



ECONOMIC RELEASE





Naya Pakistan Housing Scheme: EFP Economic Council proposes resolution of feasibility woes

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With an estimated 39 percent or 880,730,000 of the 207 million Pakistanis living in abject and multi-dimensional poverty, the 5 million Naya Pakistan Housing Scheme (NPHS) plan of the PTI-led Government seems like a pipe dream for an ordinary citizen of the lower income class. This grand dream, amid a burgeoning debt crisis, begs for success, as it will most certainly address major macroeconomic and socio-economic problems faced by Pakistan, today.

In India, the housing price to income ratio is 14 to 1, which is lower than Pakistan's 20 to 1, and higher than the 4.18 to 1 of USA. Whereas, the housing finance-to-GDP ratio is over 6 percent to that of Pakistan's 1 percent! Out of this 1 per cent, in Pakistan, a staggering 12 per cent is allotted to financing the informal sector alone. The EFP Economic Council (EFP EC), upon a closer inspection, estimated that in order to bridge the 6 percent gap with India, Rs. 2040 billion or USD 17 billion will be required - a good Rs 5000 billion (\$41.7 billion) to finance the 5 million houses in total! This does not seem feasible for the government in the present economic scenario. Hypothetically, if an average low income family earns Rs. 15000, and under this scheme, is obligated to surrender one-third of their monthly salary, as well as pay for other utility disbursements, then around 60 per cent (EFP EC estimate) of the families would not be able to afford this housing facility. This calls for a debate.

If one talks about involving the current "unregulated" real estate sector, then statistics show that this sector eats up billions in national savings every year because it hardly contributes 0.5 per cent of GDP in annual tax revenue collection - reassuring the general mistrust among economists of linking this sector to the NPHS. Another good reason is its strong nexus with influential political figures, which has given the real estate agents full liberty to conduct forced land evictions, at will.

While this has evoked mass outcries by the general public, on the other hand, there is the underlying parasitic lure for speculative investments in housing schemes, and especially given the recent surge in interest rates, speculators and real estate agents can both cash in by using land as collateral for mortgage credit - similar to the subprime mortgage crisis of the 2008 Financial Crisis! Hence, the government needs to free up capital from speculative trap to generate the needed finances.



The NPHS comes at a time when Pakistan is faced with a shortage of an estimated 9 million houses, and while the EFP Economic council unequivocally endorses this massive effort, which promises to drag the under 45 percent of the urban population, dwelling in shabby conditions and routinely affected by exposure to environmental hazards from the deep trenches of poverty, it also proposes to address the economic challenges pertaining to the financing of this housing model. The first one relates to answering the obvious question, "what financing options are available to the government?" One solution is to depend on the Pakistani diaspora for remittances, and the other could be to rely on high interest bearing loans from Asian Development Bank (ADB), and the short-term mortgages, which the International Financial Corporation might put on the table. Yet, another could be to replicate the Akhuwat model. The limited financing options and the less than 15 years of mortgage plan calls for debate and detailed discussion.

Moreover, since the housing project is not included in the CPEC, the private sector needs to be tapped. However, despite of the fact that a public-private partnership is bound to assist the government to draft a cost effective and a carefully evaluated development expenditure plan, it must also be noted that private sector primarily tends to invest in profitable projects. As these projects are often associated with the upper middle-income spectrum, the government will have to draft a clever plan to attract and incentivize the private sector in the grand initiative.

This is where the EFP Economic Council comes in, and as the sole "Voice of Employers", it can play a pivotal role to convince, and connect the business community with the PTI-Led government towards the successfully realization of the Naya Pakistan Housing Scheme. – PR

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