

Housing Co-operatives in Pakistan

History

Co-operatives were introduced, in what is today the Pakistan Republic, by the adoption of the Co-operative Credit Societies Act of 1904 whose aim was to finance Indian small farmers. The promotion of co-operation was done exclusively by the government in the sub-continent, since there was no other civil organization dedicated to the cause. The act authorised provincial governments to appoint the Registrars of Co-operative Societies and allowed for only registered co-operatives to provide credit could be registered. The act was changed with the Co-operative Societies Act 1912 permitting the registration of co-operatives having other objects than only providing financing. Under the Government of India Act of 1919, co-operatives were transferred to the provinces giving them the power to make any appropriate laws to administer and develop co-operatives.

The Maclagan Committee Report on Co-operation published in 1915 provided substantial and constructive proposals for co-operative development. This report played a vital role in the governmental and civil thinking. Various provinces established Committees of Enquiry which ultimately promoted the co-operative movement and the passing of Co-operative Acts in several provinces.

When Pakistan was created in August 1947, housing was a major problem for millions of people. Independence had created a large influx of migration into the new state. As the state was unable to provide adequate housing for its population, squatter settlements soon appeared and were largely tolerated by government. Industrialisation and urbanization accentuated the situation. Refugees and rural migration contributed to the growing number of urban poor.

In the Pre-Partition days, housing co-operatives had had a modest start. In the province of Sindh there were 46 housing co-operatives located in Karachi (22), Hyderabad (23) and Sukkur (1). In 1949, the Karachi Co-operative Housing Societies Union was founded as a central co-operative organisation by 24 primary housing co-operatives. Co-operators took the responsibility of developing much needed housing by using the township approach as there was no governmental agency equipped at that time to face the challenge. To support these initiatives, the state leased out 1,400 acres of land to the union for township development. Other housing co-operatives such as the Pakistan Employees Co-operative Housing Society Limited also received land from the state. The housing co-operatives in the province of Sindh have played a vital role in solving the ever increasing housing problems in the province, with particular emphasis in Karachi, the largest city in Pakistan. At this time, housing co-operatives can be found in every part of Karachi.

In the province of Punjab, housing was the responsibility of the government through Urban and Housing Development and several trust organizations (LIT, RIT, etc.) until the 1970s at which time, commercial and cooperative developers started to do business. However, in the mid 1990s a scandal involving housing cooperatives that deprived thousands of people of the money they had invested in housing co-operatives forced the Punjab government, through the National Accountability Bureau, to reimburse the swindled members. A ban imposed by the Chief Minister in 1997, stop the registration of new co-operatives.

Even though co-operatives were introduced in the province of Baluchistan in 1950, no substantive development of cooperatives was made until 1955 when a small amount of financial

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assistance was provided with the Aid Program. The co-operative movement gained some momentum during the 1960s, the result of financial assistance from the government. Co-operative Banks were established providing loans to agricultural and non-agricultural co-operatives.

Housing co-operatives have also developed in the North West Frontier Province as indicated in the statistics section below. In the Capital Territory of Islamabad, there are different types of co-operatives but unfortunately there is no indication of the number of housing co-operatives.

After the creation of Pakistan, a series of laws, mostly in the form of Governor's Ordinances and later in the form of Regulations of Presidential ordinances, were promulgated with the aim to ensure the security of public funds and properties owned by the co-operatives.

Context

Housing remains under the jurisdiction of the provinces. Registration of housing co-operatives is done through the Registrars and the Provincial Co-operative Housing Authorities have the authority to oversee and take control when co-ops fail to comply with their own by-laws. There are four provinces and two territories in Pakistan: the provinces of Baluchistan (Quetta), Punjab (Lahore), Sindh (Karachi) and North West Frontier (Peshawar) and the Islamabad Capital Territory and the Federally Administered Tribal Areas.

Pakistan is the seventh most populous countries in the world; and fifth in Asia. The urban population in Asia is growing at an annual rate of 3%. The housing conditions in Pakistan are, for the most part: overcrowded, inadequate sewerage, pollution, poor building construction leaving inadequate protection from weather extremities, and no security of tenure.

In 2008, the yearly estimated housing demand was 570,000 units. Actual supply was 300,000 units leaving a shortfall of 270,000 units every year. The consequences of this situation is that almost half of the total urban population now lives in squatters or informal settlements as it was already indicated in the National Housing Policy 2001. These slums and squatter settlements also called *katchi abadis* can be divided in two types: "settlements established through unorganised invasions of state lands" that happened at the time of partition for which most have been regulated in the 1960s and "informal subdivisions of state land (ISD)". Furthermore, these ISDs are subdivided in two categories: the notified *hatchi abadis* that have been earmarked for regulation and can obtain a 99-year lease and the development of infrastructure and the non-notified *katchi abadis* also referred to as slums that will not be regularised because the state either wants the land back for development or deems the land to be ecologically unsafe.

Katchi Abadi Departments were implemented in the provinces of Sindh and Punjab to regularise the phenomenon of informal settlements but have not achieved much success. In Karachi alone, 650 katchi abadis are listed. Moreover, according to UNESCAP, the United Nations Economic and Social Commission for Asia and the Pacific, nearly 180,000 households in different parts of Pakistan are facing evictions due to several government projects, such as roads and highways.

The problem is too big to be solved by the government alone. A concerted effort must be made involving legislative reforms and providing adequate support to housing co-operatives. Measures that have been identified include: legislative reforms to provide security of tenure by conferring

title to people living in slums and informal settlements and conferring ownership rights to women; reasonable building costs through market regulations; financial assistance through grants; mortgages facilities and financial mechanisms such as micro-credit in place to help low-income families; adequate environmental measures to ensure a healthy and safe place to live such as roads, water, sewage, drainage, electricity.

As indicated, housing co-operatives have played a vital role in many parts of the country and their work has brought better living conditions to thousands of people. As an example, 5,853 acres (Karachi Development Authority Scheme # 33) have been allocated to 130 housing co-operatives and societies. At completion, the land will provide homes to 3 million people in addition to commercial facilities. Other similar projects are currently taking place in other cities of the Sindh province, such as Hyderabad and Sukkur, as well as in other provinces.

But despite real and considerable progress, the co-op housing movement is confronted by serious challenges to be able to effectively improve the quality of life of Pakistanis, challenges that come as much as from inside the movement than from the difficult socioeconomic conditions facing the country.

The rapid population growth makes any development plan obsolete very soon after its completion forcing organisations and the state to remain constantly vigilant to the situation. New development approaches are not always well received and changing the mentality can be a lengthy process, particularly in rural areas. This can create serious setbacks for any new undertaking. The lack of money remains a real barrier to development. The lack of funding is expressed in two ways: no capital and a real difficulty of mobilizing savings which will imply a change in attitudes more amenable to saving. The scarcity of urban land creates serious difficulties and vertical development results which must be promoted and supported by the state. Finally, the current political instability disturbs the affairs of co-operative organisations adding to the difficulty for their development.

In addition to these difficult socioeconomic conditions, the co-op housing movement is confronted by serious internal problems. Some leaders have indicated that the following weaknesses have slowed down the progress of the co-op movement in the country: the absence of strong leadership, the inability to maintain standards of business efficiency, illiteracy, the lack of education facilities, including management and accounting education. These deficiencies have enabled some housing co-operators more concerned with self interest to sully the name of housing co-operatives in Pakistan, along with other examples of badly administered housing co-operatives and illegal acts from unscrupulous board members. Good ethics and management practices are essential to see the housing co-operative movement grow.

The Co-op Housing Movement

There is no national organisation of housing co-operatives in Pakistan and the scope of co-operatives vary widely from province to province. However, housing co-operatives do get together in some occasions. It should be noted that each province and territory have co-operative departments with the responsibility to promote as well as to monitor any type of co-operative development.

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A pioneer of the co-operative housing movement in Pakistan and a member of ICA, The Karachi Cooperative Housing Societies Union Ltd (KCHSU) is a major player in the province of Sindh whose mandate includes:

- To acquire land from the government and other agencies on lease and to sub-lease to members;
- To develop the land such as site design, building of roads, water sewage lines, electric lines etc.;
- To provide and maintain sanitary and other services and levy charges on the member societies and individual plot owners until the land is transferred back to the local authority;
- To design and/or construct necessary facilities such as school, stores, etc.

Today, the Union has 1,200 housing co-operative members. So far, the Union has developed land for 4,800 residential units, 84 public amenities, and 750 commercial amenities. 2,500 houses and 8 schools have been built. KCHSU does work in kachi abadi by financing housing co-ops to build houses.

The Union went into a very difficult period where its resources were dilapidated and the democratic functioning was corrupted. After 3 years of hard work (2004-2007), under the supervision of the Registrar Co-operative Societies and the support of its members, the Union is back working with the same principles of its founders.

For more information about KCHSU, go to: www.kchsunion.com

Statistics

As of July 2009, there are 2,608 housing co-operatives in Pakistan with close to 1.9 million of members. These housing co-operatives have built close to 13 million of houses and/or units. Provincial statistics of co-operatives are indicated in the table below.

	Cooperatives (all type)	Members	Housing Coops	Members	Houses/Units built
Pakistan	7,838	2,591,850	2,608	1,898,242	12,919,202
Province of Sindh	3,500	1,501,500	1,238	826,524	3,595,240
Province of Punjab	2,500	802,550	650	624,238	5,586,570
Province of Balochistan	1,200	143,050	496	311,250	1,911,892
Province of N.W.F.	638	144,750	224	136,230	1,825,500

(Data subject to confirmation)

Description

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Housing co-operatives in Pakistan are developed under the township model where large pieces of land are provided by the state to the housing co-operatives or the Union. The housing co-operatives or the Union carve out plots, develop the land and lease the land to the members. Commodities development such as water and roads are undertaken by the Province/City Development Authority or by the Union for which the housing co-operatives have paid a fee. Commercial buildings are also constructed. The size of housing co-operatives varies according to the land available.

Housing co-operatives members are tenant owners. When the land development is completed, the allotment is handed over to the individual member upon payment. The individual member builds its house himself following the cooperative/Union site plan and other relevant regulations. Members continue to pay nominal renting fees to the Union. The paying of rent is a condition imposed by the Central Government and is contained within the land transfer agreement. Even though members own their own houses, any transfer of units remains with the housing co-operative.

Generally, the ongoing maintenance of the plots and the houses are the responsibility of individual members and the housing co-operative is not involved.

The management of the housing co-operative is under the Managing Committee elected among and by the members.

Financing

Apart from making land available at affordable cost to the housing co-operatives or the Union, the state does not provide any other financing to the development of housing co-operatives.

Since the development is financed exclusively by member contributions, the development process closely follows the ability of members to provide funds. This means that when the cash flow stops, the development halts and quite often the members lose confidence in the process. This can become a vicious circle that adequate financial mechanisms could help eliminate.

At this time, the Karachi Co-operative Housing Societies Union plans to set up its own Credit Union for financing housing in the future. They do not have any micro-financing facility available at this time.

Legal Framework

The legal instruments for the housing co-operative sector applicable to all provinces of Pakistan are:

- The Co-operative Societies Act 1925 (which is the extension of the Sindh Cooperative Societies Act of 1925 to the country from the end of April 1965)
- Co-operative Societies Rules 1927

An ordinance was promulgated in 1982 in the province of Sindh under the name Sindh Cooperative Housing Authority 1982, to ensure the proper functioning of housing co-operatives.