



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 08-Jun-2020 | Report No: PIDC29190

**BASIC INFORMATION****A. Basic Project Data**

Country Pakistan	Project ID P173663	Parent Project ID (if any)	Project Name Punjab Affordable Housing Project (P173663)
Region SOUTH ASIA	Estimated Appraisal Date Sep 07, 2021	Estimated Board Date Dec 06, 2021	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Investment Project Financing	Borrower(s) The Islamic Republic of Pakistan	Implementing Agency Planning & Development Board	

Proposed Development Objective(s)

Support Government of Punjab improve access to affordable housing for low income households.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	350.00
Total Financing	350.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	300.00
IDA Credit	300.00

Non-World Bank Group Financing

Counterpart Funding	50.00
Borrower/Recipient	50.00



Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. Pakistan, with an estimated population of over 208 million people, is the world’s sixth most populous country.** In recent years, it has achieved continued gross domestic product (GDP) growth—with an average annual growth rate of 4.9 percent from 1974 to 2019—and substantially reduced poverty. Growing fiscal and external imbalances, particularly post COVID-19 pandemic, will greatly erode these gains if not addressed. The national poverty headcount declined from 64.3 percent in 2001 to 24.3 percent in 2015. Nevertheless, inequality persisted with the country ranking low on the human development index at 152nd out of 189 countries, which is also likely to exacerbate post COVID-19 pandemic. Macroeconomic, political and security conditions, and natural disasters have continued to constrain the country’s achievement of poverty reduction and shared prosperity goals.
- 2. Despite noticeable gains in poverty reduction, the erosion of shared prosperity and economic inequality has increased, while income informality constrains access to formal finance more than affordability.** During the 2001-2015 period, as all Pakistanis were improving their welfare levels in absolute terms, the gap between the bottom and the top of the distribution widened. Consumption inequality, as measured by the Gini coefficient, increased from 27.5 in 2001 to 30.3 in 2015. A similar picture emerges when looking at income inequality, with the Gini coefficient increasing by just over 1 percentage point, from 37.5 in 2001 to 38.7 in 2015.
- 3. Pakistan is the most urbanized large country in South Asia.** According to the National Population and Housing Census 2017, the urban population growth rate is 2.7 percent per year, compared to the national population growth rate of 2.2 percent. Official statistics however underestimate the urban share of the population, as large portions of the population living in settlements that exhibit “urban” characteristics are officially categorized as rural. Estimates based on the Agglomeration Index show over 50 percent of the population in Pakistan to be already urban.¹

Sectoral and Institutional Context

- 4. Housing is a basic need and a vital sector of the economy.** Housing is typically the largest asset most families will own and mortgages their largest liability. Improved housing quality and secure property rights are associated with a number of human capital indicators, including reduction in disease, higher educational attainment among children,

¹ The Agglomeration Index was developed to have a uniform definition of “urban” across different countries to enable international comparison. It measures urban population using three factors: density (population and economic); distance (from the city center); and division (political/geographic). Source: World Development Report 2009, World Bank.



lower fertility rates and smaller household sizes.²³ At the same time, housing construction and real estate are important economic sectors in their own right. Housing investment and construction make up 12.8 percent of Pakistan's GDP (2019), while construction and real estate sectors count for 7.6 percent of urban employment (2017-18).⁴⁵

5. **Housing investment is a critical component of Pakistan's COVID-19 response and recovery.** Informal neighborhoods face a high risk of rapid community spread due to the combination of high densities, lack of clean water and sanitation infrastructure, and poor access to health services. Household overcrowding makes social distancing difficult. Those living in informal neighborhoods are likely to work in the informal sector and be at risk of exposure and vulnerable to sudden income loss. To mitigate economic loss from earlier lockdown measures, federal and provincial governments have announced stimulus programs to create jobs and restart the economy, e.g., through housing construction and labor-intensive public works.
6. **Pakistan's housing shortage is currently estimated at approximately 10 million units, with about half in urban areas.** Around 47% of urban households live in informal settlements (*katchi abadis*) with inadequate infrastructure and services. In Punjab, Pakistan's most populous province, the overall housing shortage is estimated to be 3.15 million units. Approximately 51 percent of urban housing units are overcrowded (more than 3 persons per room for sleeping purposes), 75 percent do not have access to piped water, and 60 percent do not have access to piped sewerage.⁶
7. **The national housing shortage will continue to grow as household formation rates exceed the pace of formal housing construction.** Each year, the private sector only delivers 300,000 to 400,000 formal housing units in mainly urban Pakistan compared to 700,000 new households formed. The formal housing supply that does exist is targeted toward the upper income segments of the market. Central and provincial government agencies provide limited housing supply at moderate prices, mainly for government employees. In response to short supply and unaffordability, the gap is filled through informal channels.
8. **The Governments of Pakistan (GoP) and of Punjab (GoPunjab) have a number of housing-related agencies and programs but lack updated comprehensive housing policies, strategies or sufficient resources to adequately address housing sector needs.** Housing and land are provincial subjects per the Constitution. Prior to 2019, the main housing-related agencies at the federal level were the Pakistan Housing Authority Foundation (PHAF) and the Federal Government Employees Housing Authority (FGEHA), both under the Ministry of Housing and Works (MoHW). The latter implements housing schemes for federal government employees only on an ownership basis; while the former includes a small proportion of beneficiaries from the general public. In Punjab, the main housing- and land-related institutions are the Punjab Housing and Town Planning Agency (PHATA) under the Housing, Urban Development & Public Health Engineering Department (HUD&PHED); the Directorate General of Katchi Abadis (DGKA) and the Punjab

² Galiani, Sebastian; Schargrotsky, Ernesto. 2010. "Property Rights for the Poor: Effects of Land Titling," Documento de Trabajo, No. 103, Universidad Nacional de La Plata, Centro de Estudios Distributivos, Laborales y Sociales (CEDLAS), La Plata.

³ Cattaneo, Matias D., Sebastian Galiani, Paul J. Gertler, Sebastian Martinez, and Rocio Titiunik. 2009. "Housing, Health, and Happiness." *American Economic Journal: Economic Policy*, 1 (1): 75-105.

⁴ State Bank of Pakistan. 2019. *SBP Annual Report FY19*. Statistical Supplement, Table 2.1.

⁵ Pakistan Bureau of Statistics. 2018. Labour Force Survey 2017-18. Table 20.

⁶ Urban Unit. "Punjab Spatial Strategy 2047 Technical Paper – Housing".



Land Records Authority (PLRA) under the Board of Revenue (BoR); and seven Development Authorities (DAs) soon to be transferred from HUD to the Local Government and Community Development Department (LG&CDD).

9. **In response to the growing housing shortage, the GoP launched the ambitious Naya Pakistan Housing Program (NPHP) in April 2019 with the objective of providing 5 million housing units across the country in five years.** The program targets a mix of income groups, with a special focus on the bottom 40 percent. Out of the 5 million NPHP units, approximately half are expected to be delivered in Punjab. The GoP established the Naya Pakistan Housing and Development Authority (NPHDA) to lead NPHP at the federal level. NPHDA is expected to directly implement housing schemes (mainly in the Islamabad Capital Territory), as well as to coordinate implementation in other areas with federal, provincial, and local government agencies; banks; and private developers. Institutional coordination and financing arrangements (vertical and horizontal) are currently being developed.
10. **PHATA is the designated lead agency for implementing NPHP in the Punjab Province by the Punjab Cabinet.** The GoPunjab NPHP Strategy aims to provide housing units through three modalities: public delivery, private delivery with incentives, and public-private partnerships (PPP) such as joint venture, land sharing, and cross-subsidy. PHATA has started construction of approximately 3,000 units using its public delivery model on six government owned sites in secondary cities. However, prices are above affordability thresholds for the target income groups and may face slow uptake once construction is complete. For NPHP to achieve its targets in a realistic, timeline, and financially sustainable manner, the approach may need to be revised with market analysis to tackle of the underlying structural barriers to affordable housing.
11. **Ensuring an adequate supply of affordable housing in Punjab in a sustainable manner will require a long term, multi-pronged approach.** It will entail federal, provincial and local agencies implementing measures across the entire housing value chain — including access to land with basic infrastructure, planning and building regulations, construction, and end user finance. Government needs to transition from the role of housing provider to a housing market enabler, in order to provide an efficient and fiscally sustainable solution to housing needs in the province, particularly the needs of the poorer segments. By focusing on the enabling environment for the housing market, the private sector can be incentivized to gradually go down market to more affordable housing segments, while limited public resources are narrowly targeted to those most in need.
12. **A range of housing options are needed to match beneficiaries' needs and repayment capacities.** Alternate approaches can be led and financed by the private sector, households and non-commercial/non-traditional housing providers (NGOs, community organizations, co-operatives, etc.). Options for housing supply include: (a) affordable housing units developed by the private sector under mixed-used, mixed income schemes; (b) Incremental housing with a one-room core unit on serviced land; (c) in-situ upgrading of informal settlements; and (d) sites and services schemes where beneficiaries build housing over time with their own savings, time, and labor. On the demand side, options targeted to poor, informal, and other households that cannot access the traditional mortgage market include: (a) microcredits; (b) targeted subsidies on the demand-side to households; and/or (c) grants for community infrastructure.
13. **The World Bank Group is providing multi-sectoral support to the GoP and GoPunjab to transition from a provider to a market enabler, and to tackle targeted bottlenecks of the housing value chain:**



- a) The Pakistan Housing Finance Project is increasing access to housing finance through mortgage market liquidity and capital market development and provides technical assistance for comprehensive national housing policy and strategy.
 - b) The Punjab Urban Land Records Enhancement (PULSE) Project (in preparation) will support the GoPunjab to expand access to improved land records⁷.
 - c) The IFC is engaged with the federal government in discussions to provide transaction advisory support for PPP programs for affordable housing in Islamabad.
 - d) The Punjab Cities Program (PCP) is assisting LG&CDD to update building by-laws, develop appropriate level of service standards, and update design specifications and standards. More broadly, the Bank has supported local governments (LGs) in Punjab through a series of operations⁸, which have in turn influenced reforms in urban management and service delivery.
14. **The proposed project will provide deeper support to GoPunjab on the affordable housing agenda.** Specifically, the project will support the GoPunjab to develop a comprehensive provincial housing policy and strategy, based on a clear understanding of supply and demand constraints. Second, the project will identify entry points to enable the market for affordable housing, and build technical and financial capacity to sustainably scale up solutions over time. The proposed housing solutions will address barriers on the supply and demand side of the housing value chain. Solutions developed through the proposed project in Punjab may serve as models for other provinces to be replicated across Pakistan.
15. **Lastly, the proposed project will support GoPunjab's recovery efforts following COVID.** It will improve living conditions for vulnerable communities in overcrowded housing without adequate public health and sanitation measures. Housing and infrastructure construction will create jobs for skilled and unskilled workers in low-income communities. Promoting more sustainable housing supply will help Punjab mitigate future risks from unplanned and unmanaged urban expansion—e.g., climate change, natural disaster, public health, and inadequate infrastructure investment.

Relationship to CPF

16. **The proposed Punjab Affordable Housing Project (PAHP) is aligned with the FY15-20 Pakistan Country Partnership Strategy (CPS),** and supports Results Area 3: Inclusion, and Results Area 4: Service Delivery. Under the former, the project will help reduce vulnerability for groups at risk (Outcome 3.2), and under the latter it will support improvements in governance and service delivery in the urban areas of Punjab. Moreover, it will also contribute to advancing the CPS's cross-cutting theme in helping clarify the roles of the GoP and GoPunjab in implementing the NPHP.
17. **The proposed project compliments three other interventions supported by World Bank Group on affordable housing and urban development in line with the Bank's focus on integrated support to achieve CPS objectives.** These initiatives, explained above, will contribute towards development of the land and housing markets, which in turn will positively impact economic growth and shared prosperity.

⁷ PULSE is a follow-on operation to the Land Records Management Information Systems (LRMIS) Project which computerized rural land records and helped establish PLRA.

⁸ The Punjab Municipal Services Improvement Project (PMSIP; 2005-2013), and Punjab Cities Governance Improvement Project (PCGIP; 2012-2018)



C. Proposed Development Objective(s)

18. Support Government of Punjab improve access to affordable housing for low income households.

Key Results (From PCN)

19. The proposed **key results indicators** for the project are:

- a) Provincial housing policy framework developed
- b) Number of targeted HHs benefitting from core housing units
- c) Number of slums dwellers getting a secure tenure
- d) Number of targeted HHs benefitting from serviced plots

D. Concept Description

20. **The proposed project will have three components with a total cost of US\$ 300 million:** i) Technical Assistance for Comprehensive Housing Policy, Strategy, and Programs; ii) Developing and Piloting Alternative Models for Affordable Housing Delivery; and iii) Project Management and Capacity Building.

21. **Component 1: Technical Assistance for Comprehensive Housing Policy, Strategy, and Programs.** This component will help develop a comprehensive housing policy framework and an implementation strategy for NPHP in Punjab, with the government as an enabler rather than a provider.

22. **Component 2: Developing and Piloting Alternative Models for Affordable Housing Delivery.** This component will support GoPunjab to develop technical capacity, institutions, and systems that enable affordable housing supply and remove barriers to the market. The component will show proof of concept by developing financially viable business models for affordable housing solutions matched with options of financial support to close the housing affordability gap for the targeted poor households. Preliminary options currently under discussion include incremental (core) housing units which can be scaled up over time, sites-and-services schemes, and in-situ regularization of informal settlements and with upgrading of basic infrastructure. The component will also strengthen relevant institutional capacities to scale-up successful models over time.

23. **Component 3: Project Management and Capacity Building.** This component will finance:

- a) Project management, monitoring, reporting, and coordination among the multiple stakeholders involved in implementation of the NPHP.
 - b) Training and capacity building for beneficiary households
 - c) Public information, education, and communication (IEC) campaigns on government's programs to increase the stock of affordable housing in Punjab.
 - d) Establishment of an efficient and effective Complaints Redressal Mechanism which will receive and resolve project related complaints and track them by type, unit, status, gender, and location.
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Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

24. Environmental Risk Rating (Substantial): As per environmental analysis during the PCN stage, the project activities are envisaged to have *Substantial* environmental risk due to housing construction activities and longer term environmental impacts associated with potential increase in the number and density of people living at the selected sites associated with Component-2. Component-1 will support developing housing strategy, programs, and plans which could involve the change of zoning. Development of these policy frameworks could also have potential environmental effects as the policy frameworks would change the number, location, and pattern of houses to be constructed. While housing development will be carried out on publicly owned land, its zoning and land use will need to include development of parks, vegetation, and other urban landscape.
25. Main potential environmental risks and impacts associated with housing construction will be on natural habitats due to land clearance, temporary pollution as the result of construction activities such as generation of dust, noise, vibration, construction wastes and wastewater, traffic disruptions, occupational health and safety, and impacts related to construction material production and supply. These potential adverse risks and impacts during construction are mostly temporary, reversible, and site specific. However, in the urban areas, the close attention will need to be paid on OHS and CHS issues because of the high population density, especially in the slum areas where upgrading work will be carried out. The housing sites will likely be smaller and distributed across several cities of Punjab, based on analysis of housing needs and availability of government land, and integrated into the existing urban fabric. Sites will be identified through the application of selection criteria. The project will avoid massive-scale, uniform housing developments far away from jobs and services (globally considered bad practice in affordable housing). In Punjab, main materials used for affordable housing are concrete blocks and bricks which are available in the local market. There will be potential impacts through the production of concrete block and bricks in the factories and through collection of raw materials. The use of timber is not foreseen due to its high price and therefore unaffordability for the target population. However, potential impacts on natural resources and resource use efficiency will be further assessed during the project preparation.
26. After housing development, there will be potential additional environmental impacts due to increased population on the target sites such as waste and wastewater generation, water consumption, energy use, increased traffic and associated air emission and noise. While on-site infrastructure and basic services such as sewage, water supply, garbage collection, and small access roads will need to be developed, these will generally be connected to the already available city networks. Large scale infrastructure development is not anticipated in the project. In fact, positive environmental impacts are foreseen through service improvements particularly in slums, leading to improved living conditions for the inhabitants.
27. Implementation agencies have past experiences working with donors and international organizations, and application of international environmental and social requirements including WB Safeguard Policies. However, there is lack of regular environmental and social specialists who can work full-time for the housing project to assess environmental and social impacts of their activities, and to implement and supervise environmental and social



management plans. Further capacity assessment of the implementing agencies will be conducted during project preparation, and capacity enhancement measures will be proposed.

28. ESMF will be prepared for E&S management instruments for the entire project, as the location of sub-project sites will not be known during project preparation, and the scale and technical details of each housing scheme will vary. The ESMF will set out screening procedures to be followed for each sub-project to identify and mitigate potential environmental and social risks and negative impacts. Through application of screening criteria, environmentally sensitive areas such as wetland and forest areas will be excluded from the potential housing development sites. In case negative impacts on sensitive areas at housing development sites are unavoidable, measures to minimize and mitigate the potential impacts will be proposed according to mitigation hierarchy, through the screening procedure which will be a part of the ESMF and the subsequent sub-project specific mitigation plans. If contaminated sites are identified during the site selections process, the sites would be excluded if remediation is high risk on environment and/or health and safety, and costly. To mitigate the sub-project specific risks and impacts, sub-project specific mitigation and management plans such as ESMPs will be developed according to ESMF. It will also identify opportunities to promote sustainable use of resources, cleaner production of construction materials, and propose mitigation measures following the mitigation hierarchy in accordance with national laws and WBG General EHSs. The needs and scale of additional basic infrastructure and utility will be screened as part of E&S screening. In case any new/improved basic infrastructure and services are required, associated impacts will be assessed in sub-project specific E&S management instruments such as ESMP, based on the result of E&S screening to be carried out according to ESMF. Post- COVID-19 pandemic, the ESMF will also include necessary Standard Operating Procedures (SOPs) to prevent and control infection and to respond to emergency situations, especially where civil works will be carried out.
29. Social Risk Rating (Substantial): While the Project is likely to have beneficial impacts by facilitating access to housing finance and affordable housing solutions for lower-income groups in the urban areas of Punjab, the social risk of the Project is assessed to be *Substantial*. The main social risks that can materialize during planning, site selection, implementation, and post implementation could be due to: (a) project land having encumbrances and/or be under litigation; (b) project land having been cleared in anticipation of the Project, and thereby potentially causing forced eviction; (c) non-compliance of project contractors with national and provincial labor laws that cover provisions such as labor welfare, prohibition of child and forced labor, adequate employee compensation, minimum wages, and community health and safety issues arising from labor influx; (d) lack of systems to deliver basic services like water, sewerage etc.; (e) flawed beneficiary identification criteria that overlooks the poor and vulnerable; (e) GBV and other risks related to labor influx if there is construction at a significant scale; and (e) elite capture of developed properties. Some construction sectors such as brick kilns also use bonded (forced) labor and child labor. The Project will consider how its interventions can enable access to jobs, livelihood opportunities, and public services in the new units it finances. Since the exact project implementation sites are not yet known, an ESMF and RPF will be prepared, consulted upon, and disclosed prior to appraisal. The Project will also ensure under ESS1 and ESS2 that construction supplies such as bricks are not sourced from kilns using bonded or child labor.
30. The risk of resettlement/displacement will be minimized by using unoccupied public land so as to prevent evictions and displacement. PHATA will collaborate with the Punjab Land Records Authority (PLRA) to seek data on publicly owned land potentially suitable for affordable housing. Initially PHATA will use land it already owns, as well as identify suitable land from the land inventory GoPunjab is in the process of developing. This land will be screened for E&S impacts prior to inclusion in the Project. The Project will not use public land from which government agencies or private developers may have removed communities, squatters or encroachments in a manner that is inconsistent with ESS5. In keeping with local social norms, the Project will pay attention to concerns of privacy and provision of open space



which is needed especially as a deterrent to the spread of pandemics and communicable diseases. Site selection of project locations will need to be done carefully using a screening criteria (criteria will include unencumbered public land, free of past evictions w/o compensation, on-ground pre-screening for E&S impacts, etc.) provided in the RPF that meets E&S considerations.

31. A Labor Management Procedure (LMP), focusing on Project workers, will be prepared prior to the commencement of Appraisal and recorded in the ESCP as a Borrower Commitment. The LMP will include an assessment of potential labor related risks; an overview of national labor regulations, policies and procedures; mechanisms to prevent GBV/SEA and harassment; contract terms and conditions; working age regulations; mechanism for redressal of labor related grievances; and other requirements of ESS2.
32. Stakeholders. The project will require close cooperation and collaboration among the variety of stakeholders involved in facilitating provision of shelter including the federal, provincial, and local government agencies, public sector providers, private sector developers, NGOs and CSOs. This risk will be mitigated through the development and implementation of a Stakeholder Engagement Plan (SEP) that will promote collaboration among all the players involved. The SEP will be disclosed prior to appraisal.
33. HUD as the Implementation Agency for the Project will prepare an Environment and Social Commitment Plan (ESCP) under ESS1 which will be made part of the legal agreement between the Bank and the Borrower. The ESMF, RPF, LMP, SEP, and ESCP shall be prepared, finalized, cleared by the Bank and disclosed by HUD prior to project appraisal.

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