

World Bank  
Regional Conference on  
Housing Finance  
Sept, 2008

Zaigham Mahmood Rizvi  
Chairman HBFC, Pakistan  
Advisor to State Bank of Pakistan  
on Housing & Infrastructure

# Regional Scenario

- Housing market in the region is underdeveloped as compared to impressive development in other Socio-economic sectors
- Region among the lowest in terms of mortgage debt to GDP ratio

Pak -1%

Sri Lanka – 3 %

China – 15 %

EU - 42 %

BD – 2%,

India – 5 %

Malaysia – 18 %

USA – 70 %

# Regional Scenario...cont

- Regional countries face a massive backlog
- The shortage is hiding itself in higher persons/room density

India & Pakistan – 3.5 ,

Vs

USA 0.5 & EU at 1.1

- Urban shortage is hiding behind squatter settlements and higher persons per room density

# Importance of the Region

- Six countries of the region represent nearly one out of four persons on the planet
- The economies are fast growing resulting in Urbanization:
  - New employment generation
  - Rising income levels
  - Reducing household size

All adding to already existing urban shortage

# Importance of the Region...cont

- Urbanization rate in the world is increasing
- Urbanization in Asia is highest, on average 25% to 35 % of the population
- Backlog of housing:
  - India – Overall 72 m housing units  
24 m in urban housing
  - Pakistan – 7 m, & 2.5 m respectively
  - Bangladesh – 5 m, & 1.0 to 1.5 m respectively

# Importance of the Region...cont

- The housing challenge in Bangladesh, Sri Lanka and Indonesia is different due to coastal habitat
- Afghanistan presents a unique challenge of new construction, reconstruction and tribal culture

# Socio-Economic Impact of Housing Sector

- GDP Growth
- Contribution to Financial Sector Growth
- Contribution to Employment Generation
- Industrial growth – 40-50 Construction Material Industries have direct linkage to housing sector
- Capital Market through floatation of instruments
- Insurance Sector (General, Life, Mortgage & Title insurance)

# Challenges

- No reliable data on housing (Housing Observatory)
- Regulatory Reforms, Mortgage & Foreclosure Laws
- Issues of Title, Land Registry and Registration Costs
- Supply of Land & Land Banking
- Development of New Habitat, Satellite Towns & Cities
- Large Scale Builder Finance
- New Products for Different Market Segments
- Issue of Affordability
  - Affordable Housing
  - Affordable Mortgage

# Financial Aspects

- Access to Finance
  - Commercial Banks & Private Sector Institutions focus more on major metropolitans (Bangladesh nearly 100% in Dhaka & Chittagong)
  - More focus on Secondary Market Finance
  - Faith Based Finance (Islamic Bank BD, Meezan Bank Pakistan)

# Financial Aspect ...cont

- Instruments of LT Finance
  - Mortgage Refinance Institution & Instruments
  - Regulatory & Fiscal Support for Mortgage Bonds, Securitization, REITS etc.
- Regulatory support to Fixed vs. Adjustable rate mortgages for low income

# Financial Aspect ...cont

- Central Bank's Role
  - Regulatory Reforms
  - Separate Prudent Regulations for Housing Finance
  - Regulatory Measures to Promote Housing, Housing Finance & Financial Instruments
  - Risk Weightage, Mortgage to Advances Ratio, Provisioning Policies etc.

# Wholesale Vs. Retail Solutions

- Low and middle income housing, being a part of social segment, need wholesale remedies
- Govt. alone can not bear the burden
- Solutions have to be market based, and serve as a best practice model
- Delivery arms:
  - *Public-Public Partnerships* – State for State employees
  - *Public-Private Partnerships* – State, Corporations, Banks, FIs, Builders
  - *Private-Public Partnerships* – Builders, Banks and FIs

# Pro Poor & Micro-Housing Finance

- Social Housing vs. Market Housing
- Rehabilitation of Squatters
- Social Housing Banks & Social Housing Companies (HBFC Pakistan)
- Hernando De Soto: Unlocking of massive equity potential for poor and squatters
- Pro Poor Programs should separate "Opportunity" from "Charity"

# Government as Stakeholder

- Facilitator & Promoter
- Providing Developed Land and Land Banking
- Infrastructure Support to New Developments
- Efficient and Effective Legal System (Foreclosure & Mortgage Law)
- Land Titling, Registry and Taxes (Registration, Transfer etc.)
- Policy Interventions (Fiscal, Legal & Regulatory)
- Viable & Sustainable Financial Inventions
- Role of Subsidies
- Bringing Stakeholders on one table

# Bangladesh Case Study

- BHBFC – still main player
  - As the state enterprise
  - More so in lower & middle income housing
  - Wider outreach
- Specialized Institutions also becoming important players ( Delta-BRAC, NHFC etc)
- Commercial banks becoming active

# Bangladesh Case Study...cont

- Islamic Bank Bangladesh – important player for faith based clients
- All players except BHBFC & IBBD have portfolio concentration in Dhaka (80%) and Chittagong (20%)
- BHBFC shares 71% of the market in number and 30% in value
- Role of Grameen Bank in Fisherman Housing Finance (“Chappar” Finance)

# Pakistan Case Study

- Pakistan has overall shortage of 7m housing units, out of which 2.5 to 3 m is urban shortage
- HBFC, a state enterprise, is the only player for low and moderate income housing
- HBFC has seen a turnaround during the last 3 years and is now playing a much bigger, proactive and effective role
- Extensive use of technology, computerizations, and manualizations for managing processing cost and time

# Pakistan Case Study...cont

- Expanded outreach from 50 to 100 cities
- Business Plan aims at wider market coverage with a broader product range
- Cleaning of portfolio by managing and reducing NPLs
- Capacity Building & Human Resource Development Program
- Improved work environment and culture
- Active player in Pro-Poor Program of the Government to build one million housing units

**Thank You**