

URBAN AND RURAL DEVELOPMENT

**By
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PAKISTAN LOW COST HOUSING PROJECT

A Discussion Paper

for

The Asian Development Bank

by

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CHAPTER - 1

URBAN HOUSING ISSUES

1. PROBLEMS OF URBAN HOUSING IN PAKISTAN

1.1 Importance of the urban sector in housing:

1.1.1 Urban growth in Pakistan:

Pakistan's population increases at the rate of 3 percent per year: 4.4 percent in the urban and 2.6 percent in the rural areas. In 1985, 30.1 percent of the country's population lived in urban areas. In 1993, 35 percent will be living in urban areas. This means that 270,000 houses will be required per year in the urban sector and 250,000 in the rural sector.

1.2.1 Importance of the urban sector in housing:

A second and, in some cases, third generation of slum dwellers is growing up in Pakistan's urban areas. These people have a high level of awareness, higher literacy rates than the rest of the country, and possess none of the pioneering spirit that brought their families to the urban areas. Differences between the planned areas and the slums are very marked, especially in relation to tenure security and the availability of services. The urban unrest in Karachi, for instance, is attributed by social scientists to these issues. It is felt, therefore, that urban housing should take precedence over rural housing.

1.2 Katchi Abadis:

1.2.1 The growth of katchi abadis:

The failure of government policies in making land available to the urban poor has led to the creation of squatter colonies or katchi abadis. At present, 27 percent of Pakistan's total urban population and 38 percent of Karachi's population lives in such abadis. The growth rate of katchi abadis is much higher than of government planned areas. For instance, between 1970 and 1985 Karachi's total growth rate was 4.5 percent per annum as opposed to 7.5 percent for the katchi abadis. In 1970, 23 percent of Karachi's 3.4 million population lived in katchi abadis. In 1985 this figure had increased to 38 percent of a population of 6.5 million. The regularization of existing and the prevention of the development of new katchi abadis is therefore the most important aspect of housing in Pakistan, requiring immediate attention.

1.2.2 Reasons for the growth of katchi abadis:

- a) Government developed land is far too expensive for the poor to afford. Persons earning Rs 1,500 per month cannot afford to pay more than Rs 1,000 for a plot of land at one time.
- b) The procedures for acquiring this land are long and cumbersome.
- c) Even if the poor can raise this money and complete the procedures, it may take as long as 10 years before possession of these lands is handed over to the owners. The poor, on the other hand, need land immediately.
- d) Once possession is handed over, technical assistance and credit for house construction are not available.
- e) Government failure to cater to the needs of the lower-income groups has led to the creation of an informal sector which acquires land through illegal or extra-legal means. This land is sold to the poor without cumbersome procedures, at a price they can afford, and possession is given immediately. The

informal sector provides credit and technical assistance for house building and the residents lobby with state agencies for services and acquire them over the years, often in defiance of state regulations. Thus, katchi abadis continue to grow.

- f) Government land meant for the poor, however, continues to be developed as well, often with subsidies, and is acquired by professional speculators or the middle classes for speculative purposes. All over Pakistan, such land lies unused for years. For example, of the 110,470 site and services plots developed by the KDA in Karachi between 1970 and 1980, only 3,500 have so far been occupied.

1.2.3 The katchi abadi improvement and regularization programme:

The government of Pakistan is committed to regularize and develop those katchi abadis on state land which were in existence on or before 23 March, 1983. New katchi abadis, or growth on existing ones after this date, however, are to be treated as encroachments and there is no plan for their regularization. The regularization process inaugurated in the mid-seventies has not yielded successful results: less than 5 percent of the sites have been upgraded and only 12 percent of the population has acquired proprietary rights. In Karachi, for instance, out of 223,000 housing units only 20,000 have actually acquired lease rights.

1.2.4 Reasons for the failure (so far) of the katchi abadis regularization and improvement programme:

- a) Government cannot afford to develop and regularize katchi abadis at its own cost. Where foreign funding is available, the problem of repayment, with interest, arises. Experience has shown that to recover costs from the user is difficult, if not impossible. In addition, according to the project proposal, a 20 percent default in repayment completely upsets the viability of the programme. In the case of Karachi, this is what has happened during the sixth five-year plan period.
- b) The lease-cum-development charges that are charged for regularization are far too high for the residents of katchi abadis to pay at one time and recovering money in instalments from the poor in Pakistan has a very poor history.
- c) Residents of abadis marked for regularization feel secure and hence not particularly bothered about acquiring a lease. They also feel that payment of development charges will not necessarily bring development, and they have little faith in state development agencies.
- d) In the present proposals for regularization there is no provision for penalizing people if they do not acquire a lease or pay development charges.
- e) The process of acquiring a lease is long and cumbersome and few residents are willing to go through with it when they are already assured of de-facto security of tenure.
- f) It has been noted that residents are not fully aware of the aims, objectives and mechanics of the improvement and regularization programme.
- g) As a result of high planning standards stipulated a very large percentage of katchi abadi dwellers will have to be moved out of their colonies. Providing alternative accommodation for them is a major problem. For example, more than half of the Rs 2,103.58 million allocated for the Karachi katchi abadis during the sixth five-year plan was to be spent on providing land and accommodation to those who would be dislocated due to the programme.
- h) The community involvement programmes which were to be developed to overcome the problems faced in upgrading and regularization have failed to materialize.

2. TWO SUCCESSFUL PROJECTS

2.1 The Hyderabad Development Authority's (HDA) Incremental Housing Scheme (Khuda-ki-Basti)

In the Khuda-ki-Basti (KKB) scheme, the HDA, following the example of the informal sector, has been able to provide unsubsidized land to the urban poor at an affordable price (Rs 1,000 down payment plus Rs 110 per month for 7 years) with immediate possession and without involving the residents in bureaucratic red tapism. The HDA has also managed to keep the speculators out by adopting appropriate screening processes, and by legalizing tenure only after the full payment of Rs 9,500 has been recovered through its monthly instalments. The informal sector has been inducted into the scheme to provide technical and material help to the residents for house building, and an incremental and affordable system for the provision of services has been developed. The cost of this development is considerably less than that of government contractors because of the involvement of the people in the development process. Initially, only water is provided by the HDA and other services follow later. In addition, the HDA is involving government agencies such as the HBFC, Small Industries Corporation and the Women's Division in the social and economic upgrading of Khuda-ki-Basti.

2.2 The Orangi Pilot Project (OPP)

The Orangi katchi abadis have a population of about 800 thousand. The Orangi Pilot Project has been able to motivate the residents of the Orangi katchi abadis to build and finance their sewerage system. In this process, over 43,000 houses have mobilized over Rs 30 million. The OPP has provided motivation, technical advice and tools but has not subsidized the actual construction work in any way. The research and extension method which has made the OPP's low cost sanitation model so successful is being applied to a housing programme, a women's welfare programme, an economic programme and an education programme. In addition, due to the awareness generated by the OPP programmes, the residents have also involved their area councillors, and the funds allotted to them, in the development process. With assistance from the government of Sind, the OPP is being converted into a Research and Training Institute for the development of katchi abadis. The programme has been operative for the last 7 years and has had an average funding of only Rs 3 million per year.

2.3 Lessons learnt from the two projects

2.3.1 People cannot afford to pay for serviced land as developed by state agencies. However, if the price is low (Rs 1000 for an income of Rs 1500 per month), they are willing to move in even if services (except water) are not present. They are willing to pay for these services over the years through monthly instalments if the instalments are reasonable (Rs 110 per month in the HDA scheme for 7 years before ownership is legalized). This process also makes speculation difficult and less profitable.

2.3.2 If allotment procedures are simplified and services are provided incrementally, direct contact is established between owners, who have to lobby for them, and also between owners and the government staff which has to help provide them. This makes community awareness and involvement possible. Properly channelized, this can lead to community-operated and maintained services and community management of credit. The HDA is in the process of doing exactly this through its recently established credit scheme (explained in Part III para 1.3.3).

2.3.3 If tenure security is linked to the building of a home within a month of allotment of an unserviced plot (except for water) then speculation can be effectively controlled.

2.3.4 If the quality of product at the local building component manufacturing yards (thallas) can be improved, the people made aware of technical problems in house building, and skilled workers further trained in using the new products, building costs can be lowered and housing stock improved. For this a research, extension and training programme, such as the one undertaken by the OPP, is necessary.

2.3.5 The upgrading of the 'thallas' can only be done if credit is available to the 'thalla' owners. In addition, the OPP's studies have shown that the quality of housing in Orangi is directly related to the informal credit available to the house builders from the 'thalla' owners. This credit is usually not large (Rs 1000 to Rs 5000) and may consist of materials only. Since social pressure is used for this credit repayment, default is rare. In the case of HBFC loans, on the other hand, is common default.

2.3.6 In the OPP's economic programme it has been noted that very small loans (Rs 500 to Rs 2000) given to small businesses can double household incomes, and this extra money is usually made use of in house improvements.

2.3.7 Communities can be motivated into organising themselves, raising finances and developing services provided the unit of organisation is small and cohesive. External development and its management, however, is beyond the organisational and financial potential of the communities.

2.3.8 Successful motivation is the result of research (social, economic, technical) and extension. This process, in addition to mobilizing the community, can also reduce development costs to about one-third of the development charges of local authorities. In the case of the OPP, this has been reduced to one-fourth.

2.3.9 Replication is easy and simple once a methodology and technology has been developed through research. The OPP's low-cost sanitation programme is being implemented by other katchi abadis in Karachi at a much faster rate than it was in the initial stages in Orangi.

III. PROPOSAL

1. Prevention of katchi abadi growth

1.1 The HDAs Khuda-Ki-Basti as a model:

The HDA's Khuda Ki Basti project should be replicated in all major cities and small towns on an appropriate scale by the local authorities. This scheme should aim at providing at least 50 percent of the total plots required annually due to urban growth. Thus, it should aim at the provision of 135,000 plots per year. This is well in excess of the proposals of the seventh five-year plan.

1.2 Training at Khuda Ki Basti and OPP/RTI:

Staff of the local authorities responsible for replicating the scheme should be trained at HDA and a training academy established in Hyderabad by the NHA for this purpose. In addition, a monitoring, documentation and evaluation cell should be created with each development authority for these schemes so that modifications can be made to suit local conditions. Training in research methodology, community mobilization and extension techniques can be provided at the RTI in Orangi.

1.3 Finances:

1.3.1 Land acquisition:

Where state land is available, almost no finances or long-term loans are required to provide affordable unserviced land. However, if private land has to be acquired then the local authority will have to purchase it on the open market. If the initial Rs 1000 paid by the owners does not cover the cost of this land, then the price should be recovered by adding it on to the monthly instalments, or increasing the number of instalments that have to be paid before the lease can be given.

1.3.2 Employment of staff and training:

Finances for this should also be given as a loan to the development authority along with the setting up of monitoring, documentation and evaluation cells. Their cost should also be recovered by addition to the monthly instalments paid by the owners. However, the cost should not exceed 5 percent of the total cost of the project. At OPP, the cost of research, extension, monitoring and documentation is 4.4 percent of development costs.

1.3.3 House building/improvement loans:

- The HDA has just negotiated a loan of Rs 5 million with the HBFC for the residents of its Khuda Ki

Basti scheme. This loan has been given to the HDA who in turn will pass it on to the residents of what is known as the Block Organisation. Each such organisation represents about 200 houses in a block and has the following functions:

- to decide on cancellation of allotments of those persons who do not occupy their houses/plot themselves within a month's time;
 - to recover monthly dues on behalf of the HDA;
 - to manage maintenance and operation of block services;
 - to identify persons to whom the loan is to be given.
- The loan is to be given not to individuals but to groups of ten people so that repayment is guaranteed. The criteria for eligibility for this loan is:
- persons getting the loan have been permanent residents for 1 year;
 - they have planted and are maintaining one tree on the road and one in their courtyard;
 - a maintenance committee exists and operates the services;
 - the prospective creditor has increased his income after coming to the scheme.
- The block committee consists of 3 persons, of which one is an official of the HDA.
- The maximum loan is Rs 30,000 and the minimum is Rs 5000. It is estimated that the average loan would be Rs 10,000. This loan can also be used for income generation or for payment for services where lump sum payments, such as for electricity and gas connections, are required.
- This loan scheme, modified to suit local conditions, can also serve as a model.

1.3.4 Loans to 'thalla' owners:

Loans for the upgrading of 'thalla' products can also be given. The OPP has been doing this most successfully in Orangi. Research, development and demonstration will have to form a part of this project along with extension support to the owners, and training for the skilled workers. Repayment of loan instalment, at OPP have been regular to date.

2. Regularization of katchi abadis:

2.1 Pilot project for regularization:

For the regularization of katchi abadis a pilot project needs to be launched. This project should aim at:

2.1.1 Delinking regularization with development. This will mean:

- regularization charges can be reduced to a bare minimum, around Rs 750. At present, the charges are about 4 times this amount;
- this sum should finance only the 'outer' development whose cost is no more than 30 percent of total development cost;
- the inner development should be left to the residents themselves, with the OPP as a model. This model can be promoted by NGOs or by the establishment of extension, monitoring and research organisations linked to the local development authorities. This staff, along with community members, can be trained at the RTI in Orangi and the OPP programme area can serve as the demonstration forum.

2.1.2 So as to make regularization attractive to the owners:

- a motivation campaign should be launched at least four months before regularization begins. This should consist of meetings, slide shows etc. to explain the programme
- regularization procedures should be simplified to the bare minimum
- planning standards should be lowered to make minimum resettlement necessary
- no new electricity, gas or water connections should be given to those houses which have not been regularized. A surcharge on electricity and gas should be negotiated with the WAPDA/KESC and the gas companies for houses which have not been regularized
- regularization charges should be increased by 10 to 20 percent each year
- the programme should aim at regularizing 75 percent of all katchi abadis in the country. The development work, however, will proceed at the pace of the community's organisational and financial potential.

2.2 Finances:

2.2.1 Funding of pilot projects: Funding will be required for setting up the pilot projects. If they are successful they can be expanded rapidly.

2.2.2 Loans: Loans for house building/improvements and to 'thalla' owners can be given in the same manner as described in paragraph - 1 above.

2.2.3 Financing agency: The financing agency for these schemes can be the NHA. The institutional arrangement between the NHA and the various local authorities will need to be worked out. In addition, the NHA will have to establish a cell to monitor, document and suitably modify its involvements in these schemes over the years.

2.2.4 Land at market prices for the middle income groups: Along with the steps proposed above, land should be provided to the higher-income groups at market prices and heavy non-utilization charges should be imposed so as to make speculation difficult. Loans for lower-middle-income groups, who have been granted allotment of a plot, should be provided to help in the payment of instalments.

Chapter Two

RURAL HOUSING ISSUES

1. GOVERNMENT HOUSING AND VILLAGE IMPROVEMENT POLICIES AND PROBLEMS ASSOCIATED WITH THEM

1.1 Provision of land:

1.1.1 Most common land in the rural areas has been occupied and plot development can only be carried out on private land. The cost of a 100-yard unserviced plot on such land would be Rs 2000 to Rs 2500. Landless labourer in the rural areas do not earn more than Rs 750 per month in cash terms and cannot afford to pay more than Rs 500 for a plot of land in one go. Thus this land cannot be afforded by them.

1.1.2 It has been noted that large areas of the 7 marla schemes developed by the colonies department and distributed free of charge are lying vacant. Evaluations of some parts of the programme have revealed that most of these plots have been allotted to the servants and relatives of the important people in the area and are being held for speculation. Many of them in favourable locations have already become valuable property. (1)

1.1.3 If private land is acquired and developed it is feared that it will also not serve the target group and as there will be a cost attached to it, it will suffer a worse fate than the 7 marla scheme.

1.1.4 The quality of rural building has declined slowly over the years. This is because

- the change from a barter to a cash economy has destroyed the traditional village structure and the hereditary artisanal system. Most skilled persons have either migrated to the urban areas or their services are unaffordable by the rural poor
- traditional construction materials (like timber) have become expensive or are just not available except in the cash market
- earnings from land no longer meet the needs of poor rural families and they have to supplement their income by additional work. Therefore, the time-consuming bi-annual maintenance that mud building requires in the monsoon belt is being neglected.

1.2 Village improvement scheme:

1.2.1 A number of schemes for village improvements with community participation in terms of finance and/or a labour component are operative in various areas of the country. These schemes consist of piped water projects, street paving, sanitation and school building programmes. They are promoted and managed by the local government and rural development departments (LG and RD) and the district councils. Some form part of the district development plans, while others are funded by the annual development plans. A few are also supported by international agencies.

1.2.2 Evaluations of these programmes have shown that these schemes get implemented only where the district councils are financially and politically strong. Even where they do get implemented, the end result is technically defective and it has been noted that usually only the influential benefit from them. Operation and maintenance of these schemes inevitably pose problems and many of them become inoperative after a few years or function erratically (2).

1.2.3 The reasons for the problems mentioned above are:

- The engineering wings of the LG and RD and the district council are organizationally and technically weak.
- No motivational or organizational work is undertaken in the community before work is begun. Thus the community's involvement is missing in the maintenance and operation of schemes as well (3).
- There are no proper monitoring and evaluation facilities with the LG and RD or the district councils. The Rural Development Academies can fill this gap but their involvement with these programmes is negligible (4).
- It has been noted that in certain NGO projects in the rural areas, such as the AKRSP, the technical results are much better and the villagers effectively operate and maintain the infrastructure that they create. This is because of the motivational, extension and monitoring work done by the NGOs (5).

1.3 Loans for house building/improvement:

1.3.1 House building loan:

- Loans are available for house building to families owning a plot. However, the rural poor need to raise money to buy a plot. Building on it is not so great a problem.
- Similarly, forgetting a "rural nuclear house" the owner has to pay Rs 5000 in cash and then 40 instalments of Rs 500 in 20 years. The Rs 5000 down payment puts the house beyond the reach of the rural poor. Again, instead of 40 instalments of Rs 500 each, 250 monthly instalments of Rs 80 each would make more sense.

1.3.2 Rural house improvement loans:

In this scheme, again, repayment should be on a monthly basis if it is to serve the rural poor.

2. PROPOSAL

2.1 Plot development:

2.1.1 During the seventh plan period 250,000 new houses per year will be required in the rural areas. Plots for 125,000 of these per year for the rural poor should be provided if the problem is to be tackled effectively.

2.1.2 It is proposed that the government acquire private land for these plots. The average price of these plots (100 sq.yds each) will be about Rs 2500. The plot should be allotted on a payment of Rs 500 and additional Rs 3000 should be charged in 40 monthly instalments of Rs 75 each. Ownership should be confirmed only after full payment has been made. If, one month after allotment, the plot has not been built upon the allotment must be cancelled.

2.1.3 No loan for house building purposes should be given to the allottee until they have made full payment for the land.

2.2 Village improvement scheme:

2.2.1 The technical, monitoring and evaluation capacity of the LG and RD and the local councils must be enhanced. In addition, techniques of involving the people in the programme and motivating them should become a part of the LG and RD and local government programmes (6).

2.2.2 To make this possible, social and technical research should be undertaken at the Rural Development Academies. To extend the results of this research to the people, appropriate training and

orientation should be provided to the staff of the LG and RDD and the local councils (7).

2.2.3 Such research should also look for easily adoptable and cheap alternatives to the traditional materials of construction, and search for ways and means to develop the necessary skills at village level in order to use these alternatives.

2.3 Loans:

2.3.1 Loans from rural families should be recovered in small monthly or bi-monthly instalments rather than through yearly or bi-yearly payments.

2.3.1 For recovery of loans and instalments for the plots, appropriate institutions need to be developed. Institutions in which the communities are involved have been found to be more effective in recovery loans.

2.4 References 1 to 7

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These studies were prepared for the World Bank: April 1988.

Chapter Three

COSTS FOR WORKING OUT A FINANCIAL PROPOSAL

1. FOR THE URBAN SECTOR

1.1 Land acquisition:

- Land required for 100,000 houses is 3,100 acres.
- State land can be acquired by the development authorities from the CBS at Rs 25,000 per acre. Cost of a plot thus works out to Rs 775.
For 50,000 plots Rs 38,750,000
- Average cost of private land would be Rs 80,000 per acre.
Cost of a plot is thus Rs 2480: for 50,000 plots Rs 1,240,000,000

Rs 1,618,500,000
- Average cost of a plot is Rs 1618.

1.2 Training academy at Hyderabad:

- Cost of setting up an academy Rs. 5,000,000
- Cost of running it for 5 years at Rs 2,000,000 per year Rs. 10,000,000

Rs. 15,000,000

1.3 Training programmes:

- Training at RTI in Orangi and Hyderabad academy for 500 persons per year at Rs 5000 per year for five years. This includes travel, board, lodging etc. Rs. 12,500,000

1.4 Establishment of projects:

1.4.1 Establishment of plot development projects with the development authorities (excluding the cost of land). An average of Rs 150 per plot developed. To make the scheme feasible not less than 1500 plots per project per year should be developed. Thus the cost of developing 100,000 plots would be Rs 15,000,000.

1.4.2 Establishment of a Katchi Abadi Regularization and Upgrading Project through NGOs or by establishing extension units with the local authorities: Rs 10,000,000 per year to serve a population of 100,000 persons.

1.4.3 Small loans on the HDA model: Average loan of Rs 10,000 payable in 10 years. Upto 100,000 loans per year through the development authorities and the katchi abadi projects.

2. FINANCES REQUIRED

2.1 Plot development:

2.1.1	-	125,000 plots of 100 sq.yds at Rs 2500 each. Private land will be acquired for these plots at Rs 80,000 an acre	Rs 312,500,000
	-	Repayment from down payment of Rs 500 each.	Rs 62,500,000
	-	Repayment at Rs 75 per month per year.	Rs 112,500,000
	-	Total repayment in 3.33 years.	Rs 437,500,000

2.2 Research and training at the rural development academies:

Costs need to be discussed.

2.3 Setting up of extension, monitoring and evaluation cells with the LG and RDD and local councils:

Costs need to be discussed.

2.4 Building up of loan recovery institutions:

Costs need to be discussed.

