. This period set the groundwork for South Korea's focus on housing as a critical component of national recovery and development. As the country began to stabilize and grow economically, the focus shifted from merely providing shelter to enhancing the quality of life for its residents.

This economic boom led to accelerated urbanization, further increasing the demand for housing and beginning a new chapter in South Korea's housing policy. The government responded by constructing large-scale, high-density apartment complexes, which were designed to be efficient and maximize land use, catering to the growing urban population. As the nation progressed and democratized, there was a significant shift towards improving the quality of housing and encouraging homeownership, symbolizing stability and prosperity for its citizens. The Korea Land & Housing Corporation (LH) was instrumental in this shift, overseeing the development of millions of quality housing units. These initiatives not only catered to the increased demand but also focused on creating a sense of community and belonging, reflecting South Korea's broader goals of enhancing quality of life and promoting social stability through homeownership. This evolution from basic shelter to quality living spaces and homeownership opportunities marks South Korea's strategic approach to public housing, demonstrating how it has woven economic growth with social policies to address the challenges of rapid urbanization and improve the living conditions of its citizens.

JAPAN: FROM POST-WAR RECONSTRUCTION TO A FOCUS ON QUALITY OF LIFE

Japan's public housing evolution is a compelling testament to its adaptability and foresight, moving seamlessly from addressing the urgent post-war housing crisis to enhancing the quality of life for its citizens within a few decades. After World War II, Japan faced a severe housing shortage that necessitated immediate action. The government's initial focus was on constructing temporary shelters quickly to house the displaced population. Over time, these efforts expanded into more structured public housing projects, setting a foundation that would support Japan's future needs. As the nation experienced an economic boom in the 1950s and 1960s, massive urbanization followed, prompting the development of "Danchi"—large-scale apartment complexes designed to accommodate the growing urban workforce. These complexes were not just solutions to housing shortages but also emblematic of Japan's efficient response to its urbanization challenges.

By the 1970s, with basic housing needs met, Japan shifted its focus towards improving the quality of public housing. This shift was characterized by higher construction standards, increased living space, and the integration of community-enhancing amenities. Public housing units evolved from mere shelters into well-planned communities that promoted social well-being and satisfaction among residents. Today, Japan continues to face modern challenges such as aging infrastructure and demographic shifts, but remains proactive, dedicating significant resources to the maintenance and upgrading of existing housing stock, while also exploring innovative housing solutions. This ongoing commitment highlights Japan's approach to public housing not just as a physical space, but as a crucial element of social infrastructure aimed at sustaining high quality of life and community stability. Japan's journey from rapid post-war housing construction to creating livable, sustainable communities offers valuable insights into the role of public housing in urban planning and social policy.

MALAYSIA: EXPANDING OWNERSHIP, TACKLING CHALLENGES

Malaysia's approach to public housing encapsulates a comprehensive and adaptive strategy that mirrors its evolving socio-economic landscape, demonstrating a commitment to increasing homeownership and tackling affordability. From its colonial past, where housing initiatives were limited to accommodating officials, Malaysia's journey has been transformative. Post-independence, the focus pivoted to nation-building, marked by the direct construction of low-cost housing that addressed the immediate needs of its burgeoning population. This phase was followed by the New Economic Policy (NEP) in the 1970s, designed to rectify socio-economic imbalances and specifically to boost homeownership among the Bumiputera community, indicating a shift towards more targeted social policies.

The subsequent decades saw significant market reforms, where the Malaysian government reduced its role in direct construction and instead incentivized the private sector to develop affordable housing. This period also ushered in efforts to clear slums and promote mixed-income communities, addressing both the physical and social dimensions of public housing. Into the 2000s and beyond, Malaysia has continued to refine its strategy with programs like 'Rent-to-Own', and other state-led initiatives aimed at making homeownership more accessible, especially in the face of rising urban property prices that often outpace income growth. Despite challenges such as maintaining aging housing stock and ensuring ongoing affordability, Malaysia's public housing efforts have notably increased homeownership rates. The nation's persistent adaptability in its housing policies showcases an effective blend of government intervention and market mechanisms, aimed at fostering stable, integrated communities and improving the quality of life for its residents.

HOUSING SITUATION IN PAKISTAN

Pakistan's housing situation is reaching a critical point. The country's population has exploded, particularly in urban areas where growth rates hit 3.65%. With an average household size of 6.3 members, this translates into severe overcrowding; majority of urban residents live in 1-2 room apartments. The housing crisis is further exacerbated by the stark divide between urban and rural areas, with less than half of rural dwellings considered permanent structures. These alarming statistics underscore the dire need for a robust public housing policy to address Pakistan's escalating housing shortage and ensure a better quality of life for its citizen.

PROPOSED PUBLIC HOUSING MODEL FOR PAKISTAN

1. Government-Led Initiatives with Strong Private Sector Collaboration

- **Public-Private Partnerships (PPP):** Build on the success of the Naya Pakistan Housing Program (NPHP), enhancing risk sharing and incentives to attract private investment. This method follows successful international models and leverages previous local initiatives.
- **Role of State-Owned Enterprises (SOEs):** Utilize SOEs more effectively in housing projects, similar to the roles played by entities in China. Previous projects like those undertaken by the Pakistan Housing Authority show the potential for expansion in this area.

2. Financial Support and Subsidized Housing Finance

- **Subsidized Mortgages and Loans:** Expand the reach of programs like Mera Pakistan Mera Ghar, which offers financing tiers for different income levels, drawing from the success of Indonesia's subsidized mortgages.
- **Direct Financial Assistance:** Enhance direct subsidy programs for renters and buyers, learning from the Prime Minister's Interest-Free Loans Scheme and adopting strategies similar to Taiwan's rent subsidies.

3. Utilization of Available Land

- **Strategic Land Use:** Further develop policies to use government-owned land effectively for housing projects, keeping costs low, building upon the Punjab Peri-Urban Low-Cost Housing Scheme's use of government land.
- **Anti-Speculation Measures:** Strengthen regulations to prevent land speculation, ensuring efficient use of allocated land, as partly addressed by existing urban planning laws but needing more rigorous enforcement like Singapore.

4. Comprehensive Regulatory Framework

- **Strong Regulatory Bodies:** Bolster or establish a Real Estate Regulatory Authority to ensure comprehensive oversight, drawing from India's RERA experience. The framework could expand on the regulatory practices currently overseen by bodies like the Lahore Development Authority.
- **Building Codes and Standards:** Update and enforce building codes to ensure accessibility, taking cues from global standards and previous local initiatives in urban areas.

5. Community Involvement and Inclusion

- **Community Planning:** Intensify community engagement in the planning and design of housing projects, ensuring that developments meet real needs, building on the participatory approach used in the Orangi Pilot Project. This transformed living conditions in Orangi Town by introducing affordable sanitation and housing solutions. Additionally, it boosted economic opportunities with microfinance schemes, empowering residents to establish small businesses. The project's success as a community-driven initiative became a global model, inspiring replication in other parts of Pakistan and across the world.
- **Inclusive Policy Design:** Develop specific policies for vulnerable groups, improving upon efforts seen in various provincial housing schemes and incorporating successful elements from Malaysia's inclusive programs.

6. Slum Upgrade and Transformation

- **Formalization and Infrastructure Improvement:** Expand and enhance initiatives like the Sindh Katchi Abadis Authority's regularization and upgrade programs, inspired by successful slum upgrade projects in Indonesia.
- **Community-Based Projects:** Continue supporting self-help projects and community engagement in slum upgrades, reflecting the successful community-driven models in Latin America and building upon local projects like the Orangi Pilot Project.

7. Sustainability and Innovation

- **Green Building Practices:** Implement sustainable building technologies and practices, inspired by advancements in Japan and reflecting ongoing local efforts in new development projects.
- **Innovative Housing Solutions:** Explore and implement modern housing solutions such as modular homes and 3D printed buildings, inspired by international innovation and building upon local experimental projects.

8. Implementation Strategy

- **Pilot Projects:** Leverage successful pilot project frameworks from both international examples and local initiatives like the model villages created for disaster relief.
- **Monitoring and Evaluation:** Set up robust monitoring and evaluation mechanisms, building on local experiences with development projects and international best practices.

This model builds on Pakistan's previous successes and ongoing initiatives in public housing, aiming to expand and enhance these efforts with updated policies, increased inclusivity, and innovative approaches. By learning from both local and international experiences, Pakistan can further develop a public housing system that supports broad economic development and improves the quality of life for its citizens.

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