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PIDE **P&R** 2021

PIDE's GUIDE TO POLICY & RESEARCH

# Cities and Urbanization



PAKISTAN INSTITUTE  
OF DEVELOPMENT  
ECONOMICS

Cover Story

**Cars, Cars  
Everywhere**

Exclusive Interviews  
with

**Arif Hassan  
Reza Ali  
Babar Mumtaz  
Sharukh Wani**



# PIDE P & R

**PIDE's GUIDE TO POLICY & RESEARCH**

**VOLUME II - ISSUE I**



Pakistan Institute of Development Economics (PIDE)



# January 2021



PIDE Policy & Research is a guide to policy making and research. Each issue focuses on a particular theme, but also provides a general insight into the Pakistani economy, identifies key areas of concern for policymakers, and suggests policy action. The publication offers a quick orbit of the country's economy and is a hands-on and precise go-to document for the policy-maker, businessperson, academic, researcher, or student who seeks to remain updated and informed. This issue is themed around PIDE's recent research efforts regarding the diagnostic of growth. We welcome contributions from within PIDE as well as from any external contributors.

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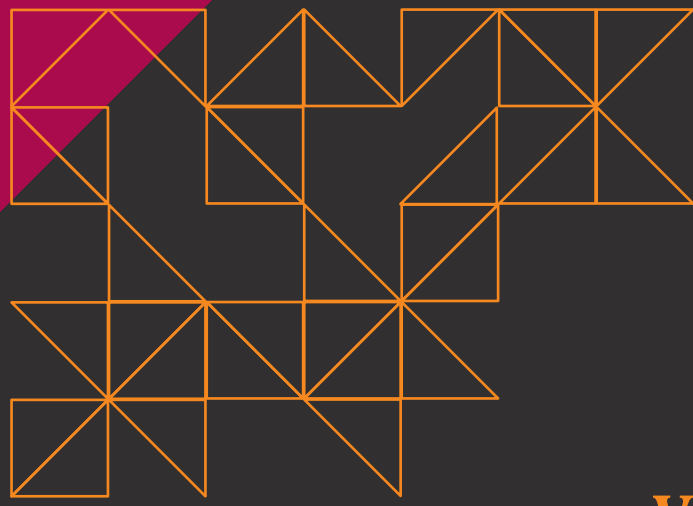
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## Vice Chancellor's Message

### How not to develop cities?

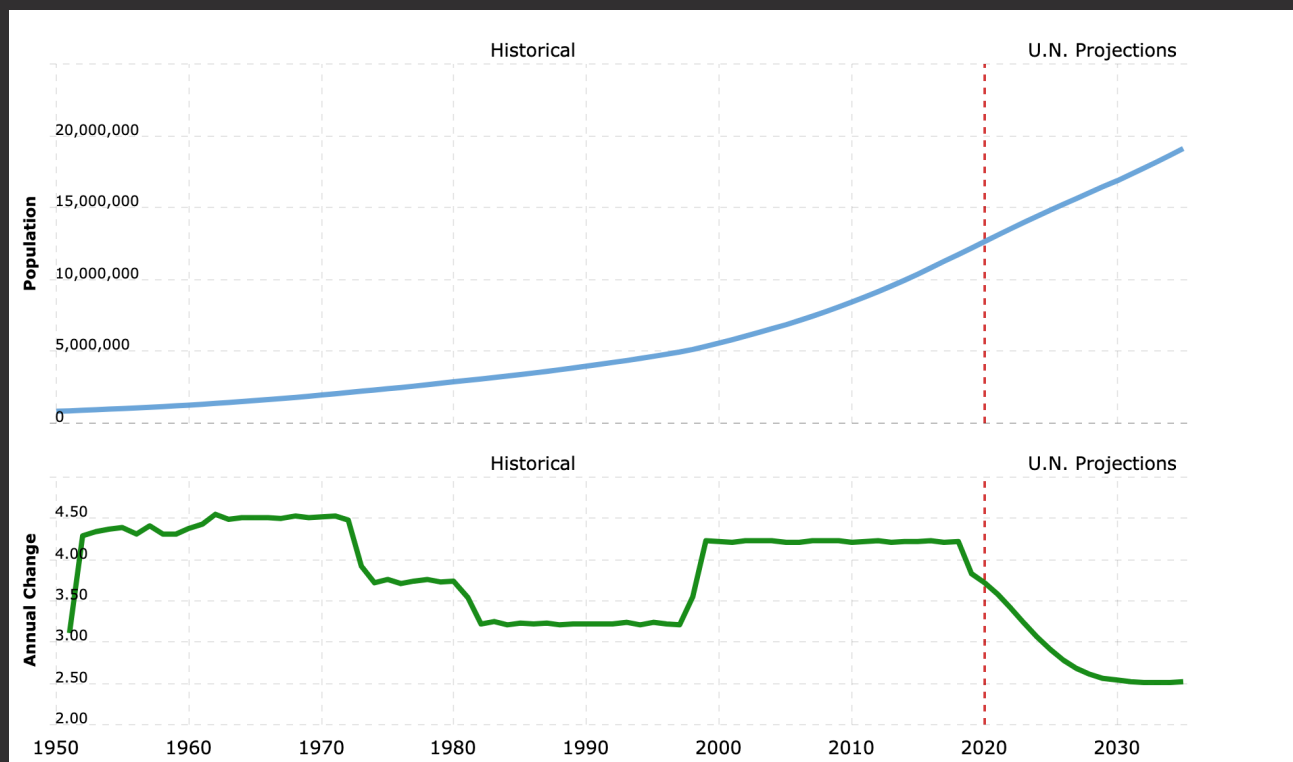
Once again, PIDE is providing you with substantive yet entertaining public policy thoughts, ideas and research for the curious in an enjoyable magazine. I congratulate the PIDE team on this issue which I hope will provoke you to join us in debating a better future.

The story of Pakistan's urban development illustrates very many faults: our lack of public sector capacity, the inability to develop local government, the intellectual inertia as well as the overwhelming elite capture. We remain besotted with 20th century central planning which meshes well with our inherited colonial extractive institutions. As a result, cities have been stifled through over-regulation.

A good crutch has been found in the early 20th century central planning paradigm which our centralized bureaucracy uses to keep cities overregulated. Outmoded plans are even used by courts to curb development (See <https://www.pide.org.pk/pdf/Policy-Viewpoint-16.pdf>)

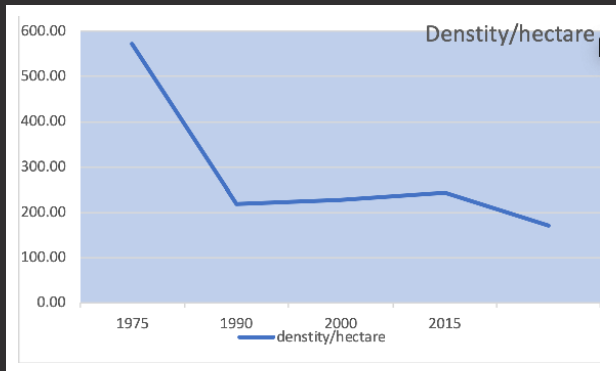
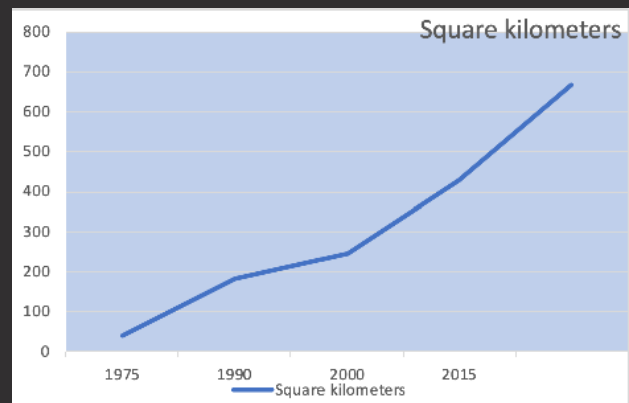
While this issue will give you details, let me illustrate the key points in three charts.

Lahore's population has grown from a few hundred thousand to 11 million in 2020. The annual rate of growth has been between 3-4%.



Meanwhile the area of Lahore has grown at a much faster pace. Available data suggests Lahore was 42 sq kilometers in 1975 and it is 688 sq kilometers in 2020—a growth rate of 6.3%.

As a result, population density of Lahore has declined opposite to what should be happening in a growing city. The density in 1975 was 571 per hectare and in 2020 it is about 172 per hectare.



As PIDE has been noting for a while, we are building suburban sprawl for cars and villas (See <https://www.pide.org.pk/pdf/Policy-Viewpoint-12.pdf> and [https://docs.google.com/forms/d/e/1FAIpQLScKQcdUKpwq9pWOfvw0P\\_eeFZlwfnQWui5j556JhIHIZ-3lSw/viewform](https://docs.google.com/forms/d/e/1FAIpQLScKQcdUKpwq9pWOfvw0P_eeFZlwfnQWui5j556JhIHIZ-3lSw/viewform))

This is being done at huge cost and without regard to maintaining public services.

It is also being done to starve many important activities such as schooling, community, health, commerce to develop. Most importantly the poor are squeezed out of the city (See <https://www.pide.org.pk/pdf/Policy-Viewpoint-12.pdf>)

The Prime Minister and many governments before him have lamented the inadequate supply of housing. We also lament the lack of investment opportunities, declining growth and unemployed youth. Yet outdated planning and heavy-handed regulation are starving cities of investment growth.

There is a strange belief in government circles that growth will happen outside cities. Here we challenge this yet again.

For prosperity, our cities must be liberated of the yoke of poor planning, administration and heavy-handed regulation.



Nadeem ul Haque  
VC, PIDE





## Editorial



Another year, another chance to improve ourselves individually and collectively, think positive and keep testing negative. Covid-19 has cumbersome effects on our daily lives, mental wellbeing and economies around the world. Entering a new year, we wish this to be a splendid year for everyone around the globe.

**Wishing everyone a pleasant and successful 2021. Happy New Year!**

Talking about how Covid-19 has affected the economies for the worse, we have seen silence in the cities that never slept, we have seen the roads calm and streets empty, finding the silver lining of it we have witnessed the sky more blue and water more clear just because the urban business was halted; the environment blossomed. Why can't this be the new normal? Why can't we try to make our environment clean and less noisy by, may be, promoting less cars on the roads and more public transport in order to lessen the pollution and congestion. More cars on the roads make it hard for the walking majority, making urban life difficult for the poor. The less congested roads always extend the city experience. The more public transport on roads makes economic as well as environmental sense.

Multiple housing societies and single unit houses have also added to the congestion of the cities and increased the urban sprawl unknowingly. The master plans for the cities have mostly failed as they were made with "in the present" scenario, thus failing to forecast future of the cities. We really need to go back and revisit those plans and make changes NOW in order to survive and make cities and urbanization an experience to cherish and boost economy rather burdening it.

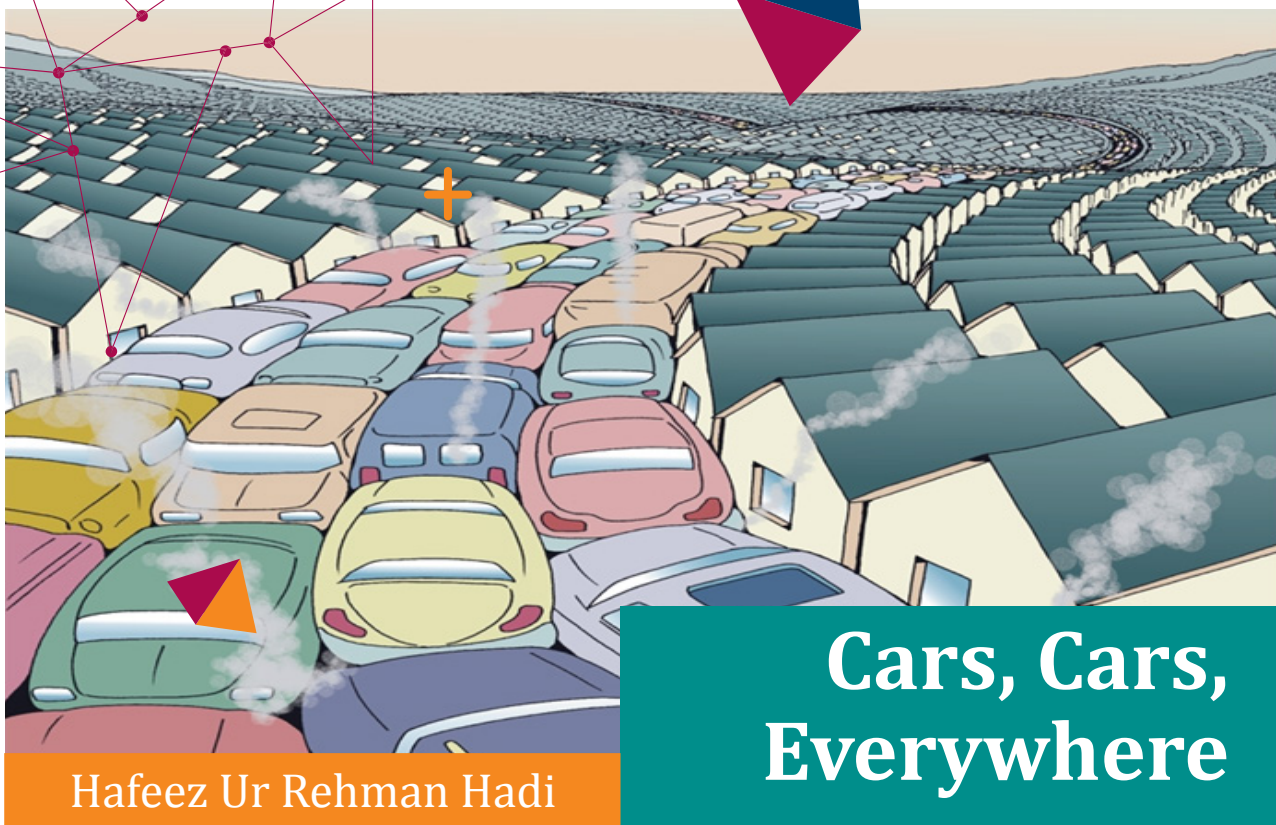
The PIDE P&R this month is focusing on what is wrong with the cities and what is to be done. Let us not forget that cities were made for the ease of humans, but they have taken another shape. In this issue, key thinkers and researchers in the field shed light on the multifaceted issues in Pakistan's urban development. It is an attempt to enlighten citizens and communicate to the policymakers, what good cities and urbanization have to offer. "I have an affection for a great city. I feel safe in the neighbourhood of man, and enjoy the sweet security of the streets"



# Cover Story

## Cars, Cars Everywhere





Hafeez Ur Rehman Hadi

# Cars, Cars, Everywhere

“Cities have the capability of providing something for everybody, only because, and only when, they are created by everybody.” Jane Jacobs

The cities are the people, their activities, and the mobility those people exercise. These cities, in themselves, provide the engines of growth for the countries. The cities need to allow freedom and facilitate mobility; and not restrict. Equitable service delivery and access to the city services ensure a robust economic activity and city growth; and, contrary, clique access to these facilities hinders the growth. Mobility in Pakistan is one such exercise that has been usurped by the car-owners in the garb of gentrification, road infrastructure development, and converting public spaces into parking spaces.

In the past decades, the rate of car ownership in Pakistan has been on the rise. To facilitate the car owners, cities often try to provide a robust infrastructure of roads for cars so that the smooth flow of traffic can be ensured, disregarding the non-motorized or public transport mobility. The road infrastructure, therefore, makes the largest part of the development budget in Pakistan. Consequently, this aggravates the demand for new cars. When new roads are built, they seamlessly facilitate cars, and travelers find it easy to own a car for traveling to homes, schools, offices, and city centers.

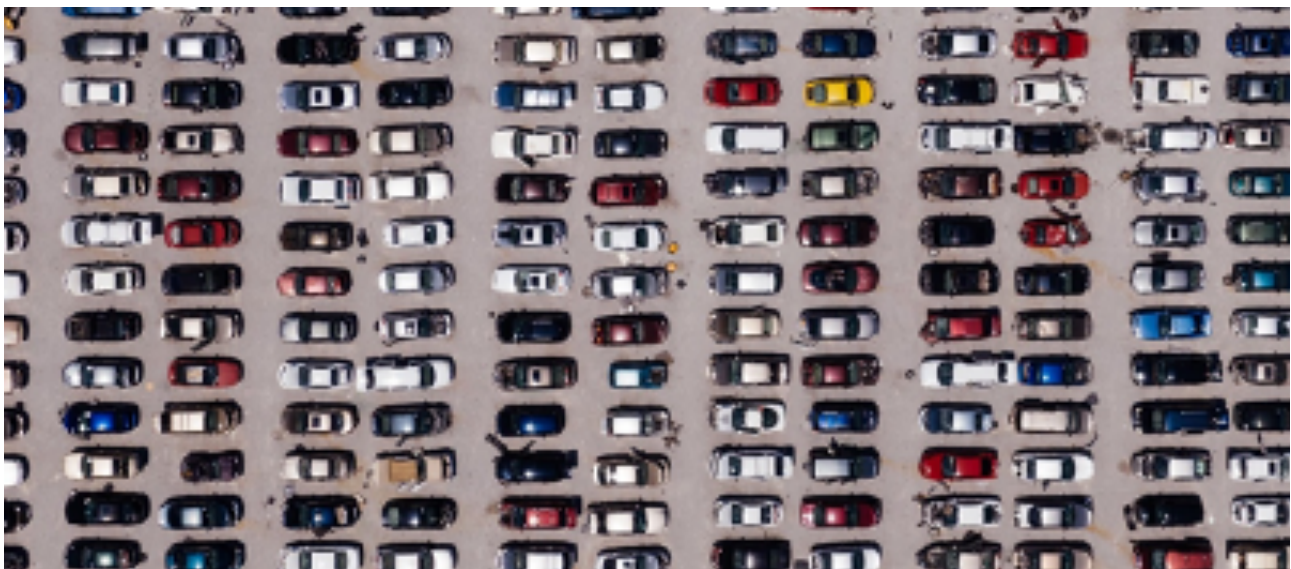
We look at the rising car ownership and facilitated road infrastructure by city authorities. We maintain that a large portion of a city or provincial finance is routed to road infrastructure. Further, we look at how other world cities have created a balance between car ownership, road infrastructure, parking provision and charges, and public transport; and are increasingly making walkable streets. Lastly, we prescribe how Islamabad, Rawalpindi, Lahore, Karachi and other cities can employ parking charges, amongst other measures, as a tool for revenue generation and move old fleets of cars out of the cities—and increase the use of public transport.

The world cities are fast realizing their ‘planning mistakes’ of expanding the spaces for cars while shrinking public spaces; and are now on reversing the phenomenon by realizing streets and roads as public spaces.



## Urban mobility and car ownership

People move to urban areas in pursuit of employment, better lifestyle choices, health facilities, improved service delivery, proximity to amenities, and much more. Urban spaces are built on the single principle of keeping many aspects of life in a finite amount of space - agglomeration. When a small piece of land is used for multiple types of land utility, it results in people living and working together. In an agglomerated city, if the city is unable to manage crowding then it results in congestion that chokes the service delivery mechanism. This also results when interest groups start benefiting from skewed and stunted policy-making processes of city planning. The secret for any city to thrive is to achieving maximum utilization of space by fine service delivery of functions of a city from transportation, sewerage, cleaning services, utilities, etc. The battle to create a balance keeps the city authorities on their toes because of high rural to urban migration.



Pakistan has now one of the fastest rural to urban migration and, resultantly, Pakistan now has some of the largest cities in the world. While the world is adjusting to high-rise buildings and constructing residential towers, Pakistan chose to horizontally expand the cities resulting in huge urban sprawl. As these cities have become populated, the usual urban problems - traffic congestion, poor city livability, and health issues - have arisen.

People need mobility and cities must facilitate it with infrastructure that is inclusive and accessible for its residents. City authorities of Pakistan have limited capacity to cope up with the growing metropolises and their urban issues. However, cities in Pakistan have chosen to make mobility an eased experience for car-owners and a daunting task for those who do not own cars.

## 1. High costs of mobility

As cities grow, the cost of moving around the city increases with distance therefore people need affordable and accessible transportation modes. As the cities in Pakistan lack public transportation, the facilitation to pedestrians and cyclists is not only poor but dangerous, hence people resort to cars. Historically, this lack became a stimulus for owning cars that in return facilitated urban sprawl.

Therefore, we assert the need of having a car policy for urban mobility with mobility options, lower environmental and human stress. The rising number of car-ownership, its contribution to traffic and pollution calls for a policy that outlines the effective usage of cars. A forward-looking car policy must be devised to address the issues of urban planning and cities' governance. In this regard, the Pakistan Institute of Development Economics is proposing a car policy to make ailing cities livable.

Since ride-hailing services are quickly becoming the default mode of transportation from the middle-class jobholders, there is a rising portion of income that is spent on mobility within the city. The average monthly cost of a job holder in Pakistan using the ride-hailing services reaches 12,000 to 15,000 without any freedom since these are demand-based rides and do not offer stops in-between.

## 2. Cars and cities

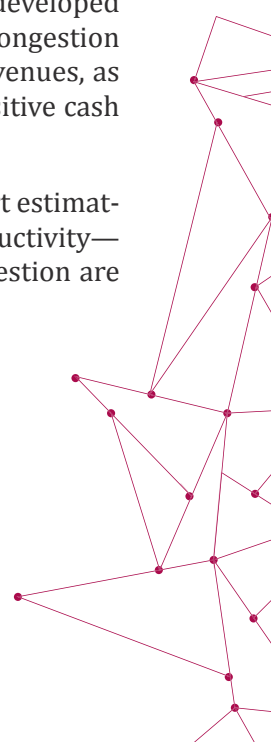
People agglomerate in cities to find jobs and seek economic and social mobility, similarly, firms tend to be officed in the city centers to be close to the market or amenities. As cities grow, the cost of moving around increases with distance. People need transportation modes, accessible; and lack of public transportation, poor facilitation to pedestrians, and bicycle riders, they resort to cars. The increased car ownership excused with urban spread-out has discouraged the development of public transport systems, fewer bicycle, and car lanes.

While the developing countries are facing an exponential increase in car ownership in face of bad public transport, the developed countries are programming to make cars the 'things of the past' by providing better alternatives- public transportation with better connectivity bicycle lanes, and street space for pedestrians. In the face of congestion adversity and high environmental costs; cities are rethinking the usage of streets, cars, and cities themselves.

## 3. Congestion Costs Vs. Agglomeration Benefits

There is abundant evidence that agglomeration benefits outdo the congestion costs. The evidence exceedingly suggests that countries with poor urban governance have far more congestion costs than the cities with better urban governance and higher agglomeration. Cities have developed mechanisms that not only avert the congestion in cities through speed-lanes, higher parking fees, congestion taxes, restricted cars in city centers; but also, have made them long-term sources of their revenues, as discussed later part. The cities of London, Stockholm, Singapore, among others, generate positive cash flows through their car policies within the city.

These congestion costs can further be minimized by exercising due pricing. Baert and Raynaert estimated that for a 1% increase in the agglomeration benefits, the positive effect is 0.073% in productivity—and varying increase in economic activity. And losses incurred through 1% increase in congestion are 0.01%, suggesting the huge comparable advantage of agglomeration.

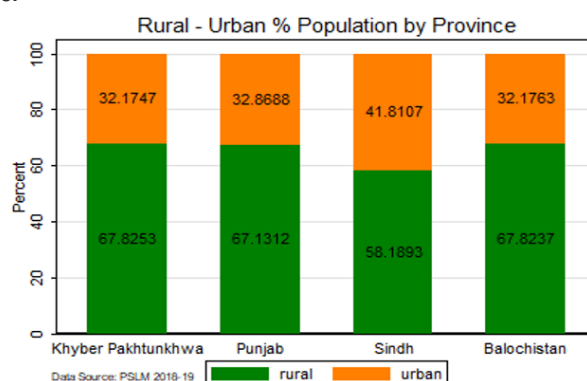


	<b>Congestion</b>	<b>Agglomeration</b>
<b>Pricing</b>	Reduced by Congestion Pricing	Low Transportation Costs
<b>Environment</b>	High Costs; but Can be reduced by redesigning Public Spaces and Roads	Net Low Emissions Overall Low Environment Degradation
<b>City Life</b>	The vibrancy, City Experience	Confined to City Centres
<b>Cars</b>	Caused by Cars. Cars can be reduced by 80% with alternative available	Public Transportation with Low Costs
<b>Transportation</b>	Low Walkability and Cycling, Poor Public Transport	Closely Knitted—low-cost infrastructure
<b>Opportunity Cost</b>	2/10 of the Agglomeration Benefits	5 Times higher Benefits and Can be improved
<b>Crowdedness</b>	Efficient Use of Transportation	Evenly Crowded-High Density
<b>Streets</b>	Covered with Cars and Parking Spaces Need to discourage car ownership for Low Traffic, More Space	High Economic Activity, Innovation, Entrepreneurship, High Social Mobility
<b>Parking</b>	Due Pricing as per Driving Costs -same revenue with lesser cars	Cars only for luxury—comes with a price
<b>Examples</b>	Beijing is increasing Car Ownership and often chokes with Traffic. Countries with poor public transport are paying high congestion costs.	London, Stockholm, Oslo, Copenhagen

#### 4. Streets are shared public spaces

The street experience is fast becoming the focus of urban governance; from city centers to off-street parking requirements. The cities are realizing the foregone value of land utilized by the cars. Ben Toderian, Donald Shoup, Nadeem Ul Haque and many others have been asserting that streets must be at the center of city experience. Streets are shared public spaces and part of city land that must be priced commercially and indiscriminate. Therefore, streets must be used to generate social and economic activity rather than perishing to parking and car-traffic.

Ben Toderian and Janette Sadik Khan have extensively worked on designing streets for public and advocated accessible streets for all. These car-free areas generate more economic activity. A recent study in Barcelona suggested a 9.7% increase in retail activity in streets with public spaces and walkability rather than car-owned roads. In terms of space, 10% of car owners occupy more than 80 % of streets and roads. Higher car ownership causes low city experience. It is established that social activity by redesigning streets for public use increases the vibrancy.



## **What are cars for?**

Since the cars are so central to our urban planning, therefore one must ask the basic underlying question: What are cars for? The cars provide freedom of movement, and beyond necessity; car ownership is a luxury.

This leads to the following question: Does paying to own the car provide the owner with exclusive rights of freedom and luxury in society? Cities must realize the real costs of luxury and freedom are not of cars but also road depreciation, pollution, usage of space for parking and opportunity cost of that land usage, etc.

Therefore, the literature on car ownership has started posing an essential question in the urban planning of a tradeoff between individual prosperity collective betterment.

### **1. The associated problems**

The car ownership in Pakistan has several associated issues and challenges including traffic congestion, high pollution costs, health deterioration, and higher costs of mobility. Intuitively, urban sprawl should decrease traffic congestion because of the spread of urban communities and societies. However, since this urban sprawl simultaneously encourages the car-ownership; this leads to higher congestion costs without agglomeration benefits.

#### **I. Traffic congestion in cities - Example of Lahore**

In Lahore, the largest city in the Punjab, the car ownership in some sectors of DHA, Askari, Bahria Town exceeds 2.1 cars per household, as per our study. This high number of solo-driver cars in the city and country at large are a source of congestion in city spaces. The traffic in peak hours is so congested that on Noor Jahan Road—Liberty Roundabout to Hussain Chowk—a car can take up to half an hour for what is an average 1-minute drive on the empty road.

This congestion further leads to more accidents and health injuries, not disregarding the fact that noise pollution and excessive fuel costs are other externalities. During the daytime, the Zahoor Elahi Road and many other roads with schools are choked with traffic because there is no transportation system by the schools or government to pick-and-drop the students from their homes. Lack of such facilities should lie at the core of the city's mission to facilitate students,

but are rather absent in the case of Lahore and other cities. The kids must be the last recipient of the pollution, yet they suffer in the congestion equally.

## **II. High contribution to pollution**

According to Dawar Hameed Butt, an environment activist, the AQI index, before the COVID-19 hit the cities, had reached the dangerous levels of 500 points. During the COVID-19 lockdown, the lack of traffic had brought the AQI to 70 points.

This staggering difference shows that the high contribution of cars in air pollution and smog that is fast becoming the routine problem in the city.

### **2. Multiple car ownership**

The cars in Pakistan are expensive, however, owning and maintaining the ownership is fairly cheap and evasive. The process of registration in Pakistan is highly rigged therefore even in larger cities there are higher numbers of non-Customs registered cars. Unlike many developed countries, there is no compulsion of having insurance or maintenance standards, therefore, the households keep on owning multiple cars.

### **3. The car registration process**

The general car registration process in Pakistan is highly rigged. The vehicles can undergo overhaul changes to get registered under different chassis numbers. The car owners can delay paying the tokens of cars for decades without the fine. At times of sales, car ownership is often not transferred, hence giving people a chance to not show the cars as assets. The ease of ownership has decreased the dependence on public transport within cities and trains, rail, buses for inter-city transport. This independence has assisted the city-elites to evade the responsibility of demanding inclusive public transport. Whereas, with the new computerized system of registration, which is in place at a very small level as yet, such issues can be resolved.

### **4. The cost of driving**

The true price of car driving is not what the driver pays while purchasing a car or paying for the gas he uses. It goes beyond in terms of roadwork, emergency services, damage to the environment, and the use of land in terms of parking and otherwise used by car.

The associated costs can be categorized in Foregone Revenue by using land for parking rather than economic activity, pollution costs—



inadvertently borne by society. According to Shoup, it takes 1-2 % of maintaining roads for pedestrians and bicycle lanes than building roads and parking for cars. Similarly, the incremented economic activity revenue generated from the increased economic activity exceeds the parking costs in cities with streets as public spaces more walkability. Similarly, the researchers associate higher risks of a medical emergency; deaths, and costs attached to these emergencies with the indirect costs of car ownership in cities. The policies are needed to distinguish the use of a modern car from need to



luxury, and charge a price on that luxury like other commodities. The lack of walkable spaces in cities supports car ownership. Several studies suggest that the provision of good public transport and walkable spaces deter car ownership. In a city in the United States, if due to installed public transportation, the city gives up 15,000 cars, the city has \$127,275,000 saved in terms of purchases, gas uses, parking, etc.

### **How does the world view cars?**

The cities worldwide have emphasized working on shared modes of transportation that are inclusive, cater to the agglomerated urban experience, and with the least congestion can mobilize millions of passengers daily. The transportation structure of London, Seoul, Beijing, Tokyo, New York are testaments to these priorities. Rather than owning the car, the residents of developed cities are relying more on public and shared modes of transportation.

#### **1. The Car-Free Areas**

The City of London has started exercising the car-free areas in the restricted zones of London on several days in a week to reduce GHG emissions, increase walkability, and making cities conducive for the public. These car-free days are making considerable improvement in the environment, city experience, and encourage the use of public transportation. The revenues are collected by the city governments and can be allocated to the same areas, thus contributing to the local welfare.

#### **I. Parking Rules**

Donald Shoup highlighted The High Cost of Free Parking and suggested that city governments must remove the off-street parking with high on-street parking. The associated costs with on-street parking shall deter the drivers to be part of congestion, and the fee shall discourage car-ownership. Many of the cities worldwide have taken his advice and are working on charging parking costs and eliminating off-street parking. The staggering facts of high costs of land dedicated to parking and the maintenance costs outnumber the rationality of efficient usage of land or resources.

#### **II. The free lunch**

In developing countries, ownership of a car is a luxury, but it also evades the associated costs. The road services, land that cars use, and pollution are paid by the general public. A car normally occupies a space of 330 square feet, which is attributed freely for a car. This forgone cost is paid by society. In Islamabad every day around 280,000 cars enter through the vast road infrastructure present, if half of the traffic is charged for parking of paltry PKR 10 then the city government can daily generate a revenue of PKR 2.8 million.

#### **III. Repurposing Roads—Congestion Pricing**

The cities are using their roads to streamline the traffic. In the United States, highways have congestion pricing strategies to make people avoid traffic. To take the express lane, the driver shall be priced. This

pricing of car-ownership and using the express lane assists in maintaining the services of highways

#### **IV. Streets and Public Spaces**

The cities are realizing the importance of public spaces, and therefore the outdoor public spaces are being created. The cars in certain streets are banned or charged highly to provide city-experience to visitors. In the attempt to choose between the Individual prosperity vs collective betterment, cities are tagging a high price on individual prosperity.

#### **2. Car Policies in Global Cities**

Cities worldwide are fast becoming cognizant of the costs attached to increased car-owning and therefore are planning to reduce the car presence in cities. Oslo, Copenhagen, Stockholm, New York, and London are few of many cities levying price over cars in city centers and are using various ways to discourage cars. We took the 15 cities and studied their recent actions to contain car presence, and enlist why the cities are reducing the car numbers. Pollution is the single most significant concern of these cities to cut down the number of cars within cities.

These cities are heeding the concerns of new urbanism as they underscore the need for accessible cities with centers of maximum social interaction indiscriminately.

By reducing the number of cars, the cities are expected to turn 30-75% of roads into public spaces within 25 years to enhance physical and social mobility within the city.

Public Transport is the most rewarding incentive to reduce the number of car owners. Cities like Seoul, London, New York, and Copenhagen are heavily investing in their public transport infrastructures to complement their goals. The citizens in these cities are increasingly opting for Bicycle and walking as healthy measures and the burden on health services delivery has decreased.

As per WHO estimates, around 40,000 people die in crashes on US roads, and out of which the owners of vehicles make the largest proportion. The responsible public transportation and less traffic make the cities less vulnerable to such high losses. Therefore, the cities are using alternative measures to reduce the risk of deaths because of

traffic and road accidents.

Traffic policies are central to regulate car ownership. City governments can coordinate with provincial and federal governments to come up with comprehensive plans that ensure the autonomy for cities to implement the car policies along with the coherent national policy suitable for the cities.

#### **The mobility in Pakistan**

The urban and transportation planners in Pakistan have long seen mobility and urban development as a means to facilitate car mobility—Traffic View of Urban Planning. Their planning has barred the accessibility and mobility view for urban citizens. The construction of no-signal corridors, brick-and-mortared bus stations, sparsely constructed overhead bridges, lack of zebra crossings, no provision of cycling lanes of walking paths have led to the inaccessibility of amenities for citizens.

In Pakistan, transportation planning has been dominated by the 'Traffic View', and that too has resulted in the chaotic traffic jams and poor access to urban amenities. The cities worldwide are opting for multiple mobility options at once to facilitate the agile movement to-and-from inter- and intra-city.

According to the Transport Manager at Faizabad Bus Station in Islamabad, Shahid, the government has 'strangled' the independent transport-owners by not allowing the private transport in Islamabad and very restricted the movement of wagons. This is aggravated by non-issuance of route-permits, safety licenses to public transport vehicles, and frequent ticketing of wagons as fines. Despite the interest of transport owners to run operations in Islamabad, the city administration has orchestrated ways to reduce public transport within the city. Therefore, the average time for a citizen to access public transport has increased from 8 minutes to 31 minutes in Islamabad City.

The developing cities, like in Pakistan, have a double-edged sword of planning on its citizens: the city planners are very fond of planning and regulating hence the regulations are excessively passed; and then there is a poor implementation of those laws. This leads to the stunted growth of cities, and mafias benefit.

#### **Pakistani Cities and Funding**

The world Cities are using the service delivery and provision of accommodating citizens as a



source of generating revenues. The collection of council taxes, utility charges, parking fees, and other sources of revenue make cities largely self-sufficient in terms of planning urban mobility options among other things. However, in Pakistan, the lack of experts in district administrations has resulted in poor management of cities, non-existent sources of revenue, sub-optimal utilization of land, benefiting the car-owners.

### **Cars Or Substandard Transportation: The Transport Extremes**

Since the cities in Pakistan are unable to provide safe, sustainable transport options, the ownership of cars is considered a necessity beyond luxury. However, the citizens unable to afford resort to other options—in case of mobility: sub-standard wagons, rickshaws, Qing Qi, Bike without proper safety guards.

In such instances, any incidence of public transport provision becomes a source of political propagation rather than the provision of ‘public good’. The BRTs system developed in Pakistan has become such a nuanced idea where large infrastructures are developed to manifest the tangible notions of ‘development’ with approximate costs of as large as 10times than the provision of public transport through alternative options of wagons, buses, and railways. Due to the lack of public transport, female citizens feel apprehensive of using any public transport limiting female mobility within the city without private vehicles nearly impossible.

### **The case of Faisalabad**

The City Government of Faisalabad, formerly Lyallpur, has recently planned to restrict the movement of cars and vehicles in its City Centre (Clock Tower and 8 Bazaars). Although the policy seems to have accorded accessibility, walkability, and mobility to people without cars, the Traders Union have readily started violating the plan.

A traffic police officer, Adnan, suggested that cars have taken over the historic bazaars around clock-tower. This has not only restricted the mobility of customers and tourists but also provide a greater problem in managing transport in the city. As per plans, if the traffic police officers challenge the parking and movement of cars on streets of bazaars, the trader’s union asserts pressure to corner the traffic police officers. A City-Centre where the mobility should be at its highest, traffic-jams, extra deployment of traffic personnel makes it the

least desirable spots for the traffic officers.

### **The options—Pakistan’s Way Forward**

Pakistan’s government has divested from its responsibilities and city government have long been managed by the generalists rather than the urban planners. This has led to a narrower view of urban planning and not governance. The plethora of legislation, regulation, and laws have halted the natural growth of cities. This, consequently, led to urban sprawl and increased car-ownership among other problems. PIDE has argued that the country needs the framework for growth that transcends the brick-and-mortar model and integrates the nuances of the locality.

#### **1. Shared Modes of Transportation**

The cities eventually run out of car spaces, the available options include the cities to grow—increasing the cost of travel, increasing the value of land, and de-cultivating the city lands.

As per Donald Shoup, the parking rules must be based on discouraging car ownership and encouraging public welfare, and not the other way around. Therefore, the regressive parking charges can be used based on car usage of amenities, roads, and parking spaces.

1. The cars must be insured at the registration process.
2. A comprehensive parking cost must be evaluated by cities, and levied upon the car parkers.
3. Encouraging and normalizing ride-hailing services can discourage car ownership.
4. The local governments need to heavily invest in walking, bicycle lanes, and public transport.
5. The provision of the pedestrian-only zone, public transport, and bicycle lanes shall greatly discourage car ownership and traffic congestion.
6. Solo Driver cars must be taxed in cities.
7. The schools should be encouraged to run the school buses to discourage traffic congestions on roads.

This results in widening roads—the less space for the open space cafes and public entertainment and walking, or lessen the use of cars.

To avert such losses and poor urban catastrophe, the citizens need to move towards walking, cycling, and more shared mode of transportation that includes public transport, ride-hailing services, rails, and buses. The ride-hailing and ride-sharing services—can increase per car use from 9% to 55% of the time. In the last decade, the ride-hailing services Uber, Careem, Bykea, etc. have captured a large market but remain an elite solution. In shared modes of transportation, public transportation remains a failure, while in the last one year, ride-sharing Airlift and Swvl have stirred the transportation sector and must be encouraged.

## **2. Parking Bye-Laws**

Local Governments Act 2013 of Punjab suggests that the local government has the provision to develop their parking bye-laws. However, there are no comprehensive parking laws followed by any local government throughout Punjab as per 2020. These parking prices can be a regular source of local governments and can assist in a) documenting the cars, b) data generation of cars' transport, c) revenue generation for localities that could be spent on local welfare and service delivery.

## **3. Parking Rules**

The cities provide services to its residents and visitors and in return collect revenues for its services. There are no standing rules for parking in Pakistan.

## **4. Traffic Rules**

Within cities, the traffic rules can greatly change the proportion of the car-ownership. The introduction of car-free days, car-free areas, parking charges, congestion pricing, and introducing speed lanes can lessen the traffic while also encouraging social activity. Pakistan must revise its Provincial Motor Vehicle Ordinances dated back to 1965 to regulate with the modern-day needs and regulations of safety and health.

## **5. Public Transport—Nay to BRT and Brick and Mortar**

The development model in Pakistan is based on the project approach where the implementors are supposed to construct, built brick and mortar to project the efficiency. This has also been translated into the transportation sector where large public funds were invested in the construction of infrastructure for the Bus Rapid Transits (BRT) in Lahore, Multan, Islamabad, and Peshawar. The discouragement in owning cars shall lead to pressing demand of having public transport thus having more refined experiments in introducing modes of public transportation, but simultaneously the government must provide more accessible public transport rather than constructing high-cost bus-transit stations.

## **6. Streets**

Streets are engines of public activity, and the streets in city centers are critical in estimating the capital of cities. Cities worldwide are using streets as a critical starting point to regenerate themselves. Pakistan can use the city streets as public spaces by doing away with free parking at roads and charging the parking fee minimum to the marginal social cost of having cars on these streets.

These streets can be furthered for public use through open space cafes, restaurants, and organizing social activities. Making these streets car-free shall make cycling and walkability easier and the public can reclaim streets as accessible city points developed for themselves.

# **POLICY IMPLICATIONS**

Roads infrastructure is very costly to maintain and cities are made for economic activity not providing luxuries to the rich stratum of the population. To create a balance, cities need to start charging the car owners the due price.

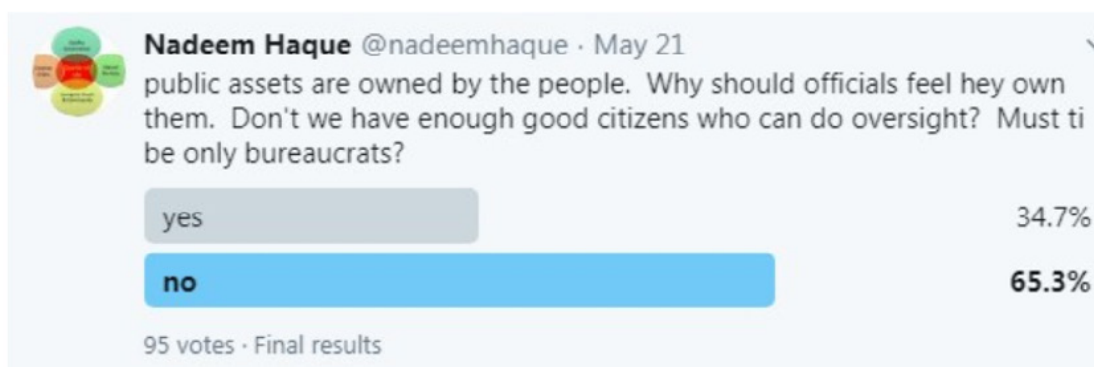
1. We need to alter our city development policies which facilitate urban lifestyle in a distant rural setting and necessitates the use of cars for mobility.

2. Enrique Penelosa, Mayor of Bogota, suggested that cities cannot thrive without mobility and public transport is an integral part of that mobility. Cities around the world have learned that walking and bicycling are less costly for the government, environment friendly, and provide more chance of social cohesion.
3. Subsidizing cars resulted in having little space for bicycling and walking. Roads are widened to facilitate more and more cars.
4. Designated spaces for parking have to be announced with parking charges, Islamabad can generate a sum of around Rs. 2.8 million per day if it only charges Rs. 10 per car as parking.
5. Congestion charges need to be allocated in busy hours to demotivate the movement of cars which will free up the road space for most important things.
6. Projects like Metrobuses and Orange lanes are very costly for the cities as well for the provinces. All across the world public transport is given a priority lane. It can be done in Pakistan as well.

If our city government become successful in rethinking how they develop a city, our crucial city problems would find quick resolution. As discussed widely in earlier publications of PIDE, the city-center needs to be established with mixed-use high-rise development.

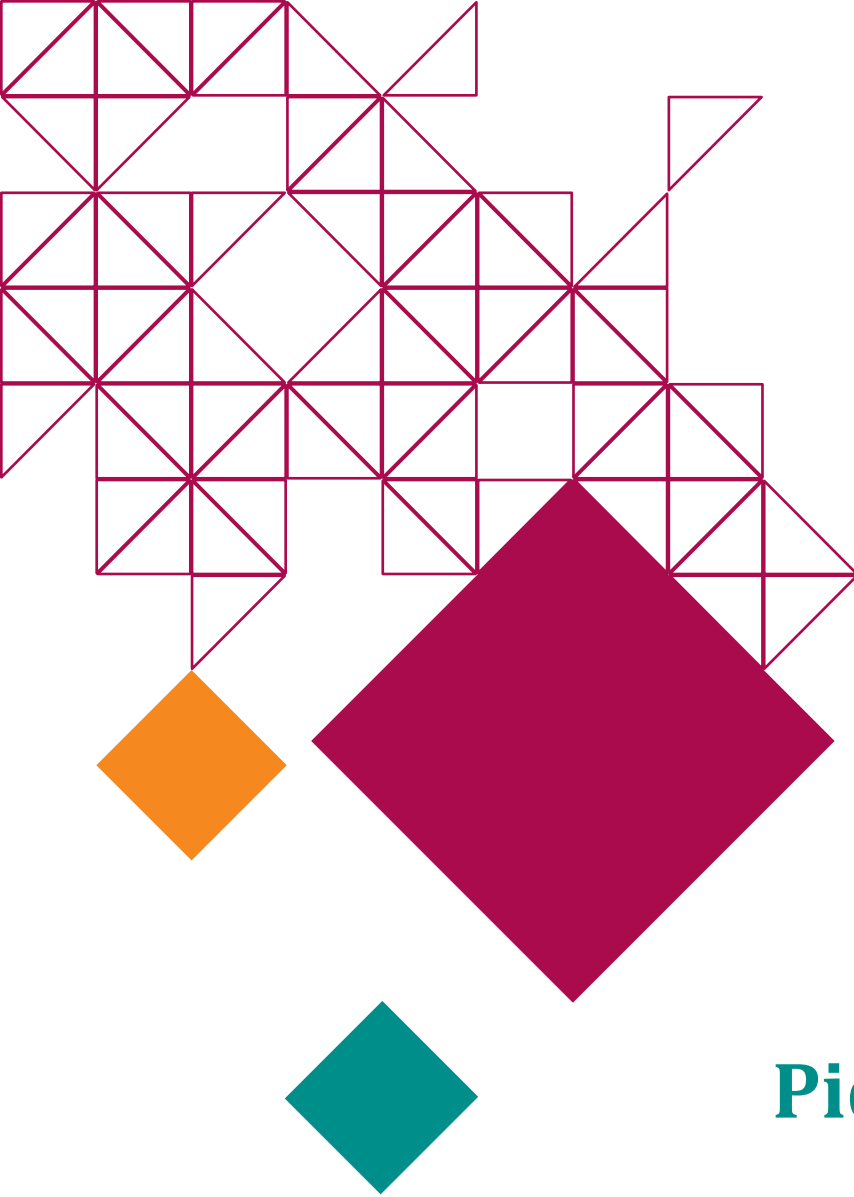
## HAQUE SURVEY

May 21, 2020





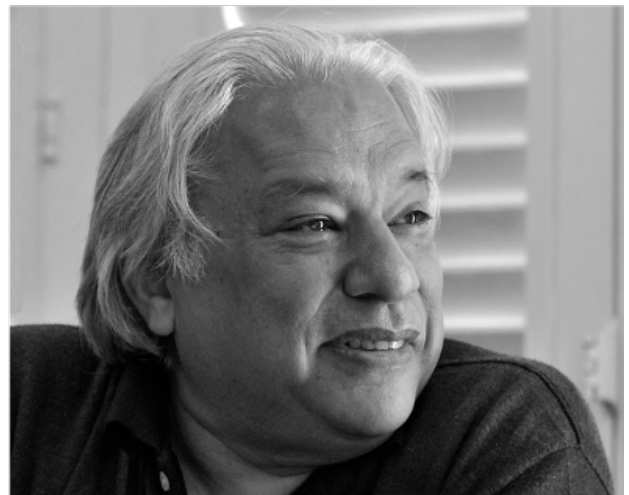
# Interviews



## Pide P&R Talks To Lead Thinkers

### Arif Hasan

Arif Hasan has defined the Pakistan's architect, planning and urban activism culture. He has a keen eye on urban issues, street economy like no other, and he has been involved in dialogue on cities, planning and architecture in country for decades. His work in Karachi and other parts of country has invited great attention and laud; therefore, the Pakistan Institute of Development Economics invited him for a talk. In the following lines, we are presenting his interview and responses to our questions.



**PIDE: Do we have any good cities in Pakistan? Why do we have strong fascination with homes as we see our Schools, shops, warehouses are all developed in houses, largely. What has gone wrong?**

A part of it largely is because of our colonial inheritance. Bungalows were the unit showing enrichment and affluence, and became important for elite. We never thought of planning in terms of essen-



tial services. We didn't develop cargo terminals etc. We are bound to have city master plans every 10 years which are not researched. These plans are designed around land speculations. Cities are empty with announced schemes. No regional plan to protect ecology or share resources. Urban land reforms essential. What you want our cities.

**PIDE: If you're mandated to suggest urban reforms, what would you include in urban reform?**

1. Non-utilization fee on certain types of development. Higher densities for higher and middle income groups.
2. By laws and regulations shouldn't be anti-streets and anti-mixed use. There should be institutions of research and development. Currently, LDA officer just scrutinizes the proposals by the rules he follows. Environmental impact assessment is highly rigged. Corrupt practices of approving maps, changes made in violation of law can be approved. Profession needs to change.

**PIDE: Is there housing inadequacy in Pakistan? Is there homelessness in country?**

There wasn't inadequate housing a decade ago, but now it's becoming reality. Can we support this high density? Formal developer comes in. there's demand. Process in place, has faulty process. First problem from politicians and real estate developers. Policy, teaching process, ground realities acceptance.

The Prime Minister's announcement of providing 5 million houses is unrealistic. Building 50,000 houses shall be an achievement as well. This is because poor can't afford the houses that are being built currently and on other hand state can't afford subsidising. Also, now there's lack of land now, and it is becoming a big issue. Until you approve legislation for the acquisition of land, we don't have land.

In order to develop the cities that are human-friendly, people need to have love for cities. The developers of NYC looted the land. The next generation developed the city.

**PIDE: Why are our real estate developers working in silos and shadows?**

There are rarely real estate developers listed big listings or in stock exchange. This is possible because the real estate developers can operate at small levels with higher profit margins. They prefer running 10 smaller projects with grater

accumulated profits than one big project. This way they can avoid formal procedures, labour laws, and can engage informal vendors. The flats built in this country are largely for higher income groups. Most are for speculations. There are 68,000 empty flats as per our estimates and more than 300,000 plots in the city. Therefore, these developers go for smaller projects as they can get through without following rules.

**Rent laws are in favour of renter in Pakistan.**

**PIDE: There's seems to be no middle class in country, can most people afford the housing in Pakistan? what do you call middle class?**

We call these people waiters. They wait all their lives to get some housing unit in reasonable area only to sell their house to get 5 smaller plots in far-flung area? In this country, poor can't get mortgage. By depriving the middle class of housing, we have lost the vision of city. Karachi's vision was to be world class city. Over the last 25 years we've replaced planning with projects. But there's no criterion to accept or deny the project. You get the money, and accept the project. More often than not, the projects have been failures. They overlook ordinary needs. As the money from project ends, the donors compile their reports and disappear. We are unable to think long-term and beyond documented rules.

For example, a justice ended 60-70 thousand jobs just by removing vendors through an order to implement a city plan. Even though this is according to law, but there is difference between law and justice. We should have that debate.

**PIDE: Karachi has Katchi Abaadis and high-rise. Lahore and Islamabad don't have katchi abaadis. How do you see Punjab?**

With some knowledge that I have, Faisalabad has 2,000 to 3,000 houses built in formal sector every year. In informal sector the number rises to approximately 10,000 to 15,000. The informal sector is discounted from agricultural land and is facilitated by patwaris, and MPA/MNAs help secure gas and water through their funds and streets are cemented. Many of these settlements are away from home. In cities there are housing schemes with expensive land that are lying empty. Because of motorbikes, there is increase in the sprawl. It is eating away agricultural land. That'll impoverish countryside and has already impoverished agricultural land.

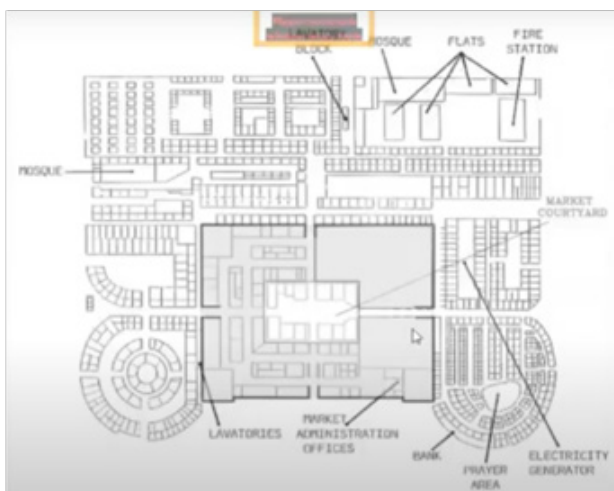


**PIDE: What does informal labour do to informal land? Street Vending is banned by court in Karachi.**

In 1986 Vendors were being removed, I made a plan for rehabilitation as per training in the West. We thought it was a good plan. When I took it to the vendors, they literally tore it to shreds. They said it doesn't fulfil requirements. Urban Resource Centre started meeting and cooperating with vendors. And we published it all. In early 2000s we conducted a study and published it in book *The Hawkers of Saddar Bazar*. That study informed us that it wasn't about vendors, there's whole world of retailers, whole sellers, importers, exporters, urban cyclists that ends with vendors at tailing end. The study looked at various relationships that the vendors had with each other, their suppliers, the government agencies and those who extorted bhatta from them. It took 3 years to compile the study and we found that vendors were a small part of huge street economy.

**PIDE: What are the effects of Supreme Court Decision on implementing City Plan?**

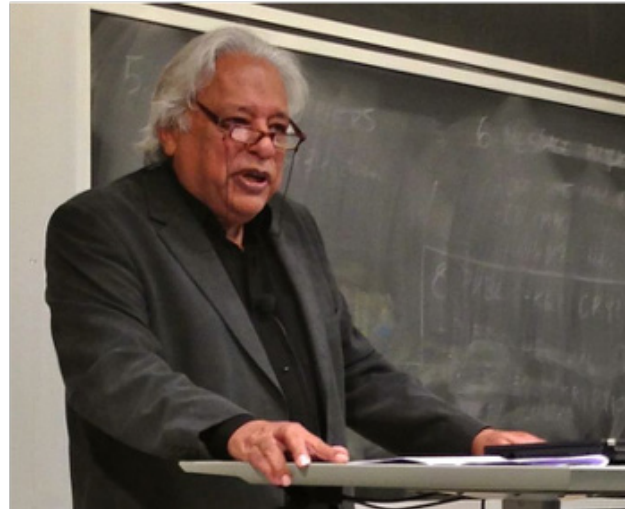
The supreme court ordered in 2018 the demolition post the 1975-85 plan. The street economy of Karachi was badly mauled.



The street economy is part of a larger informal economy which employs 72% of Karachi's workforce. All formal markets have active street economy around them. These places also become major transport hubs, and often because of vending activity, markets develop.

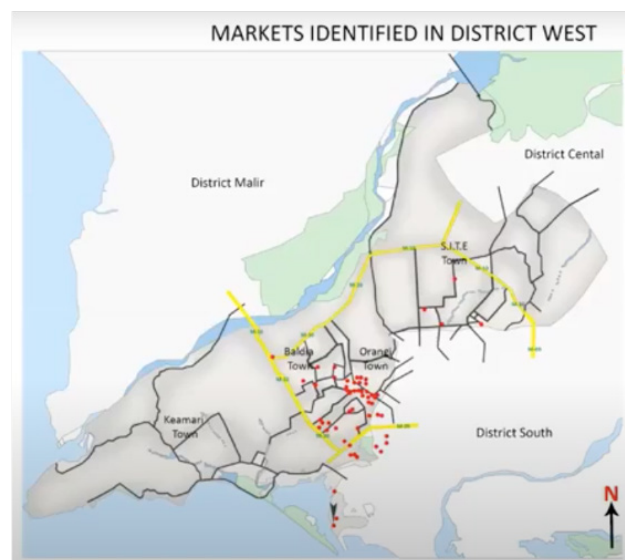
The Supreme court through its order of October 2018 ordered the removal of all street activity that was obstructing pedestrian and vehicular movement. According to Urban Resource Centre survey, it resulted in the demolition of

3,495 shops and removal of 9,000 hawkers including at least 82 women hawkers from empress market. In Saddar, it led to increase in Bhatta. Government promised alternative location, some who got were too far from original location. This time anti-encroachment drive was successful as compared to previous years.



There was huge economic and social including loss of social and economic informal relations build in last 70-80 years. The number of commuters has declined 50% after the demolition.

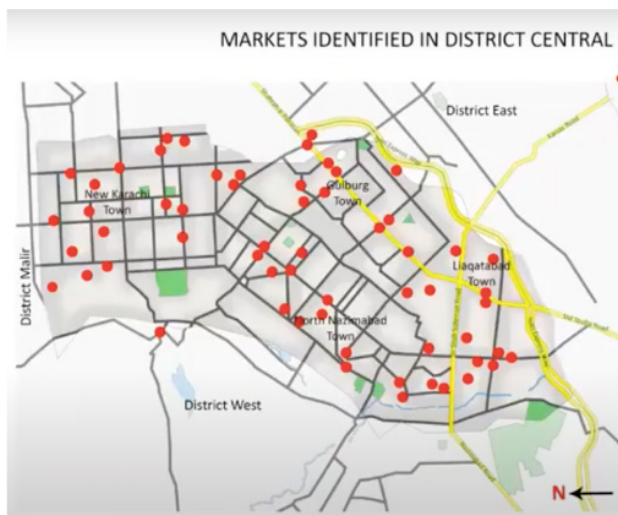
**PIDE:** What were the key take-aways of your study on street economy in Karachi?



In order to evaluate the size and impact of street economy, we studied District South and Orangi Town in District Wing and has included mapping of locations, scale, and nature of businesses. It took observation of thousands of hawkers, detailed interviews of 182 hawkers, formal business owners and customers. We used Dr Noman's 14 parameters including transport connections etc.

The hawkers are preferred to formal sector by low-income and lower middle-income groups because of selling approximately 20% cheaper, culturally closer to people and located at convenience. Some shopkeepers install hawkers in front of their shops intentionally to attract customers and increase sales. They paid Bhatta, paid to security guards, local government etc. It takes 20,000 to 25,000 to establish a business and the supply chain is complex.

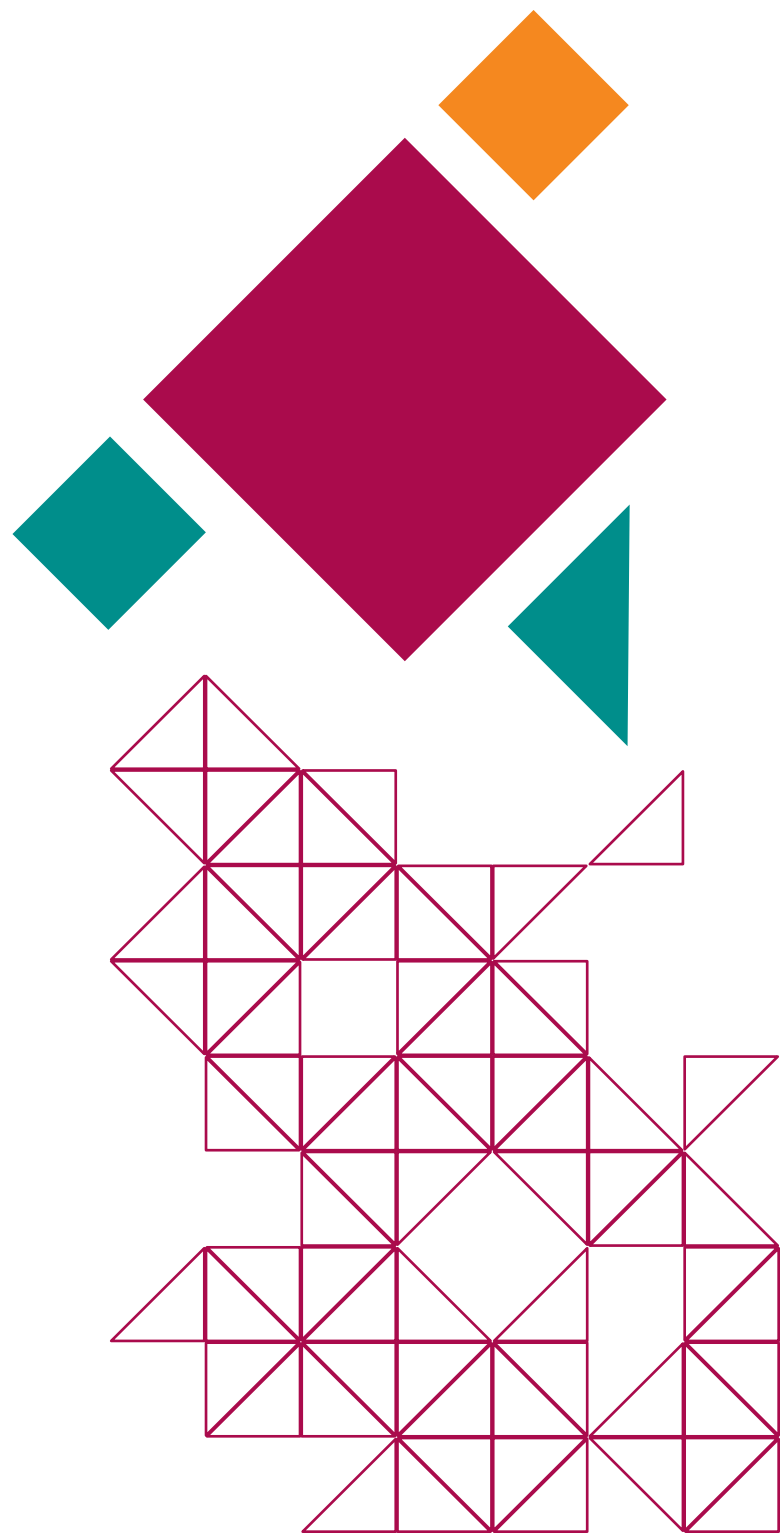
Government has largely tolerated vendors and established bachat bazaars. Kiosks and shops established by the Mayors paid rents to local governments. Karachi Municipal Corporation built many shops and the government received the rents. Street economy grows significantly during the religious and celebratory occasions.



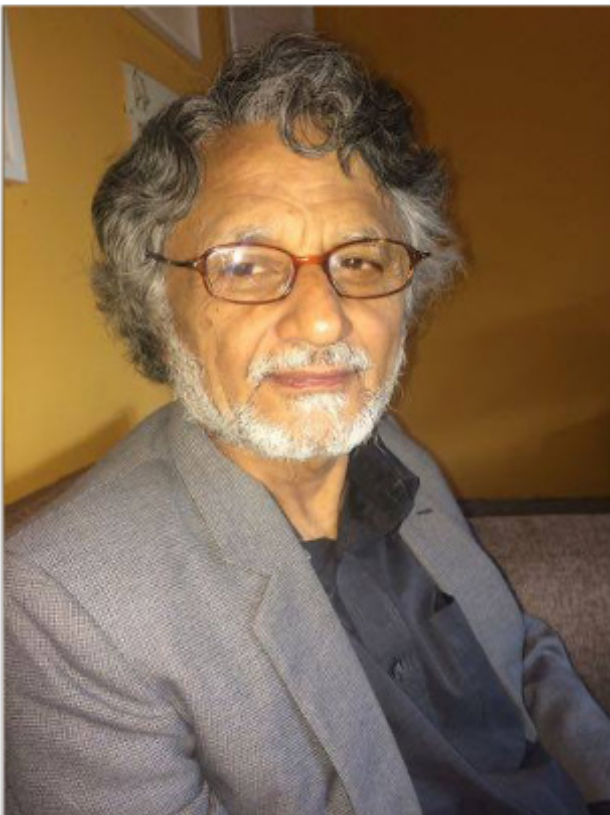
The major reasoning against regularization of bazaars is that the street economy disrupts pedestrian and vehicular movement, creates unaesthetic conditions in city and is unhygienic; and deprives the city of revenues as hawkers don't pay taxes. There is need to develop criteria for policy of regularizing the street economy of Karachi because it already exists and is an important part of informal economy. It generates 72% of jobs in city. 75% say that they have direct dealing with hawkers, dhabas, and informal eating places.

**What are your policy recommendations in case of street economy?**

It should not increase poverty, and cause no disruption to the existing economy. The policy must be placed in stage and in wake of COVID-19, there should a policy of no evictions and demolitions. Bachat Bazaar should be promoted and special bylaws and zoning regulations must be introduced for hawkers in parks and recreational areas. A special focus should be on hygiene of public toilets, and provision of clean water. There should be well-representation of stakeholders and civil society in policy formulation.



## Reza Ali



Reza Ali is honorary director of the Urbanization Research Programme focusing on understanding of the urbanization process, its dynamics and impact. In 2013, the Programme produced its monumental work, *Pakistan: An Emerging Spatial Geography*.

**Q. Almost two decades since you estimated the actual percentage of urbanization in Pakistan – why do you think the myth of ‘rural Pakistan’ still persists in certain policy circles?**

A. We have a new series covering the 1981, 1998 and 2017 preliminary results for Pakistan provinces and sub-provincial regions. So if someone is interested, this is all available.

But Pakistan is a rural country and the future of our eco-survival will be decided in the rural space. So for me rural Pakistan is not a myth but a social, economic and cultural reality and the ultimate refuge in the battle for our survival as a species.

**Q. Do you think the urban population in censuses are under-reported in Pakistan?**

A. No, I don't think so.

**Q. Do you think master planning of cities can assist in creating cities that are public-friendly with robust public service delivery mechanisms?**

A. This is a question of class and power. We cannot have pro-poor cities given our power structure. Our planners cannot produce people-friendly plans as they do not work for the people but for those who have political and economic power; and even if they themselves come from more humble backgrounds their aspirations do not allow for this. Then, at least in Pakistan, our planning and architecture training schools do not expose them to the issues of our people (there are a few notable exceptions in Karachi). However, this does not mean there is nothing that can be done. We can have investment projects and grand designs for reforms. And we can build flyovers and rapid transit systems. But people may really not figure in all this.



# Babar Mumtaz



Babar Khan Mumtaz is an economist and architect, formerly Director of the DPU, University College London. He has worked for governments and international agencies in Africa, Middle East, South Asia and the South Pacific for over 45 years.

**Q. In your opinion, are there commonalities when it comes to planning issues that afflict cities in high income Global North countries and low- & middle-income countries of the Global South?**

A. It goes without saying that yes, there are commonalities, and indeed, always will be, regardless of the size of the city, its economy or its social composition. Furthermore, regardless of the detail, the “problem” for urban planners everywhere is essentially one of how to provide appropriate accommodation, mobility, employment and enjoyment within the available resources. People are not easily satisfied - and indeed our economic paradigm requires that they are not - so it is a continuous struggle. Drastic and dramatic events, natural calamities, wars and pandemics tend to create opportunities for change, precisely because they disrupt the status quo, and allow for some re-examination of assumptions of where are we going but also a questioning of how we are doing so.

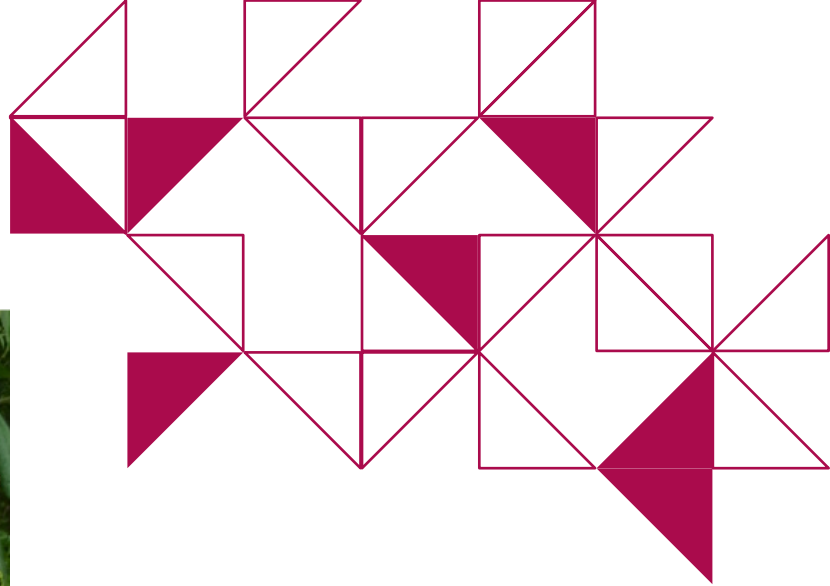
The need to plan is a basic human trait - and one that allowed mankind to dominate all the other species despite our physical limitations. Integrated and underlying all of the religious texts are

guidelines for social and societal behaviour - but they all belong to an earlier phase of our existence when we were transiting from a hunter-gathering state to a settled agricultural economy. All of the religious texts are built on rural references and imagery...of flocks and lambs and shepherds in their huts (and of course, the kings in their palaces). Islam I think, was the first and perhaps only urban religion, built on trade, exchange and inter-change (the gardens are for the life hereafter). The planning of cities consisted of apportioning sections on the basis of tribe or vocation, with bazars along the streets that ran between them. The planning of the space in-between was based on 2 principles: it must be possible to reach each household with a street wide and routed such as to allow the transport of funeral cortege, and secondly, that any water reaching a plot must be allowed to flow freely across it and to the other side unimpeded.

This served well until the industrial revolution separated work and workers, and later, the automobile drove out the people out of the city and introduced commuting. Now, as we enter the 5th Industrial Revolution, where geography is history, we could be on the cusp of a post-Corona end of the city as the dominant feature of our landscape. Instead of the dominant urban problem being mobility and employment our focus may be accommodation and enjoyment.

**Q. Urban areas in Pakistan are facing uncontrolled urban sprawl. From your experience and understanding what are prime causes of this sprawl and what could be examples of some useful policy interventions?**

A. There are a number of reasons why we have urban sprawl, but to my mind, we can lay the blame on urban planning. It is not that urban planners produced plans that promoted or advocated or even facilitated urban sprawl so much as that there has been very little urban planning. That is



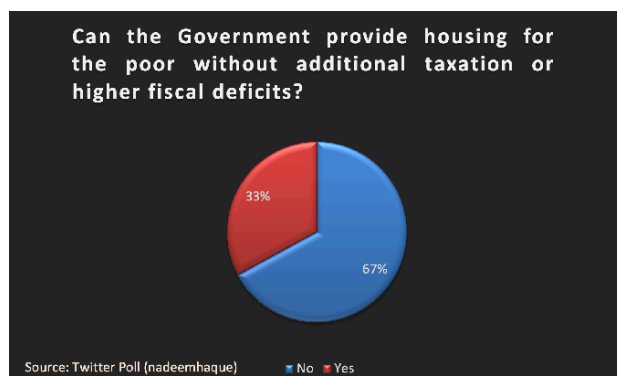
not to say that urban plans have not been commissioned so much as that they have not been practiced. There seems to be reluctance amongst both our bureaucrats and our decision-takers (both civil and military) to not want to have their hands tied by planning and thus limiting their room for maneuver. We are also reluctant to delegate decision-making. The result is that our plans are often left to play catch-up. We all know that the size of our cities will double over the next 10-15 years, but have no idea how or where this population will be housed. Those who take decisions are the ones who make them. The city is defined by the development of colonies for the defense and the bureaucrats. It is this that is responsible for urban sprawl.

In Lahore, in 2012, according to the Urban Unit, the poorest 50% of the population was living on 10% of the land while the richer 10% was living on 50% of the total area.

A moratorium on development of (or on) new land, coupled with the right to develop all land up to 4 stories, subject to structural confirmation and the payment of development charges (which will be used to expand or lay additional sewer, water and gas lines), would increase densities and accommodate future population growth with the need for developing new land or extending the built-up area of cities.

**Q. The incumbent government used the slogan of ‘providing affordable housing options’ for the poor during its election campaign. On a practical front, do you think it is possible for a country like Pakistan to execute such a promise given the lack of public funds and the extremely high land and construction costs?**

A. Every government in Pakistan has promised to “solve” the housing problem, whether by the Prime Minister’s Housing Scheme, the 7 marla housing, the 5 marla housing scheme or the million houses programme.



None have delivered, many have not actually built any houses at all, and even those that have been heavily subsidized and not gone to the right people. The only beneficiaries of the schemes have been the property developers who have been allocated public land.

The reality of housing in Pakistan is that according to PSLM 2018-19, over 84% of all Pakistanis (91% in rural areas) own their houses and another 5% live in free housing. Over two-thirds have 2 rooms or more. So there is no huge “shortage” of houses; there is no yawning “housing gap”.

96% of the urban houses (70% of rural houses), have brick walls and rcc or cgi roofs. So there are very few “katcha houses”. The abadis are called Katchi because they are not legally sanctioned settlements.

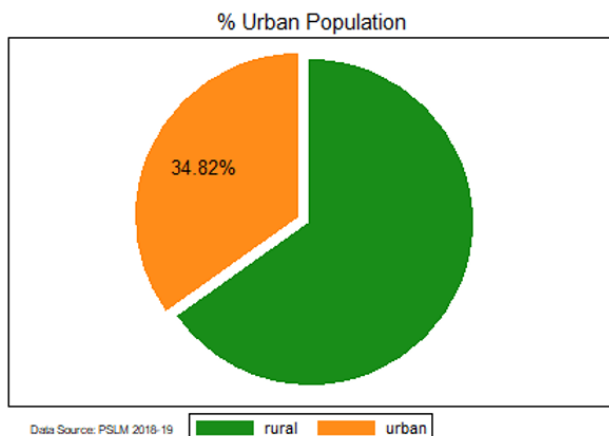
Virtually all houses have been built without recourse to formal housing finance: only 2% of Pakistani houses have any formal housing loans. There is no house in Pakistan that has been built using formal housing finance only. So “Housing Finance” and “Affordability” is not the problem.

The reason that some areas of cities are “slums” and “unacceptable” (some UN estimates put this figure at 55% of all housing) is not because of the actions of the households so much as the lack of action by urban authorities: 3 of the 5 criteria that define slums are to do with urban services, the other 2 arise from insecurity of tenure. Katchi abadis are not formed by newcomers or migrants – knowledge of the land market and police and political protection is needed to initiate settlements (Arif Hasan has documented this extensively) – nor are rural migrants attracted by “housing” – that is about the only thing they already have. What they come to the cities for are jobs and services.

The “Housing Problem” in Pakistan, and especially in Pakistan’s cities consists of quality and not quantity. Moreover, the “quality gap” is most likely caused not so much by finance or capability or willingness on the part of the households as it is of the legal frameworks and their application.

As for whether the government of a poor country “solving the housing problem”, of course it can, but not by building houses. Instead of transferring public land to developers, give tenurial rights to the squatters on public land (create group ownership), provide urban services to these settlements. Allocate land within upper income housing schemes. The poorest 20% of the population

uses only 4% of the land.



**Q. Why do you feel high-rise development and mixed-use of urban land has not gained much traction with successive governments and its policymakers in Pakistan?**

A. Partly the reason is the same as for urban sprawl, and this is further reinforced by the presumption that the “bungalow” is a sign of status and wealth. Consequently, legislation does not allow high-rise. As long as flats are only restricted to the middle classes, high-rise will not happen. As for mixed development, that too is enshrined in the legislation, but in practice, there is a lot of mixed use, ranging from schools, clinics etc. to offices and gyms and restaurants.

**Q. From your experience or otherwise, can you share an example of a country/city that successfully transformed its urban landscape?**

A. Gent, in Belgium, is a vivid, vibrant, and growing city. This has plenty of advantages, but also brings with it some challenges, as the pressure of motorized traffic on the city keeps on growing. To ensure Ghent’s accessibility and livability in the future, the city council decided to implement a new Circulation Plan in April 2017.

Whoever now wants to move from one city district to another must make use of the inner-city ring road. The ultimate goal of the Circulation Plan is to take through traffic out of the city centre. That means whoever needs to be in the city centre will be able to get there more easily. Car usage reduced from 55 to 27 per cent; Cycling increasing from 22 to 30 per cent; Public transport usage increasing from 9 to 20 per cent; Walking increasing from 15 to 18 per cent.

In Eskisehir, Turkey, congestion was clogging the city center, and the central Porsuk River became

one of the region’s most polluted bodies of water. To combat these issues, the Eskisehir Metropolitan Municipality created a network of natural infrastructure to restore the Porsuk, expand public green spaces and link the entire corridor with a sustainable public transport network.

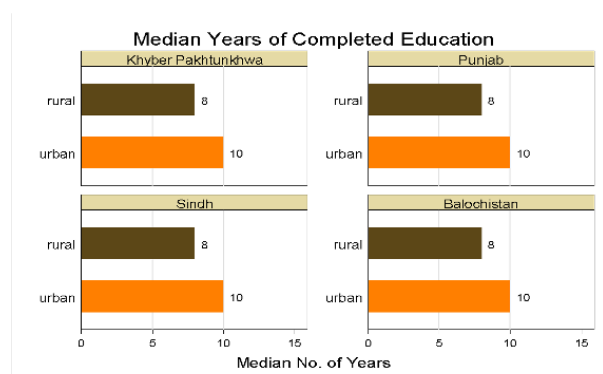
The Eskisehir Urban Development Project interweaves green and grey infrastructure with a new electric tram network to create a modern, nature-based city. Parks along the river have helped improve water quality and control flooding, while also spurring new commercial growth and pedestrian traffic.

Since the project launched, green space per city resident has increased 215 percent, 24 miles of electric tram lines move more than 130,000 people per day, and the city has become a hub for domestic and international tourism.

**Q. According to recent estimates about half of Pakistan is urbanized. Given this, why do you think the myth of Pakistan being predominantly a ‘rural country’ still persists in certain policy circles?**

**(Conventionally urban located sectors of services and industry account for over 75% of GDP).**

A. On the one hand, traditionally, political power was more firmly entrenched with the feudal families, and they were able to deliver votes more consistently, whereas urban voters were far more fickle and less reliable.



Their hold over budget allocations was therefore firmer. On the other hand, there persists the “arcadian dream” amongst the aid community who transfer their biases to aid programmes and would like to reverse rural-urban migration and indeed “modernisation”. This was also responsible for the “urban bias” myth and it was used to divert flows to the rural areas.

The combination has been hard to beat.



## Shahrukh Wani



Shahrukh Wani is associated with the International Growth Centre's "Cities that work" Initiative, Blavatnik School of Government, University of Oxford.

**Q. How do you see increased property taxation as a source of better public service delivery in Pakistan? If introduced, can it have a subsequent impact on economic activities?**

A. It is important for us to recognize that increasing tax revenue - through any means - can pave for more delivery of public services, as tax revenue is instrumental in determining state capacity to deliver public services. Of course, low tax revenue isn't the only constraint to better public services and it also matters what kind of economic loss those taxes collect but low tax revenue is a constraint. Claiming otherwise is incorrect.

What makes land and property taxes particularly important for service delivery is that they're very visible and spatially-bound. Let me expand on the two.

First, they are a particularly visible form of tax-

es: that is unlike the tax deducted at the source or that added to the end price of an item you buy at the supermarket, you pay for property taxes directly, usually in lump sum payments. This creates a clear line of accountability between the people and the government. For example, we have experimental evidence from the Democratic Republic of Congo that property tax collection drives people to demand accountable governance. I argue that if we expand property taxation, this will lead to people demanding better public service delivery. This links to my second point that property taxation is a local tax, unlike most other forms of taxation. That is, it is spatially-bound so you can create those lines of accountability between taxpayers and providers of urban services clearly and at a smaller spatial scale. This is even more important considering how easy it is for rich people to move capital between borders that makes taxing it hard. The big thing missing for us is local urban governments that can both tax properties and provide corresponding services to the taxpayers. On its economic impact, we need to study the welfare consequences and incidence of the tax based on its exact design and where it is applied, but in theory such a tax is economically less distortionary. Here we need to make a distinction between taxes on land and those that consider the improvements on land too, like the structure of the house. As land's supply is fixed, a tax on it will not reduce the land's supply (which would be a bad thing to do). This is a stark contrast from almost all forms of taxes that create some form of bad consequences, usually by lowering supply. For example, you tax people's income, people might work less. Land is instrumentally different so we can tax it without creating these bad consequences. A tax that also considers the construction on the land (that is, the property as a whole) will create some bad consequences: typically, by lowering investment on properties. So ideally such a tax should give more weight to the value of the land, than on the buildings on it - although the latter may be important to distribute wealth properly.

**Q. You suggest the expansion of taxation jurisdiction to independent/authorized urban governments. Given the lack of local government, and vertical disbursement of funds; how do you think Pakistan can use this as an instrument to strengthen local governments?**

A. It is a two-way relationship here. You need local governments to actually make this tax work, and you need this tax for local governments to work. The reason we need local governments is because,

as I said earlier, we need that link between the tax and the corresponding public services clearly. An added dimension here is that landlords are a powerful lobby and there is going to be a very strong backlash if we expand this tax. To counter this we need a coalition of beneficiaries of the people who will benefit from better public services. Reforms are hard to manage and without a clear reformist coalition it won't get done, or sustained.

Then we also need this tax for local governments to work. We see this tendency in many countries that local governments are set up half-heartedly, usually they're given mandates to provide services but not the necessary fiscal powers to pay for it (these are called 'unfunded mandates'). Giving them power to tax land and properties is a great way to make sure that they're truly empowered to provide public services. This also gives them a stake in the economic progress of their jurisdiction: if the local economy does well, they get more tax revenue, so they are more incentivised to make productivity-enhancing investments.

**Q. The financial management in Pakistani cities is top to bottom, with minimum revenue generation by cities? Do you think this model is sustainable?**

A. Cities need two broad fundamentals for proper financial management: first, they need to have predictable expectations of how much money they will get from national or provincial governments. Even with lots of local taxes, this will remain a major source of revenue (as it is everywhere). But these transfers shouldn't be ad-hoc because cities need predictable and transparent fiscal transfers to plan for and invest in large scale investments and also borrow money from the private market, if they're legally allowed to do that in the first place. Second is that they need to complement that significantly with local taxes and user fees. Land and properties are the biggest source of local taxes while user fees can be charged where the government can easily exclude people from using a service, such as in the case of public buses.

**Q. There is an emerging case for de-densification in wake of COVID. Can cities manage the densification and agglomeration, and still manage to provide better health facilities in health emergencies?**

A. Two things to ask when people talk about de-densification: what kind of density do they mean? And, what is the cost of reducing density? On the first, what actually drives COVID19

infections is mainly indoor density. That is, when a large number of people live together in close quarters. This is more prevalent in informal settlements where large numbers of people are confined to small houses and there aren't enough open spaces between households. So it is important to exactly determine the type of density that is most worrying in the spread of diseases. On the second, we need to recognize that density broadly is a very good thing when there isn't an infection. Density is good for productivity and it is good for the environment.

On managing density, of course, cities need to do that. All urban policy effectively exists in a two-way tension between expanding the upsides of density (like, allowing people to share ideas) and downsides of density (contagion, crime, and congestion). For example, investing in a public transport system is a great way to manage this tension: you help people connect with each other and firms, and decrease congestion. Many cities are able to do this well, others not so well.

**Q. You recently suggested that there is a higher rate of return on investments in the stock market than property, can you elaborate on this? Also, how can we deconstruct our fascination with the rent-seeking property market?**

A. So the suggestion was made by the State Bank of Pakistan comparing index-fund return and the return from Zameen.com's database. There are problems with that data but it does give a broad indication that the rate of return on real estate is significant. This isn't an exception either: we have long-run data that shows that return on housing is significant across modern history, so we're not an exception here.

What is interesting to ask is the implications of such high-returns from real estate. Most fundamentally, it creates incentives for people and firms to invest in real estate, as a way for them to park and increase their wealth. It might be a self-fulfilling prophecy: people invest in real estate expecting high-returns, the expectations also crowds-in more investment and pushes up the value of real estate. Hence, delivering high-returns. The question is then, is this a good thing? Is it coming at the cost of investment in other sectors of the economy, perhaps that can increase our exports? We need to think about these questions analytically and produce some evidence to inform these discussions. My big fear is that the current system effectively means that the real estate sector absorbs a lot of speculative investment that crowds-out people who want to buy land for housing.

# Webinars & Articles







# Lahore's Urban Dilemma

Providing low-cost and affordable housing options for lower income groups in the country is one of the promises that were made by Prime Minister Imran Khan and his party during their election campaign. Implementation plans for this have been set in motion with the establishment of Naya Pakistan Housing Scheme. For a city like Lahore, Prime Minister's vision is to provide 0.5 million housing units in the next three years with particular emphasis on high-rise development such as flats and apartment buildings. This construction activity is aimed at not only providing housing options but also in the meanwhile generating jobs, encouraging investment and leading to growth of the economy.

More recently, the Prime Minister's coronavirus response package for the construction industry announced by the government is likely to incentivize investment in the industry. Having said that, tax break, amnesties and subsidies are one only side of the situation, because the current rules & regulations for building are too complex & contradictory and are a significant disincentive to investment in the construction industry. In a city like Lahore, the glut of regulations is compounded by the fact that an agency like Lahore Development Authority (LDA) only controls 20% of the city, with numerous other agencies like TMA, LMC, PHATA & DHA having their own independent regulations and approval procedures. Moreover, the different agencies are often seen pitted against each other in a play of regulatory competition.

On the approval period front, it often takes too long for builders to get permissions and the process is also expensive on top of being lengthy and seriously impedes ease-of-doing business. Furthermore, the current Floor Area Ratio (FAR) & height restriction guidelines for building are too strict and don't favor the like of high-rise development that the Prime Minister and the Cabinet has envisioned.

The FAR & height restrictions along with other regulations have meant that in Lahore, like in most other Pakistani cities, low-rise single-housing units and 4-floor commercial units have become the building standard, leaving the city with box like structures and causing shortage of much needed city space. This



overall space shortage has meant land for public and recreational use has begun to evaporate. If Government's plans of providing pro-poor housing options and generating employment through investment in the construction sector are to materialize there is an imminent need to relax building laws and deregulate. A good starting point would be to relax Floor Ratio Area (FAR) regulations by a factor of at least 2 to go along with complete removal of height restrictions to encourage high-rise development. Most urban planners agree on the superfluous nature of having height restriction along with FAR regulations. Making FAR regulations the singular yardstick to measure building density will bring simplicity to the regulations and encourage high-rise development.

The planning paradigm of Pakistani cities is:

- Low rise (4-floor commercial areas) along wide roads
- Single-family houses and
- A priority to cars: very-widening roads with flyovers and high-speed lanes.

The result has been that the Single-Family home has become the unit for the economic activity taking on all activities such as:

- Schools
- Offices
- Leisure space
- Restaurants
- Shops
- Warehouses

Hence it can be concluded that masterplans for cities within Pakistan have failed to recognize the variety of human needs or the growing population in cities. Instead, the preferred approach has been to force people into tight fantasies of planning divorced from emerging needs, technologies, or changing lifestyles. The result is that neighborhoods, needs, and requirements wage a constant battle against the poor planning standards that are set up.

Courts have jumped into the game without any idea of what the sociology or economy of a city is. A developing country like Pakistan is, therefore, wasting real resources with businesses and livelihoods being destroyed and transaction costs inordinately rising as courts and planners try to enforce unrealistic and fantastic standards. This thoughtless planning is detrimental to economic growth.

- LDA represents only 20% of the city.
- 5 entities regulate Lahore with different rules and without citizen participation and representation
- LDA is to be congratulated for this effort to follow cabinet instructions. Other entities regulating Lahore have not shown any initiative yet.
- Only the chief minister's office can coordinate these entities. We are thankful to Salman Shah Adviser finance for taking up this initiative.
- Coordination between these governing arrangements that make city development difficult will have deep repercussions for the city development and eventually, economic growth. We urge the government to take up this issue of city fragmentation that slows our economic growth as a matter of national security.

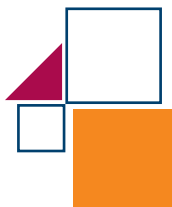
This simplicity can then be complemented with sky exposure guidelines so that environmentally irresponsible high-rise development can be kept in check. In addition to the complex regulation that impedes growth of the construction industry, what is also visible is the lack of strategic urban planning. Lahore's urban sprawl for instance has grown significantly over the past few decades because of low-rise building and an overemphasis on tailoring city infrastructure to suit car-based mobility. There has been an exponential increase in car and motorcycle ownership resulting in congestion in the city, environmental loss and decreasing standards of public transport. This legacy of car-centric urban development is even visible on either side of the Lahore Metro, which arguably is the most talked about public transport story in media's and public's consciousness. Despite the abundance of issues that restrict proper urban development, constructive relaxation of regulations and alignment of regulatory agencies can bring about positive changes to the city landscape in Lahore. This however would mean not repeating the same mistakes of the past and not facilitating above all rent-seeking behavior of regulatory agencies through complex laws. Proponents of stringent height restrictions on building hold that if the rules were to be loosened, it would lead to unabated high-rise development as everyone would go to the maximum height-level of building. This fear is, however, unfounded as

there is no sensible indication that such a scenario will materialize. Market forces present mean that high-rise building is an expensive process and only when greater risks of high-rise building are minimized is then that builders will go for such development. This however can only happen when there are minimal regulations.

One area where the government can intervene is to increase the capacity of organizations such as TEPA, WASA, Sui Gas and LESCO so that they can provide their facilities in high-rise buildings effectively. An integrated approach and inter-departmental coordination here is need of the day.

Another persistent issue reflected in the approach taken by the Naya Pakistan Housing Scheme is the misplaced emphasis on development of housing schemes. Such an approach is detrimental when it comes to incentivizing smaller builders who often construct for self-use. On top of that restrictions on high-rise buildings on smaller plot sizes mean that small land-holders are institutionally discriminated against. This both at a philosophical and practical level is contradictory to the pro-poor housing approach that the government claims to adopt. High-rise mix-use (both commercial & residential) building should be a prerogative of all and not just the big private builders and institutions.

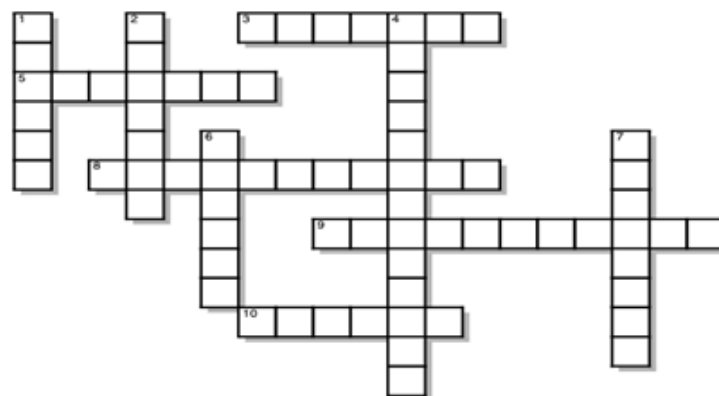
Lahore, the city Iqbal, the man who conceived the idea of Pakistan, is known historically for its gardens and vibrant street bazars. It is now a victim of congestion and poor urban planning. Such poor planning has occurred under the nose of institutions and rules that were designed to protect the city. The need perhaps is to loosen the laws and give market the chance to play out its course. In doing so, we can also encourage construction on all levels, decrease low-income housing shortage, create employment and invigorate the local economy.



**Authors:** Nadeem Ul Haque, Madeeha Qureshi, Hafeez Ur Rehman Hadi & Fahd Zulfiqar

**Summarised by:** Raja Rafi Ullah

## Cities



### ACROSS

- 3 REVENUE
- 5 CYCLING
- 8 ENVIRONMENT
- 9 SMARTCITIES
- 10 PUBLIC

### DOWN

- 1 NOCARS
- 2 WALKING
- 4 NOFREEPARKING
- 6 CITIES
- 7 MOBILITY

# Pakistan's Urban Policy: Turning Cities Into Slums

Murtaza Haider

If you have lived in a middle-class neighborhood in a large city in Pakistan, you probably grew up deprived of what urban living offers elsewhere: quality education, entertainment, hope, and opportunities. What you know is chaos, congestion, religious zeal, violence, and a stifling sense of entrapment. No wonder millions of Pakistani youth have one goal: “Pakistan se zinda bhaag”.

But this need not be the case. Cities in Pakistan could be transformed to become engines of economic growth. However, this would remain a dream as long as urban economic development stays on the back-burner of Pakistan's economic policymaking. For the nation's economic fortunes to turn, urban economic development has to be at the forefront of economic policymaking, which in the past has focused exclusively on agriculture and manufacturing, and more recently on remittances.

Pakistan's economists, too, have ignored the subject of urban economic growth. Hundreds, if not thousands, of academic papers have been generated that offer a tiny variation on the time-series models that focus on the macroeconomics of Pakistan's debt-ridden economy. That is why having one of the nation's preeminent economists, Dr Nadeem ul Haque, focus on urban economies is a rare but welcome event. In a recent PIDE working paper, Dr. Haque makes a strong case for developing cities to their potential to trigger economic growth. He identifies several shortcomings that have prevented urban economies from reaching their potential in Pakistan.

## Understanding Pakistan's urban economy in its unique perspective

I would submit that similar shortcomings have been prevalent in North America and Europe, where hundreds of bustling metropolises developed and thrived. It is, therefore, important to understand the unique failures of policy and social order that have kept Pakistan's urban centres in a state of despair.

## Urban research is scarce everywhere, not just in Pakistan

Dr Haque laments the paucity of urban research in Pakistan. But this is also true for North America. The celebrated economics departments in North American universities often boast little more than a token urban economist. Departments with two urban-focused academics claim to offer an ‘urban’ specialisation!



Compare research in macroeconomics, which is being produced with industrial efficiency, to research in urban economics, which is few and far between in the West. Alternatively, compare the number of books published with macroeconomics in their title to those highlighting urban economics on the cover page. Based on the sales volume, the bestselling urban economics title on Amazon.com is ranked 187,207. In comparison, the text on macroeconomics is ranked much higher at 1,431.

## The dominance of small builders is a common trait too

Dr Haque highlights that unlike North America, where

large builders mass-produce housing, residential development is largely done by individual households or small-sized developers in Pakistan. While it is true that large builders and land developers are uncommon in Pakistan, the housebuilding industry in North America is also dominated by a large number of small builders.

Michael Buzzelli, who is currently a professor of Geography at the Western University, studied the structure of house-building firms in North America. Dr Buzzelli and I were contemporaries and focused on the supply side of housing equation for our doctoral dissertations. Dr Buzzelli's findings are quite revealing. His research showed that the house-building industry "continued to be the preserve of small firms, when over 85 per cent of all builders constructed no more than 25 units each." He further noted that roughly one-third of small builders constructed just one house a year.

The other not so commonly known fact about large home-builders in North America is that they are considered large not because of their size, but because of the number of housing units they produce under their brand. Essentially, large builders are agglomerates of a large number of small builders and trades who are individually incorporated businesses that collaborate to produce a large number of housing units under the same brand.

### **What we need is a better definition of the term 'urban'**

The other key limitation of urban policy making in Pakistan is how one may define 'urban'. The government uses arbitrary administrative boundaries to define what is urban and what is not. Some researchers have argued that Pakistan is more urban than what the official statistics show.

Dr. Haque quotes research which claims that almost 70 per cent of Pakistan is either urban or urbanising. This is rather exaggerated and it complicates further the task of reforming urban economies.

He quotes unpublished work from South Asia Institute at Harvard University that shows 39.7 percent of Punjab's population to be urban and an additional 33.2 percent urbanising. Almost 40 percent of Sindh's population is estimated to be urban with an additional 19.4 percent urbanising.

### **The devil, however, is in the detail**

The report considers an area 'urban' if it has a gross population density of 500 persons per square kilometre. The other criterion for being urban is a minimum population threshold of 100,000 or more in a single place defined by the Census. The minimum gross population density for an urbanising area is set at 250 persons per sq km. I am concerned that the density thresholds have been set too low. Take Lahore for instance, where the population density in central areas, such as Ravi Town was recorded at 25,000 persons per sq km (based on the 1998 Census). The population density in Cantonment was recorded at 5,800 persons per sq km. Even the sparsely populated Wagha Town reported a population density of 1,100 persons per sq km, which is more than twice the population density thresholds defined earlier.

One needs to acknowledge that what surrounds the haphazardly growing urban areas of Pakistan are not urbanising areas, but Ruralopolises. These areas "underline the fusion of rural economic and social systems with metropolitan spatial organisations. Ruralopolises are the sites of urbanisation through implosion."

### **Lack of local governance structures**

Dr Haque rightly identifies the lack of institutions and governance structures that have contributed to the sorry state of Pakistan's urban centres. It is hard to imagine an urban governance structure in the absence of urban or local governments and stable institutions that could enforce plans and prevent their violations. A stronger constitutional cover is needed to protect the local governments from becoming victims of provincial governments, which have repeatedly and deliberately defeated attempts to evolve democratic governance at the municipal level. This also requires abolishing Cantonment Boards that effectively disenfranchise citizens by denying them the right to run and lead their local governments.

More high-density developments are needed Also, his point about the lack of high-density mixed-use



developments in urban Pakistan is spot on. Where are the tower cranes, he asks. He identifies the blind adherence to the Garden City utopia that led to low-density residential neighbourhoods. As a result of that, urban development policies institutionalised urban sprawl in Pakistan. The low-density development contributed to converting excessive conversion of fertile agricultural land to low-density residential land uses. If housing were developed at high-density in mid- to high-rise developments, the land conversion would have taken place at a much slower pace. However, urban governance mechanisms have to be improved before any high-density development can be delivered in Pakistan.

### **Time for Pakistan's powerful to look beyond their own interests**

Urban land is the instrument of wealth creation in Pakistan. This fact is not lost on politicians, armed forces personnel, and even members of the judiciary. Every powerful group in Pakistan has laid claims on land all across Pakistan. Housing schemes have been developed for the benefit of the interest groups who have acquired land at highly subsidised rates, developed housing, and flipped properties for astronomical profits.

On the other hand, plumbers, machine operators, restaurant workers and millions like them lack the institutional backing enjoyed by the others to acquire hundreds of hectares for the benefit of their community.

For equitable economic growth in Pakistan, access to state land for planned development has to happen for all, and not just for the privileged few. Every first Friday of the month is the most important day for financial markets in the United States. The government releases the non-farm payroll statistics for the previous month. The number of jobs created in the past month influences the interest rates and the larger economy. The federal government diligently reports the employment statistics every month in the United States. When was the last time such numbers were reported on a regular interval for Pakistan? Has the economy generated or lost jobs during the tenure of a government in Pakistan is a question of prime importance, yet it is seldom raised by the electorate, and hence never answered.

If job creation were a real concern of the government, it would have focused on creating the right environments for urban centres to become engines of economic growth and provide employment to the millions of youth who have come of age in the past few decades. But it is clear that they do not care enough. At the same time, urban centres lack infrastructure for entertainment. Dr. Haque notes that the Defence Housing Authority in Lahore has 26 mosques, one cinema, and a library. It should therefore come as no surprise that the urban youth have embraced religious fanaticism in a place where entertainment is scarce and religious institutions aplenty.

Published in Dawn on 8th April, 2015.





# Construction package: Not a silver bullet!

Nadeem Khurshid

PTI's incumbent government assumed office in July 2018 with many tall promises on their election manifesto and obviously, the slogans must have attracted masses to bring them in power. Among the promises, provision of 5 million houses and jobs stand prominent though PTI leadership was not able to validate their construction policy foresight clearly for another 18 months. People were in wait to see advertisements for jobs and dream houses- but the poor peoples' SANTA didn't arrive. All of us understand that no state can provide such large-scale employment and housing without engaging the private sector, and perhaps this is what policy circles have been trying to convince the government for long.

The current package is not the first of its kind, all past governments had such initiatives- starting from the President Ghulam Muhammad's era, then Z. A. Bhutto's regime followed with 'Roti, Kapra aur Makaan' slogan. During Zia's martial-law, his premier M. K. Junejo also launched a program for the provision of 5-7 Marla houses. PML (N) government first launched 'Mera Ghar' in 1992 and 'Aashiana' in 2010. Some other city level community-based programs are documented as success including the Orangi Pilot Project (OPP) in Karachi in the early '80s, 'Khuda Ki Basti' (KKB) 1985 in Hyderabad, Karachi, and Lahore, and Faisalabad Area Up-gradation Project (FAUP) in 1992. Federal OPF, provincial housing authorities/foundations, city development authorities, and private sector housing schemes developers also joined the housing bandwagon in the '70s. These programs largely failed because of their poor and far-off location (primarily utilizing state lands) except for 'Mera Ghar', and for their concentration over the plot-based single unit housing model. And somehow, all were executed as discrete projects without a well-thought-out vision.

The package, a policy reflection of PM's 'Vision

for Vertical Cities', was received with a mix of responses; builders/developers hail it as a silver bullet to inflect the sinking economy overnight, once the capital and promised concessions are in their hands. Economists and financial experts, being wary of the black and grey monies coming in, attempt to prophesize FATF's response in proxy. Urban planners and architects appear apprehensive of the lacking physical and car infrastructure essentially needed to construct high-rises.

Conservationists nuance to protect city heritage



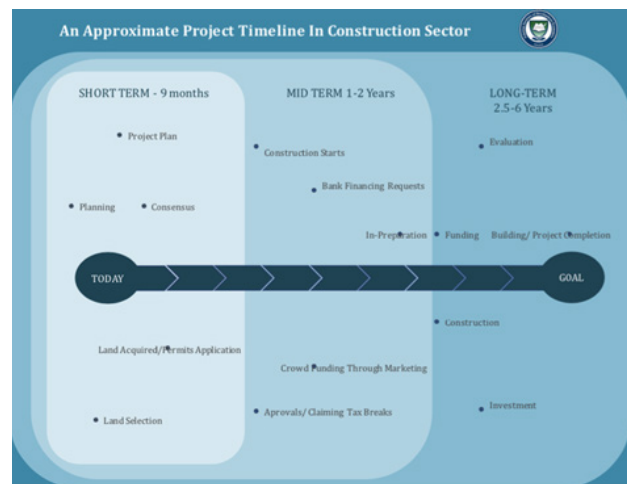


against construction invasion. Tax experts fear that all the benefits will be privatized and the government will get nothing. Social activists see the package as a 'blessing in disguise' and a rare opportunity to provide every poor with a decent house. Bureaucrats argue that tenuous local consulting capacity and nature of tall order projects necessitate the 'import' of foreign consultants. City managers stand promising with their in-practice discretionary and restrictive zoning/building control tools which favor suburban plot-making and allow construction of fewer high/mid-rise buildings only on selective sites. Let's attempt to resolve the responses; our cities are over-regulated and offer fewer opportunities for businesses to thrive. Cities and the people need to understand that housing is not just a "MAKAAN", it has to be a complete eco-system of live-work-leisure interfaces. Cities need to have construction friendly regulations that must facilitate creating walkable, mixed-use, and denser communities, not just the suburban sprawl. Cities must revisit the regulations to facilitate mixed-use vertical construction to help ease insidious dearth of decent business and living spaces.



Eminent economist Dr. Nadeem ul Haque has long been convincing cities to integrate denser living inside mixed use developments, with ample walking/cycling opportunities and basic living must be a flat/apartment, not the suburban bungalows. Globally, city cores are considered 'Wealth of Cities'- generating revenues to run economies the way 'Manhattan' hosts prime financial/business powerhouses in a vertical setting. Our costliest city cores (both in terms of land price and rentals) are rundown and being sub-optimally used-cities must attempt to regenerate them. Development along transit corridors is another missed economic opportunity. Apparently, not too many people in our cities sleep under the sky.

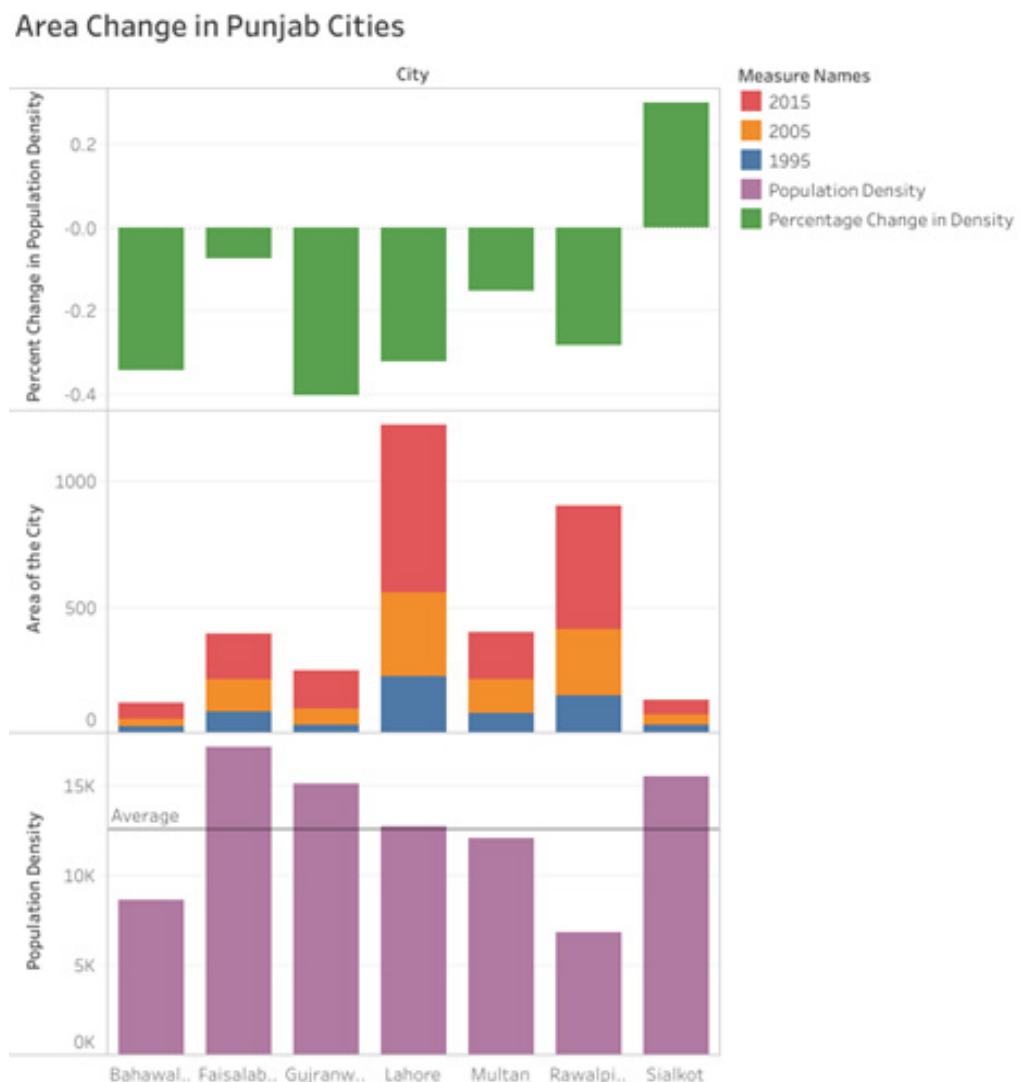
Mostly urban workforce commute daily to cities for work from their living in the city fringe. The government estimates that 47% of the urban population lives in squatters meaning the issue is not of quantity, this is about the poor quality of housing. And when quality urban housing remains unaffordable even for working middle-class, how the government will be able to provide each poor with a house from public exchequer without engaging the private sector? Any good housing model must work to prioritize the productive working class. Only spillover revenues from profit-generating mixed-use business developments would help create ample rental effect. housing for poor/less-affording people as a trickle-down effect. Further, the need is to create a rental housing market, not the essential plot/house ownerships. Around 10 million poor living in more than 4000 registered



slums/katchi abadis could be facilitated through augmentation of a minimal set of basic infrastructures to improve living conditions and also by giving them ample livelihood opportunities in parallel, so they are able to rise from a subsistence level. NGOs such as AKHUWAT can be practical partners to extend micro-finance. KKB and OPP are exemplary community-based housing development models developed by local brains, not foreign consultants. Mortgage financing has always been there, either by HBFC or commercial financial institutions but for mortgages to work well, we need a stable and sustained job market for both mortgage servicing and house maintenance.

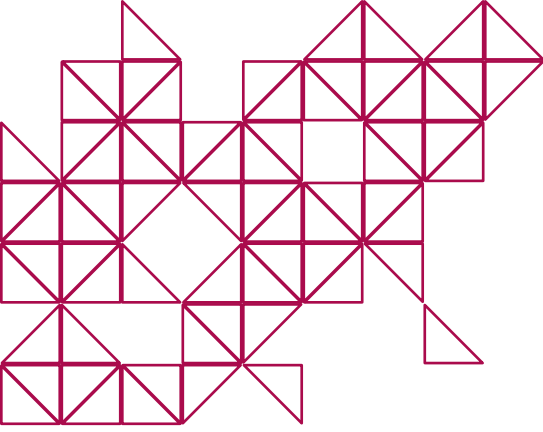
Projects facilitated through the package are expected to help the economy grow in multiple ways; by creating jobs, attracting investments, improving urban services, adding to housing rental stock, enabling industries to thrive, and also offsetting grave environmental costs through the creation of denser mixed-use communities.

This can be hoped that profits will not be privatized solely if authorities are able to devise well thought-out implementation strategies to yield equal opportunities for city authorities, the private sector, and the masses. The package is expected to help city authorities to generate use/utility based revenues, create ample skilled/unskilled jobs, masses to have decent places for work-live-solace, consulting & construction industry to rise technically, help real estate market to thrive and eventually to support the crumbling economy.



Published in Business Recorder, 8th May, 2020.





# PIDE Webinar Series

## I. Cities for humanity and development

### Background

Pakistan has some of the largest cities in the world with currently Karachi having over 15 million inhabitants, Lahore having about 12 million people, and about 20 cities in total having populations of above a million. The rapid urbanization that the country has seen has also brought about its share of issues with the current urban landscape dominated by a shortage of urban space; automobiles induced congestion and uncontrolled urban sprawling due to policy emphasis on single-use family housing units.

To increase awareness and create a dialogue on issues that affect the country's cities, Pakistan Institute of Development Economics (PIDE) recently organized a series of webinars entitled 'Cities for Humanity & Development'. The webinars brought together international experts, urban planners, and other related professionals in discussing the issues that are faced by both cities in general and more specifically by cities in Pakistan.

### Questions:

- How can effective and inclusive cities be planned?
- How city development determines economic and social welfare?
- How to control urban sprawl?
- How to manage inclusive cities for all?
- What is the relationship between automobiles and city planning?



**Nadeem Ul Haque**

Vice Chancellor  
PIDE



**Anthony Venables**

Professor of Economics  
Monash University



**John Thwaites**

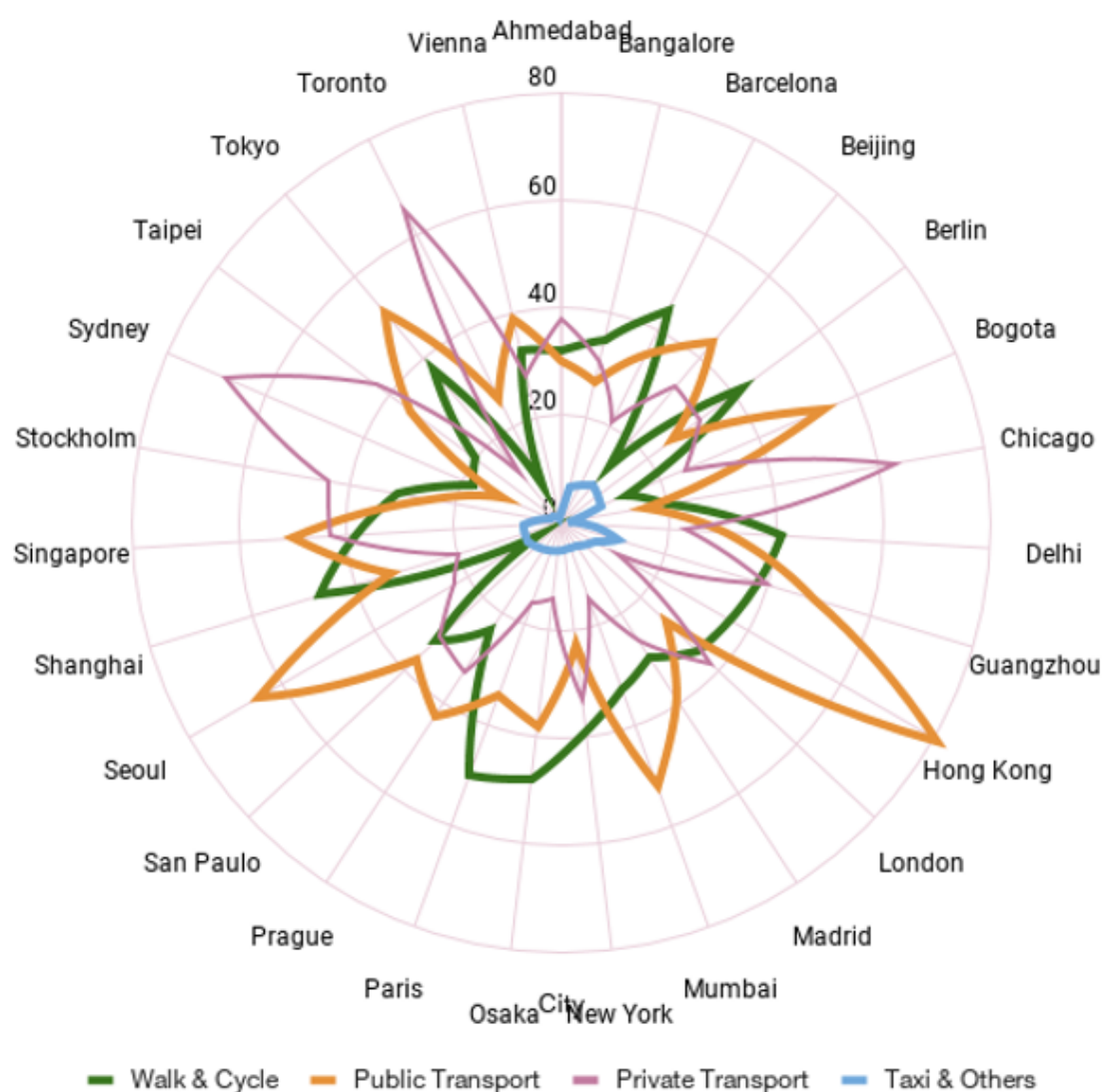
Professional Fellow  
University of Oxford

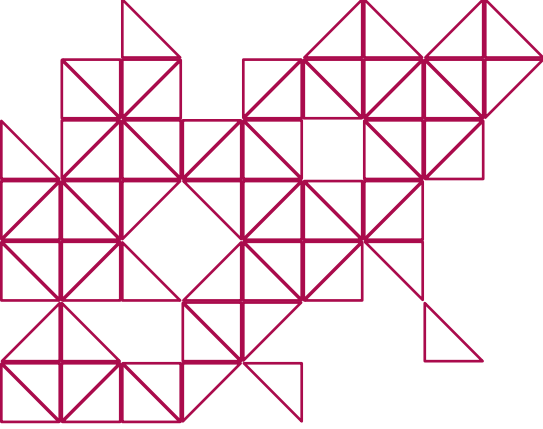
The first webinar of the series titled 'COVID-19 and the Future of Cities' was organized jointly by PIDE, Monash University's Center for Development Economics & Sustainability (CDES), and Monash Sustainable Development Institute (MSDI). The webinar panelists included Vice-Chancellor PIDE, Dr. Nadeem Ul Haque, Oxford University Economist, Anthony Venables, and Professorial Fellow Monash University, John Thwaites.

Given the backdrop of the COVID-19 pandemic, the panelists discussed how cities which have been important drivers of economic growth in both developing and developed economies may be seen problematic given the dangers of close-proximity densely populated urban living during a pandemic. The panelists agreed that even though the COVID-19 pandemic has created unprecedented conditions, yet once the situation normalizes, cities are still going to be main drivers of economic growth due to the infrastructure and the high productivity zones that they provide. On the issue of how the pandemic has affected cities in developing countries where often social distancing is difficult, Dr. Nadeem Ul Haque stated that policymaking including urban policy has been largely determined by foreign donor consultants in Pakistan, who have often benefited at the expense of local researchers and policymakers.

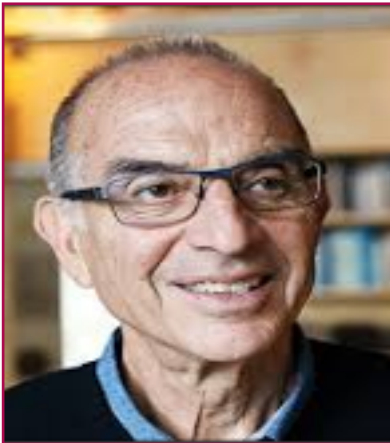
The local capacity gap has been further highlighted during the current pandemic. While donor consultants have a part to play, their involvement should not come at the expense of local practitioners and researchers being sidelined. Well thought-out urban planning that keeps local realities in mind can only come about through involvement of locally informed policymakers.

### Walk & Cycle, Public Transport, Private Transport and Taxi & Others

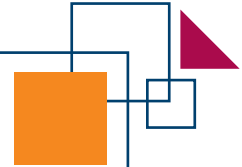




## II. Cities for humanity and development



**Ken Greenberg**  
Urban Designer  
**Greenberg Consultants**



In the second webinar of the series, PIDE invited Toronto-based Urban Designer, Ken Greenberg, who has over four decades of experience in urban design across cities in North America and Europe. The webinar was moderated by Vice Chancellor PIDE, Dr. Nadeem Ul Haque.

Dr. Haque started the webinar by listing the issues that affect Pakistani cities. He mentioned that how Pakistan has over the years followed the much-critiqued model of North American urban planning that leads to congestion, sprawl, and car-based mobility.

Furthermore, he pointed out that the country has strict zoning laws that inhibit mix-use of land and has led to a shortage of urban space, exclusion of the poor, and diminished growth of commercial business activities.

Ken Greenberg mentioned that the relationship with “automobiles” and how it affects urban spaces is not only peculiar to Pakistan but is rather a part of a much larger debate in the urban planning and design literature. This dependence on cars/automobiles not only leads to congestion and sprawl but also carries health concerns for populations that do not walk as often as they should.

He further stated that the 20th century North American model of urban growth that Pakistan seems to be following has largely been abandoned by recent urban designers in North America. According to him, North America is “working through a major paradigm shift from a mid-20th century land-use segregated, auto-oriented configuration to a more sustainable, compact, mixed urban future.” More and more young people in North American cities now prefer to live in walkable urban spaces.

The Toronto-based urban designer also mentioned that from his own experience, mix-use of urban space i.e. simultaneous use for commercial, residential, and other purposes is a viable solution for curbing urban sprawl and creating less congested cities.

### III. Cities for humanity and development



#### Brent Toderian

Former Chief Urban Planner  
City of Vancouver

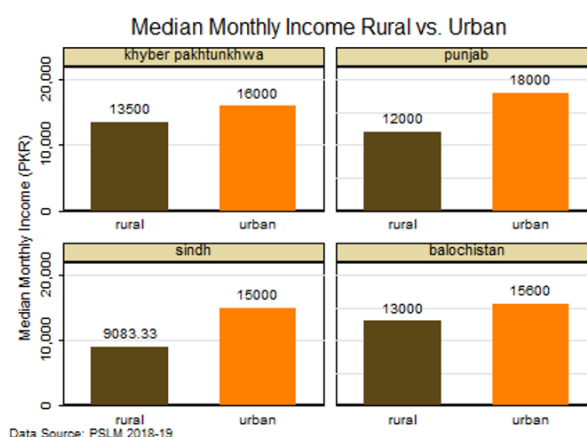
For the third webinar of the series, PIDE invited North American Urban Planner and former Chief Urban Planner for the City of Vancouver, Brent Toderian. This session was moderated by Vice Chancellor PIDE, Dr. Nadeem Ul Haque.

Brent Toderian started by stating that although he has not visited Pakistan, having listened to the issues that Pakistani cities are currently facing, he sees many parallels between Pakistani cities and the cities that he has worked in both developed and developing countries.

He stressed the importance of creating cities where people are not dependent on cars for mobility. Furthermore, he went on to describe how the need is for planners to create urban spaces that include more “interactive streets” i.e. streets on which people can walk and engage with businesses and other activities. These interactive streets are important ingredients for creating what he branded as “doing density better”.

The increased emphasis to create urban spaces of high density can lead to planners often ignoring that density in-itself is only a number.

The internal configuration of density is the key to create urban spaces that are interactive, not-congested and amenable to vibrant commercial and residential activities.





## IV. Cities for humanity and development



**Leslie Woo**

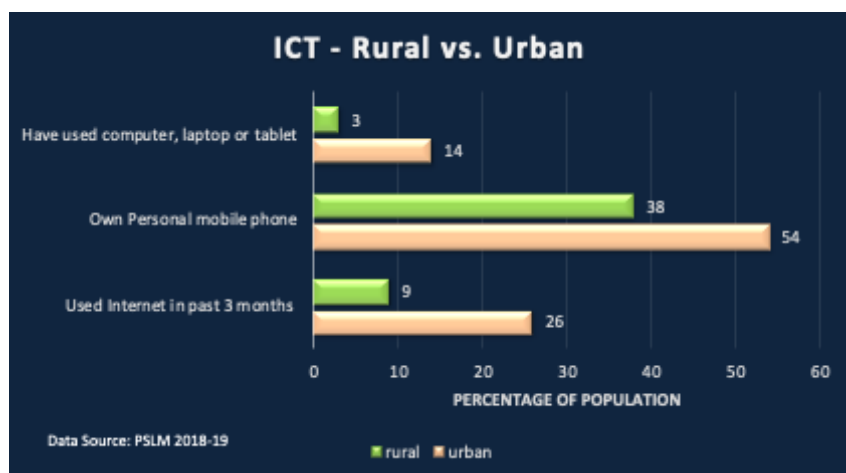
Chief Planning Officer  
Metrolinx, Toronto, Canada

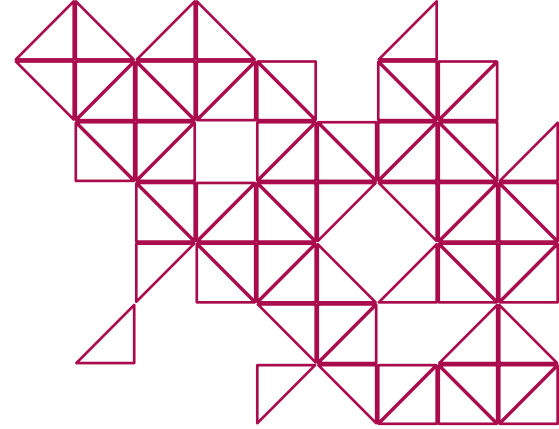
The fourth webinar in the series explored how cities could be planned so that they are made better suited for humanity and development. At the outset, the session addressed a concern why the cities in developing countries are devoid of addressing the humane needs of urban populations and planners prefer gentrification.

Ms. Woo suggested that cities must opt for the agenda to bring humanity and development at the core of city planning and that this precisely has been her struggle throughout her own career.

She emphasized that in order to plan cities for humanity, influencers and key stakeholders need to keep all segments of population in mind given their respective heterogenic needs, characteristics and civic requirements.

The cities must have civic capacity to speak and campaign for the cities to be more inclusive. Cities should be thought of as collections of actions and the culminations of many decisions over the periods of time. In such a scenario, strong commitment to championing the city rights for the entire population and not just one segment is a fundamental part of making inclusive cities that are drivers of growth and welfare.





## V. Construction

The Pakistan Institute of Development Economics (PIDE) organized an online seminar on the recently announced incentive package for the construction industry by Imran Khan, the Prime Minister of Pakistan. The keen attendance of more than 100 participants rightly indicated the importance of subject, and thus, the package was discussed in detail. The representation from contractors, federal housing authorities, LDA, architects, urban planners, and academic researchers made it a viable dialogue between stakeholders.

Defining the construction industry, the panelists agreed on the broader definition of construction that recently assumed in media and policy circles. The construction industry, as per participants, must include the simultaneous planning of non-constructed amenities including having public spaces.



Dr Noman Ahmad, an academic Urban planner from Karachi, noted that the package clearly lacked the ideas about geographic spread as result of construction. He further warned against the auxiliary concentration in 10 large cities having more than 54% of urban population of country. Abdul Hafeez Sheikh Pasha of Bismillah Group welcomed the announcement with careful anecdote that the package is a 'time bomb', and most projects shall not be completed in the discounted time by 2022. He also emphasized the need of installing loan packages by financial institutions for daily-wage workers of industry through their contractors as custodians.

The Director General of Federal Government Housing authority Wasim Hayat Bajwa clarified that, through its various initiatives, the Naya Pakistan Housing Authority is open to collaborations such as to provide land for construction; get land from private partners for construction and building its own projects.

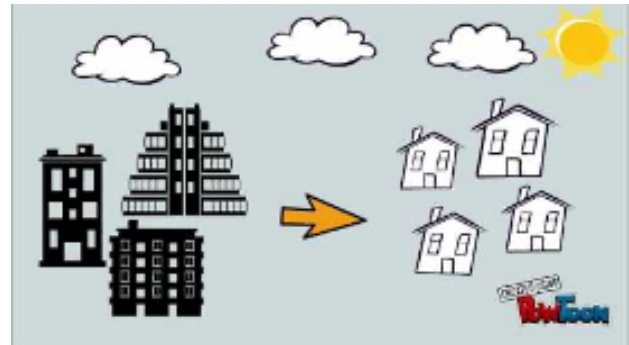
The fixed taxation regime shall encourage the investors to invest in the construction industry with per

square feet tax-surcharge and withholding taxes only for the large corporations or suppliers including that of steel. However, the double tier taxation regime of provincial ticketing and federal taxation must be addressed as to bring clarity to developers.

The participants however dismayed over the timeframe needed to get the necessary approvals and preparedness of FBR to green-signal the investments.

With respect to the efficiency of the package, the participants raised the pertinent question of construction value chain; the extent to which the effects of this package be rippled into affiliate industries. 'We're in desperate need to deregulate the construction industry, along with reducing the number of regulatory authorities which impeded ease-of-doing business.' Said Dr Nadeem ul Haque, the Vice Chancellor at PIDE. 'There is obfuscation in the commercial usage of resident properties and vice-versa; and needs to develop mixed use buildings to address this undeserved dichotomy.'

Like most markets in Pakistan archaic regulations have seldom been reviewed. PIDE has long maintained that we need to re-imagine our markets. The construction industry is a very good example of how what is a leading sector in other countries has been killed by excessive regulation. PIDE has also argued (and in 2011 PC accepted this argument in FEG) that the path to high sustainable growth has to include a period of building in Pakistani cities. And this building has to be complex construction within cities not sprawl.



To make this happen several ideas that we have examined and proposed are:

- Make cities cohesive and defined. The promise of local government eludes us. But even with local government we have to ensure that cities have coherent jurisdictions and even defined areas. Lahore for example is divided into almost 5 overlapping jurisdictions (CHECK) and Karachi into 7 (CHECK). Moreover, there are no defined city limits and mere plot making stretches cities in strange directions.
- Flat is the unit of living in large cities: Whereas in all large cities, the unit of living is a flat, in most of our cities (except perhaps Karachi) planners are holding on to the notion of a single-family home with a garden to be the norm. Surprisingly these planners remain unaware that with city sizes running into millions the poor cannot be accommodated in such single-family homes. It is for this reason that they developed a social housing program for the poor in the rural areas around Lahore (Ashaina). The same mistake is now being made in the NPHA.
- Density gradients: Let city centers densify through development of flat living in high (10 or more floors) or midrise (less than 10 floors) buildings. And allow for mixed use there. Density gradually reduces as distance from city centers.
- Deregulation of cities. It should be emphasized that contrary to popular belief the planner has not tools to develop clarity on where and what to build. Worldwide people are moving away from rigid planning of cities that is happening in Pakistan. More and more cities are now developing loose guidelines that allow markets to take decisions on usage, height and cityscape.
- Mobile cities with limited cars: the planners have for decades favored cars making poor mobility almost impossible. If we want serious development and construction, our paradigm on how city mobility has to change. The current paradigm of excluding the poor is based on the use of car and the paradigm of the suburbia.



# The opportunity of dead capital

Nadeem ul Haque

Economics has become a science of the loudmouth with numbers. Economists come on TV to show off that they have numbers and predictions. They will invent all kind of estimates and terms that no one has heard of to prove how erudite they are. But never will they submit themselves to peer review which is the international yardstick of quality work.

Whenever I hear them speak, I worry that this is not the economics I learnt — and I worked with about 10 Nobel laureates. These speakers and commentators always talk macro numbers — fiscal and BOP — and always discuss simple accounting numbers with great aplomb. For example, “we must increase revenues because the government is losing money”? Never “why is government losing money like there is no tomorrow.” Then someone will yell “we have money to repay and import bills that must be met, so look for aid or borrowing.” Why did we borrow so much? Why are our import bills what they are? Why is the government borrowing at a faster rate than the economy is growing? These questions are never asked by our economists and therefore never debated.

Adam Smith, the father of economics authored the “Wealth of Nations” to initiate worldwide study of economics. Since then understanding the forces of growth, development and income distribution have been the most important areas of study in economics. Individual behavior — consumption, savings and investment decisions — are studied to understand how they can be tweaked for increased welfare. At the heart of economics is the quest for increasing human welfare through expanding opportunity for self-actualization through innovation, entrepreneurship and risk taking.

Is all government expenditure for public good?

Seldom will you hear our economists talk of the Smithian grand Quest of growth, development and welfare. Led by international donors their quest is to malign Pakistan as a nation of tax cheats and a den of corruption. Revenues must be increased without telling us what if anything will the government do for us. They remain unaware that a large majority of Pakistanis are paying income tax on a withholding basis on many transactions. It is well known that this tax withheld is never returned.

The mantra is government needs the revenue and it must be increased. My fellow economists think that all revenues collected by government will be utilized productively for the welfare of the country. They never review the waste in the government: the numerous houses made for officials; the real estate developments made to provide plots to favorites; the wasteful and needless road widening for the cars of the rich; the expansion of sui gas pipelines even though we have run out of gas; whimsical projects that MNAs are allowed to direct for vanity reasons; wasteful expenditures on the PM or CM directives that are non-productive or too expensive; and ill thought out subsidies to the rich or political favorites.

The government is full of waste and no one wants to discuss this issue. Instead we are all ready to give it more money through a bad tax policy. The government has no money or time for clever research to promote economic transactions. The government has lost more than 3 trillion rupees in energy over the last 10 years. Unthinkingly this government is signing sovereign guarantees without thought or planning to build more and more energy. As a result, both the circular debt and energy cost are increasing to impose



a huge cost on the economy. Yet, my fellow economists think that a wasteful inefficient and thoughtless government's mistakes must be covered by more increased oppressive senseless taxation.

### Where is growth and development?

Yet the biggest issue I take with my fellow economists is that they never focus on growth and productivity. At most there will be the usual plea for industrialization and export promotion, for both of which the only instrument seems to be more subsidy in one form or another. For over 5 decades, these economists have pushed the flawed strategy of promoting the government coddled industry and exports. Despite a lackluster performance and a considerable subsidy as well as many tax concessions and much tariff protection, industry grows sporadically and exports as a percentage of GDP remain virtually static. Yet the mantra is maintained.

Economics in Pakistan has indeed become a set of mantras. They even go to the extent of saying, "we know what is to be done." "We have all the solutions." Basically, what they are saying is no new research is required. The old Mantras of more taxation for more subsidy to industry and exports is enough. Mind you this has been firmly drilled into us through a series of large advocacy programs organized by very expensive donor funding. Why do donors fund advocacy? Why do we allow expensive propaganda against ourselves? I will never understand.

For the last 50 years or so, we have been running on these mantras with committees, task forces and many, many donor consultants. Yet our long run growth seems to be declining as is our productivity. Few new industrial sectors have opened up while the old industry remains largely uncompetitive and cartelized if the competition commission is to be believed. The economy has grown thanks to the orphan sector that economists don't talk of — service or domestic commerce.

Einstein said that doing the same thing again and again and expect different results is insanity. Back then there was no donor funding! But now failed policies are repeated without much rethinking and it is not insanity. We merely call it "bad implementation."

Our economists also have little to say about the mess that is the public sector. Another Mantra prevails here "just privatize." No matter that our previous thoughtless privatizations were not as successful as we thought — badly priced, accusations of insider transactions, and some still not fully paid for. Is the purpose of privatization merely to rid the government of a bad asset? Why would someone buy a failing asset? Can even government monopolies be privatized? Is a private monopoly better than a public monopoly? Should privatization not improve the market and consumer welfare? Mantras don't consider these possibilities.

### Think city-markets-governance

How I would like economists to think differently? In my book, "looking Back: How Pakistan became and Asian Tiger in 2050" I have outlined a different approach. We must look at the economy as a complex system in which humans interact individually or in groups to learn, innovate and transact for their collective and individual welfare. Spatially much of this interaction happens in cities where markets, institutions and the mass of people are located. Much of this activity is guided by laws and regulations that define markets both physical and virtual. Economic growth is driven by technology that people in cities strive to develop to increase the exchange of goods and services in the market place. Discovery through exchange lies at the heart of the human enterprise.

Conceptualizing the economy properly in this fashion immediately suggests that at the heart of the economy is the city and its markets and how they are governed. My fellow economists must ask themselves if we have this nexus of city-market-governance configured for the requirements of the 21st century.

The answer is immediately obvious. We do not.

The Pakistani state can probably best be described as an attempt at the preservation of the colonial structures for continued 'control and extraction' now for the brown elite instead of the empire. Much of the legal

system, the judicial system and the executive and regulatory agencies continue to function as inherited. If any innovation was made in these, it was to introduce politicization and corruption. The shortfalls of this system are often measured in the Ease of Doing Business indicators of the World Bank. Sadly, these measures distract from the main point that: the need to modernize the state — reform it into the 21st century.

How can you expect the city and the market that is organized by a state that is not only stuck in past practices but has also been distorted for personal gain to provide for the needs of progress and discovery? Our cities lack modernity and hotly contested spaces for various mafias, one of which is officialdom that enriches itself through controlling city land. Similarly, the colonial state so used to 'control and extraction' gives huge advantages to vested interests such as large industry and large landlords. Antiquated legal laws and judicial systems make transactions and businesses extremely complicated to the cost of growth and welfare.

Is it possible to expect this state to deliver the kind of institutions, laws and governance system that the 21st century requires? If not, how do we expect good things like exports and taxes to increase?

### **The colonial state chokes investment**

This state imposes a huge regulatory burden on the economy which does not seem to concern my friends. We estimated in the 'Framework for Economic Growth' that I developed in the Planning Commission that this regulatory burden may be as high as 70% of GDP. It is clear that the economy is laboring under the yoke of obsolete, unreformed and distorted colonial governance structure. Yet this issue is not of central importance to the economist at large.

Frequently, commentator economists lament the lack of investment in the economy — the investment-GDP ratio remains at 15% of GDP whereas in India it is over 30% and in China it is 40%. Because these numbers are pronounced upon without understanding the structure of the economy, analysts seldom ask "where is the room for investment?" Dig deeper and you will find that the colonial enterprise is holding back investment in more ways than one.

As shown in "looking Back: How Pakistan became an Asian Tiger in 2050" the state controls over 70% of the market. With that big a footprint, market competition which is the premier driver of investment is crowded out by the state. In addition, crony capitalism which has captured the colonial state is able to erect barriers to entry in the form of SROs (selective tax exemptions), protective tariffs as well as exceptional access to inputs. In such an environment, investors correctly find limited opportunity.

As if this were not enough, the colonial state lacks specialized skills to manage the requirements of modern public good provision. Complex areas like energy and water management, city design and development and regulating markets are clearly of a later era and far beyond the competence of the 'control and extraction' civil service. The accumulated losses resulting from the poor management of the economy has led to repeated fiscal and balance of payments crises. IMF adjustment programs have frequently been requested but with little success in managing a policy coherence for sustainable growth. This policy uncertainty which once again arises from the lack of professional management of the economy, is a deterrent to investment.

### **Sprawls without commerce and investment space**

Physically too space for investment has been severely restricted by the colonial hangover state. Modern city development was never a part of the colonial enterprise. They wanted people to continue living in old cities while the masters lived in enjoyer airy suburbs. Natives had no need for serious enterprise. They would have small shops, limited schooling and limited space for modern activities. They needed to be controlled and the only enterprise necessary was to extract for the welfare of empire.

The bureaucracy and the army took over the role of the colonial state and immediately occupied the colonial habitations and proceeded to keep the colonial traditions alive. At first, they tried to keep everyone where they were to maintain the divide between the brown sahib and the natives. With the relentless population pressure, they had to reluctantly give ground. They protected their colonial habitats which by then had become the center of city and were interfering with commercial development as well as with city mobility plans.

Tight controls on building were kept preventing the development of organized density, commerce, lei-



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sure, and even education. For decades, city demand for space for commerce, storage and warehousing, offices, education, leisure, mobility and many other functions increased. All these developments were forced into the informal sector through encroachments or violations of poorly conceptualized colonial zoning. Even today we are going through a cycle of litigation and demolishing encroachments which arose because of poor city zoning that sought to prevent the natural growth of cities.

The poor, commerce and other constituencies counted for little in the colonial model. But the growing elite, of which the bureaucracy, army and the judiciary were now a part had to be accommodated. Responding to this demand as well as the availability of the car, the colonial state allowed for suburban development beyond the areas they had inherited from colonialism. As a result, Cities have expanded to giant unmanageable sprawls with the centers being occupied by elite mansions and clubs instead of mixed-use high-rise development as in other cities of the world.

### Choked up engines of growth

Early development advice suited the colonial bureaucracies for it prioritized industrial growth which policymakers conveniently put outside the city in industrial estates. They also derived further power since the development policy advice of the time emphasized planning industrial development through licenses, subsidies, cheap credit, protection etc. — all of which were dispensed by the colonial bureaucracy.

The country has remained beset with this early development model refusing to see fresh developments in economics. Our PhD economists remain rooted in the past of the planning models vacillating between prioritizing between agriculture and industry and looking for exports. Domestic commerce, services and construction were deliberately repressed in an effort to develop what were thought to be leading sectors — industry and agriculture.

In 1996, the Nobel prize was awarded to Robert Lucas and in 2018 to his student Paul Romer. Both of

them pointed to the engine of growth being the city, a place where people converge to exchange and share ideas, goods, money, services, space and activities. Many thinkers have pointed to the importance of the city in history as a crucible of innovation, entrepreneurship, knowledge and creativity. It has also been shown empirically that cities are engines of growth are dense, walkable with mixed use, high rise city centers. Unfortunately, our cities are sprawls with estates for colonial officials and polo grounds in the middle. And sadly, this research has not reached our policy economists who sit on task forces.

Construction always leads development. Even today, markets are continuously watching leading indicators many of which are based on construction activity. Go to any city in the world you will see tower cranes everywhere, many of them. A rapidly growing economy like China has sites that look like forests of tower cranes. Yet most Pakistani cities have hardly seen a tower crane. Look around you and you will see no tower cranes.

As analyzed above, in Pakistan, the continuation of the colonial enterprise has preserved colonial estates in the center of the city while also maintaining the colonial bias against enterprise in the middle of the city. To preserve this model, the colonial bureaucracy which controls the city has archaic zoning and building laws that are biased against density, walkability, mixed-use and high-rise. Is it any wonder that the construction industry is not a growth industry in this environment? Can we expect to accelerate our growth without a strong growth of construction based on real city development and not this colonial sprawl development?

### **Unlocking Dead Capital**

There is an opportunity for real and sustained growth acceleration and for huge improvements in welfare if Prime Minister Imran Khan takes up the challenge of changing the city paradigm. He must uproot the colonial centers that are located in busy downtowns and allow high-rise mixed-use construction.

In most cities, city center land for urban regeneration is hard to get. The colonial enterprise has kept this precious capital inert for their private use and held back city development as well as employment and growth possibilities. It is time make this dead capital work for us.

There is tremendous opportunity that is possible. The key challenge is going to be how to do it right for maximum public benefit. As an example, consider Lahore has more than 10,000 acres of prime commercial land held by the public sector in various areas. We must use this land for maximum value creation and employment gains. My tentative calculations show for only teh 5 GORs which represent about 4000 acres the following possibilities.

We can make about 35 buildings of high-rise mixed-use buildings like Centaurus leaving more than half empty for greenery. Say, each cost say about \$500 million

It should not be made a speculative play for trading. It should not be hijacked by qabza mafias. This land represents a huge part of city wealth.

Total investment \$ 17.5 billion

Employment in construction — 5000 per building and similar indirect

Total employment bang will be about 350,000–500,000 during construction

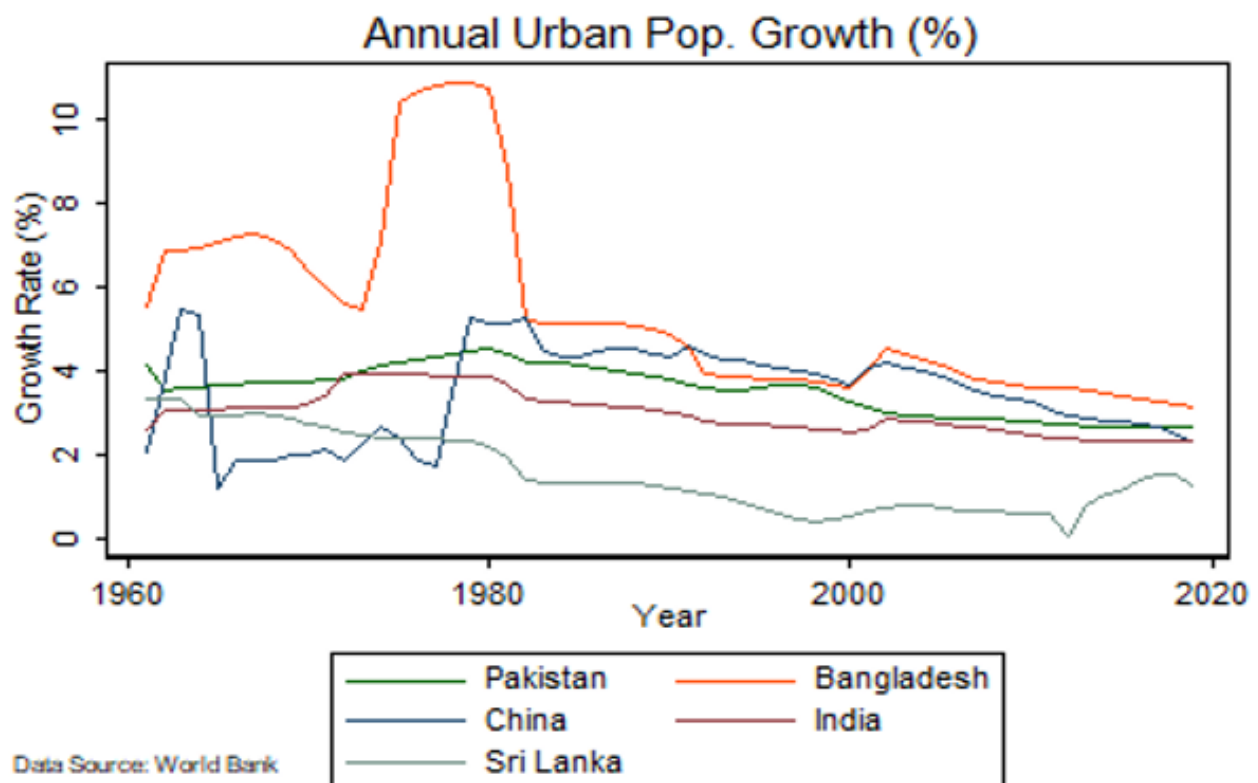
Each building will employ similar amounts or more when completed at an average height of 35 floors, this will be 225 million square feet of construction for all uses.



My suggestion would be for all cities to let City Wealth Funds which should own this land and have these funds professionally managed. Professional managers can develop projects and sell these as public private partnerships on a build own operate and transfer basis. This could be a way for city to earn maximum revenue over a longer period of time. The time-bound nature of these contracts would force quick construction and returns.

Sadly, the Framework of Economic Growth (FEG) of the Planning Commission did present this approach to developing growth acceleration to the cabinet and parliament in 2011 and 2012. Though the FEG was approved, it was never implemented due to the opposition of the colonial bureaucracy to preserve its estates. It will require a strong government to do this and good process to make this happen professionally, protected from politics.

If we want to progress, we must truly end vestiges of colonialism and move into the 21st century.



Published 3rd December, 2018



# Urban enigma: Becoming of today's Karachi

Hafeez Ur Rehman Hadi

When Saba Imtiaz wrote Karachi, You're Killing me! she portrayed Karachi's metropolitan life full of paradoxes. While she pictured it through the vantage point of the reporter, Ayesha; the same was done by Arif Hassan through his paper on trends of urbanization in Karachi. Hassan attempted to map out juggling of urban planning in Karachi under scores of influences ranging from political, social, and national and international. However, my commentary, comments on corresponding inequality with lack of inclusive planning concluding in planning failures, and simultaneous successes of informal projects of land mafia—that is Katchi Abaadis or settlements.

## **The Odds with Karachi**

Karachi has been plagued with issues of sorts, and yet serves as riveting economic hub; housing major multinational corporations, economic institutions as well as I.I. Chundrigar Road is mailing address to all public and private banks headquarters. Karachi has suffered political rifts, racial profiling, unplanned and unwarranted migrations and classic cases of planning failures in settling citizens peacefully.

## **Welcoming All—Karachi's Migrant Population**

Karachi has faced three major waves of migration: first, dating back to Partition when 600,000 migrants moved in causing great increase in number of Urdu speaking as compared to Sindhi speaking. Second wave came as Pakistan delved into cold war, and Pashtun Community from North West took refuge in Karachi, and thirdly after the 2010-2011 floods when hundreds of thousands fled to Karachi as result of hefty losses in their crops. The on-going migration process has put Karachi at awkward demographic position in its own province of Sindh; as it owns more urban population than remaining Sindh altogether. As a result, population in Karachi exceeds 20 million with several million illegal migrants, while city is unable to provide facilities pertaining to sanitation, gentrification and transport at large.

## **State Bailed out: Government and Neo-Liberal Agenda**

Government' attempts at formalizing settlements plans in 1958 (Karachi Resettlement Plan) failed because Satellite Town establishments were not coupled with timely installation of industrial estates as promised. The plans were curtailed after only 10,000 houses were built, out of planned 200,000 initially.

## **Informal Institutions and Politics of Katchi Abaadis**

Katchi Abaadis became informal settlements as government succumbed to mega challenges of urbanization. Police, Middlemen and Government officials corroborated to establish settlements for migrants.

As poorly managed as it could get, it provided land rights to residents of those settlements. Plans of re-locating settlements to peripheries could not succeed in following plans of Karachi Master Plan 1975-85 and Development Plan of 2000; because both largely focused on densification and high-rise commercial buildings that snubbed social and cultural life of families, and aggravated crimes and drug use.

As densification took best of Karachi's metropolitan life, in a parallel world, elite started securing large lands to have houses horizontally expanded in housing schemes. This widening gap in density corresponds to increasing inequality in society, and how housing schemes and plan are elite-driven and for elite. Large reason for government to bail-out on these settlements was of pursuing neo-liberal agenda of Laissez Faire—Let the private sector do its magic through investment and be capital/market driven.

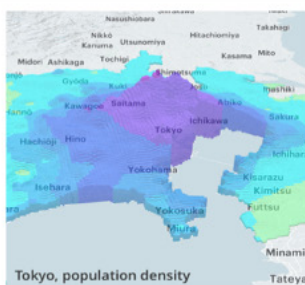
### What lies ahead: Outlook for a Welfare Karachi

The key challenges and corresponding solutions certainly need more concerted efforts of not only governments; but also, of private stake holders. As the dust has settled, peace is prevailing in Karachi, most imminent challenge is smooth transition of informal sector to formal sector, and then focusing on providing services to everyone. Land reforms must be foremost agenda from hindsight, and inclusive—as well as conclusive—policies of house building loans must be set in place in coordination with government officials, planners and academic institutions. Instead of following liberal agenda to have transactions-based economy, government must act to provide comprehensive solutions regarding regularizing settlements, land registrations and urban planning. This shall make Karachi land equitable and efficient at the same time.

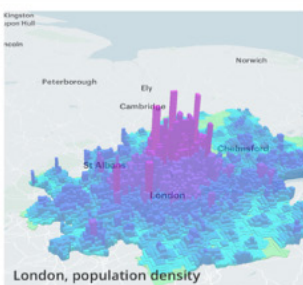
Because:

When we build a city, we take our grandest dreams as well as our deepest anxieties and set them in concrete for the next generation.

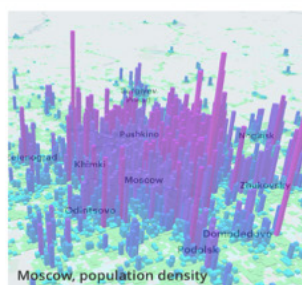
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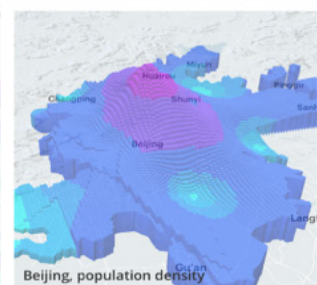
Tokyo, population density



London, population density



Moscow, population density



Beijing, population density



Tokyo, employment density



London, employment density



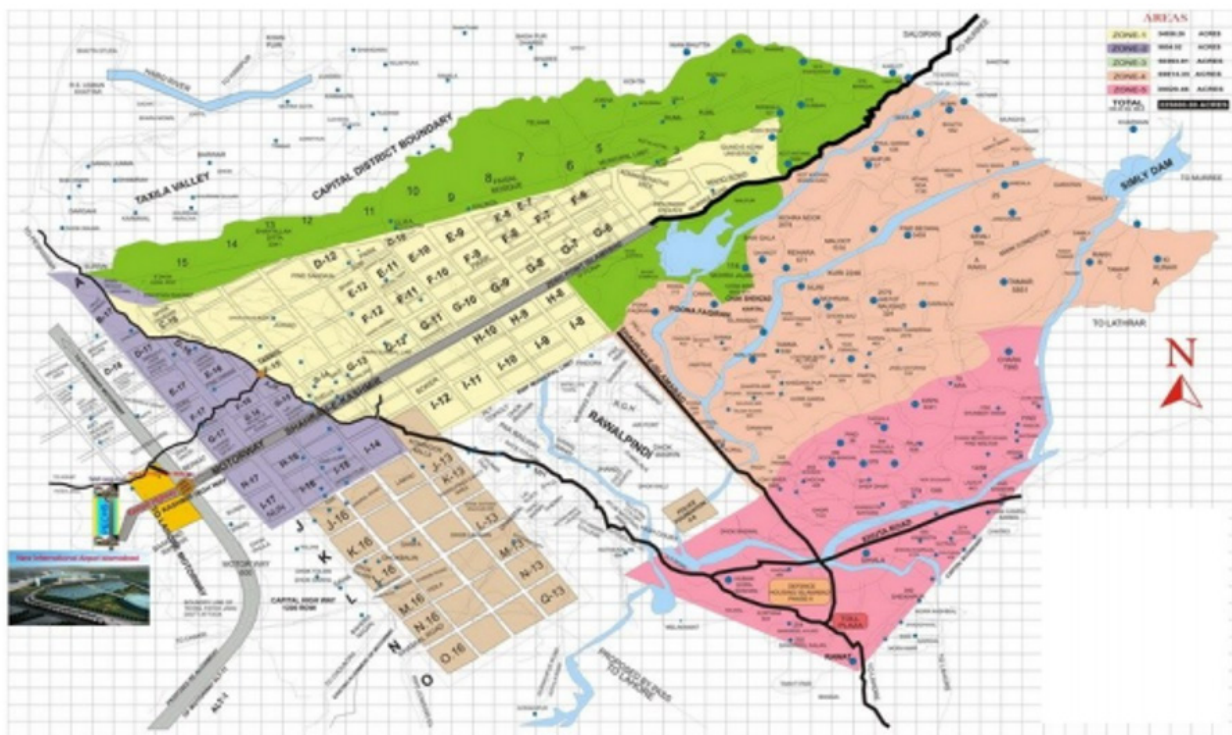
Moscow, employment density



Beijing, employment density

# Islamabad: Is it the city of future?

Islamabad, the capital, was chalked out in hilly Potohari region of Northern Punjab by the Greek architect Doxiadis. What had to be the 'city of future' remains exclusionary, devoid of sufficient public utilities and leisure spaces, and affordable housing. The PIDE Policy Viewpoint 16 has underscored the lacunae in process of master-planning this city all along; questioning the very nature of planning then and now. Recently, as the Supreme Court directed, the government has constituted another commission to review the master plan and 'regularize' the 'irregular' construction.



Source: Capital Development Authority, [www.cda.gov.pk](http://www.cda.gov.pk)

## The Grid Iron Pattern

Established in 1960s, the Islamabad was to be developed by CDA under MLR-82 which later promulgated Zoning Regulation 1992 dividing the city in 5 zones. The city was planned on the grid-iron patterns. The city divided into 84 sectors, 5 sub-sectors of each sector: 4 for residential and 1 for commercial purposes, largely called as Markaz.

As good as it seems to have a low-density city, the architect overlooked the need to include Commer-



cial Business District (CBD) or any sectors for poor. The lone CBD of Blue Area was ideated to include the high-rise mixed-use buildings, but CDA excused from 'destroying the margalla view for houses of nearby sectors'—as lame as it may sound.

The Doxiadis' plan of no good has left the city devoid of any urban experience with scattered centres and unease furthered by the CDA. The sprawl is evident, and CDA has greatly benefited from the phenomenon. Despite the powers entrusted, the CDA has not announced any residential sectors since 1989. In turn, the urban sprawl has taken a huge toll on urban experience of the Islamabad with increased traffic, greater distance to cover, the higher public service delivery costs, poor office and commercial spaces, and diminishing public spaces. The citizenry has, all along, been deprived of any say in city matters.

Restrictive zoning laws have barred the city to grow into a vibrant and urban experience, therefore, leading to sprawl and single-family houses. As the interim report on Master Plan suggests, there is a need of regenerating city centre with changes in zoning rules.

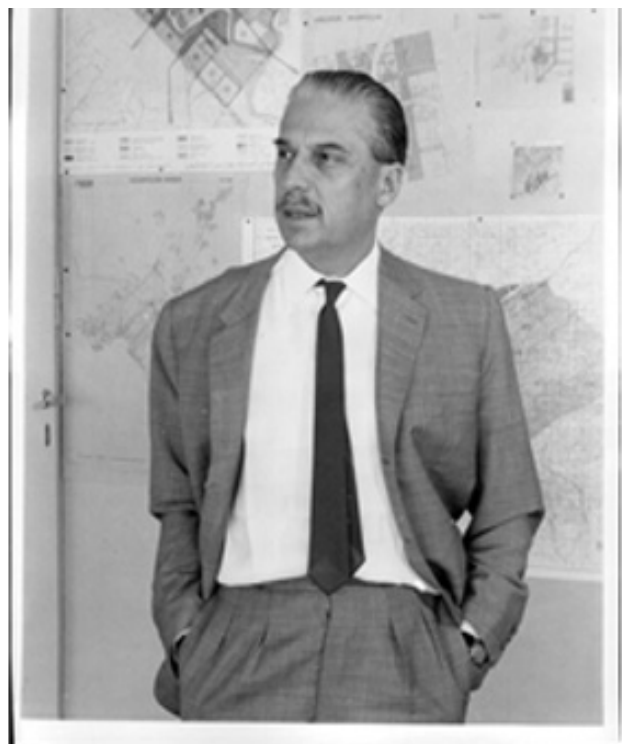
The uniformity of all sectors, the exclusion of poor from planned sectors has made Islamabad a contrasting city to that of many developed cities. The sprawl and sector planning have suppressed the need and affordability of public transport. In contrast, the New York has the zoning mechanism with three zoning districts of residential, commercial, and manufacturing with each dividing into low, medium, and high-density areas to suit the local needs. This endogeneity of need is sorely missing in a masterplan that is iron-grid designed. The planners have sinned more than its sins; and that deepens the need to integrate some changes. The Federal Commission Recommendations Recommendation of the Federal Commission for Review of Islamabad Master Plan (2019) continue to tread the same path that Doxiadis did. The commission has proposed:

1. Amend the bye-laws to encourage high-rise building in Blue Area, Mauve Area, Class-III Shopping Centers and I&T Centre.
2. Vertical Development in Zone 2 and Zone 5.
3. A ring road around Islamabad for better connectivity.
4. Widening of existing roads to cater to increasing traffic flow
5. Municipal tax to be collected from residents and businesses for public service deliveries,
6. Construction of f3 mass transit lines
7. Conversion of designated parking lots in Blue area into multi story parking areas on BPT/PPP basis
8. Regeneration of G6 sector,

These recommendations attest to the continuous oblivion that planners live in, and silos they think in.

#### **Constantinos Apostolou Doxiadis (1913-1975)**

C. A Doxiadis was a Greek architect/town planner and the lead architect of Islamabad, the new capital of Pakistan. In 1951, he founded the private consultancy firm - Doxiadis Associates - and undertook projects in many developing countries of the world. "A crucial element in Doxiadis's modus operandi was his attempt to shore up business success through the excessive branding and mystification of his personality and work. His theoretical discourse abounded in neologisms and unique technical terms - 'Ekistics', 'ecumenopolis', 'machine', 'shell', 'dynapolis', etc. - which were meant to lend an air of distinctiveness to proposals that often shared more with prevailing architectural fashions than he was ready to admit" (Daechsel 2015). But from all of the projects, he considered Islamabad as his best town planning. Islamabad plan was conceived in 1959 and it took 4 years to complete the plan.



**Constantinos A. Doxiadis (1913-1975)**

## Are Master Plans necessary?

- Master plans are relics of past. Cities need to grow and evolve organically through the needs and mobility of its residents. While the ideas of zoning can help in keeping the irregularities under control, these are also needed to be evolved with time.
- Master Plans are not forward looking, in fact, they inhibit the growth. They cap the high-rise, and are antithetical to the idea of evolving and modernizing cities. This makes the cities static against the moving needs of people.
- In countries like Pakistan, the master-planning is a play of clique, without input from public and citizenry. The community involvement is non-existent.
- Masterplans delude the policymakers through the lens of economic development. This minimizes the humanistic contribution to city development.
- Similarly, master plans direct the development of markets, instead of making the markets follow their own path of development.



### Cities are markets

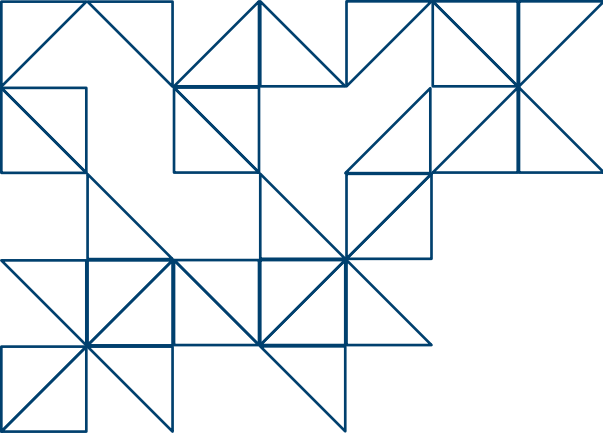
Cities are engines of growth, as PIDE has reiterated time and again through its consistent work on cities and growth. Cities are markets and they should grow as they must—freely. Cities that drive productivity and growth are not made for cars, gentrification, or neatly addressing the needs of few. To achieve the purpose, the cities are moving away from master plans to simple guidelines and rules that allow the market and investors to determine the shape of city as it suits the community; and as the public service delivery mechanisms are robust and efficient. Based on needs, the investors should build flats, malls, leisure spaces, public spaces and vibrant experience of city.

### City Wealth

Pakistani cities are poor and financially dependent on the federal or provincial governments to give them money. This vertical flow of funds lead to crippled city management. Cities often sit on goldmines that include real estate and public resources and can create wealth through socioeconomic uplift of its people and regeneration of decaying urban areas, such as Singapore did. Regenerating the neighborhoods in line with market demands can create new revenue streams for cities.

**Authors:** Lubna Hasan, Aqeel Chaudhry, Ayaz Ahmed and Hanzla Jalil

**Reported by:** Hafeez Ur Rehman Hadi



# No more master plans, Please!

Naveed Iftikhar and Samna Sadaf Khan

Cities facilitate human interaction. From a traditional perspective, master planning is the act of giving a shape and foreseeing this interaction through spatial development plans, provision of amenities, housing, transport systems, community facilities and determining land use. However, human societies are complex, and the future does not always pan out go as forecast or planned.

There was a time when most countries used to develop 5-year plans. Later, however, it was realised that such were not very helpful in dynamic societies. Yet, the field of urban planning in Pakistan continues to rely on the obsolete approach of master planning that is hindering prosperity and innovation in our cities.

Pakistan inherited the practice of centralised top-down master plans from its colonial rulers who have now progressed to contemporary approaches of neighbourhood planning, bottom-up initiatives and



democratising decision-making through public participation.

Pakistan, while adhering to the bygone paradigm of master planning, has lacked the institutional capacity to focus on participatory and inclusive urban management. There is a lack of understanding in bureaucratic and political leadership of Pakistan that urban planning should be undertaken as an exercise rooted in public aspirations and supported by national and sub-national development perspectives.

Broadly speaking, there are three barriers to breaking away from the master planning paradigm. First, the authoritarian political manifestos are not open to institutional changes; rather they produce an overdose of regulations to bring out any systematic change. Master planning has been an inside job where a limited number of town planners, politicians and builders have the decisive role in the name of development.



The projects are barely responsive to socio-economic and environmental realities. Fiscal decentralisation has not been realised to its full potential to enable localism. Hence, the first point of argument is the rigid system created by the governing bodies to protect the interests of the rulers and other powerful groups.

Second, town planners try to predict the future; like astrologers, they often fail miserably. Moreover, lack of useful data makes the process even less informed. By the time a resource- and time-consuming master plan is approved (many never get the approval) it has already become obsolete.

Third, there is a failure to recognize alternative planning approaches being discussed and practiced globally. From literature to policy to projects, every example is out there as precedents that can be used to our benefit. There has been a shift from

large-scale restrictive planning to guideline-based planning interventions to meet the urban challenges of the cities. What stops us from bringing this change is the first barrier identified as the rigid system. The power resides in the industry of master planners who have no empathy to engage local people in the planning process. The voice of people - women, children, differently abled, minority, poor, entrepreneurs, street hawkers - remains unheard. Highway projects, for instance, are put forward yet there are no answers to the challenges of mobility; percentage of income spent on transportation cost, choices of transport, safety for women in travelling, etc.

Expansion of a city with housing societies is discussed yet there are no answers to the affordability criteria, livelihood, provision of jobs and entrepreneurship to access adequate housing. Ironically, the master plans never get implemented. Yet we continue to teach the same curriculum to civil servants and engineers about developing master plans. All that is needed from our town planning authorities and related government bodies is to understand the problems faced by the people and find up to date solutions.

“The right approach is to develop a vision and broad guidelines for city management, followed by capacity building at municipal level to carry out localised projects. Every civil servant and political leader can contribute to area development.”

We need to realise that a country with a highest rate of urbanisation cannot afford to waste time by sticking to unsuccessful approaches. Our cities face immediate urgencies, which need fast-paced regenerative responses. Population is increasing by the day and our resources are not getting any better. Before we have met our challenges of services provision, affordable housing and economic opportunities, we have upcoming environmental challenges at hand with global emphasis on climate change and sustainability. This is why a shift from traditional master planning to strategic vision planning is imperative.

Planning literature has been identifying density, resiliency, multi-functional and walkable neighbourhood, cellular city and iso-benefit urbanism approaches as more responsive towards the contemporary challenges. Moreover, literature has also discussed the change in the role of planner from the sole originator to a mediator, an advocate and collaborator under strategic planning, collaborative planning, co-production and just city. Why has our idea of urban planning and a planner been so reserved when we are living in a globally connected world?

The urban understanding has evolved; hence going back to re-defining spatial models is not a sustainable approach. We need to delve into the definition of urban and the practice of urbanism as it is all



Image Source: seppo.net



"Don't be too hasty in trying to define the city; it is much too big, and there is every likelihood that you will get it wrong,"

- Georges Perec



around us. Of, course, we need to find solutions for the urban challenges but master plans are not the solution. Tactical urbanism, for instance, is a low-cost guerilla approach to improving local neighbourhood and public spaces. It has a quick impact. Then there is the example of Paris's 15-minute city proposal, advocated by its mayor. It shows that the answers do not all come from a master plan.

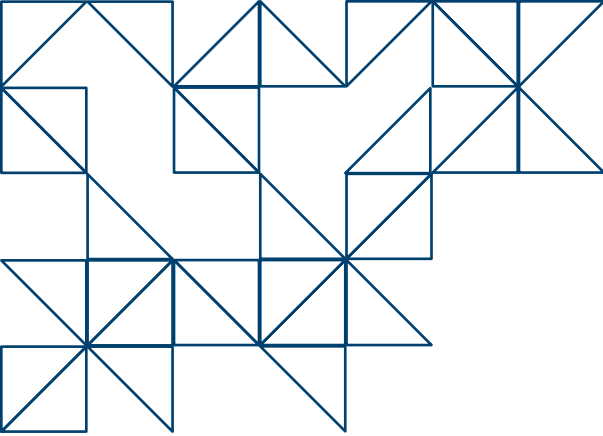
Urban planning does not need to come from the government only; it can be a product of social interventions and public involvement. The urban development teams need to extend beyond town planners. City management is about people not about infrastructure. So we need economists, sociologists, historians, anthropologists, public health professional, psychologists and other professionals to work together to develop city visions instead of entrusting engineers to do it by themselves.

The right approach is to develop a vision and broad guidelines for city management, followed by capacity building at municipal level to carry out localised projects. Every civil servant and political leader can contribute to area development with the support of an inter-disciplinary teams and local people. People-centric urban management will lead to building trust between the citizens and local government practice and improve the sense of ownership. In order for this change to occur, the key lies in urban governance which needs to allow the changes to happen.

The following perspective by Christopher Rufo should enlighten us in this process:

"Life in a metropolis is simply too complex, too variable, and too ephemeral—it will evade even the most careful planning. If we want better, more beautiful, cities, we must bring neighbours, developers, employers, and governments into the conversation. Our cities must be built through cooperation, not compulsion."

**Published in The News on 29th November, 2020**



# Mobility and social outlook

Hafeez Ur Rehman Hadi

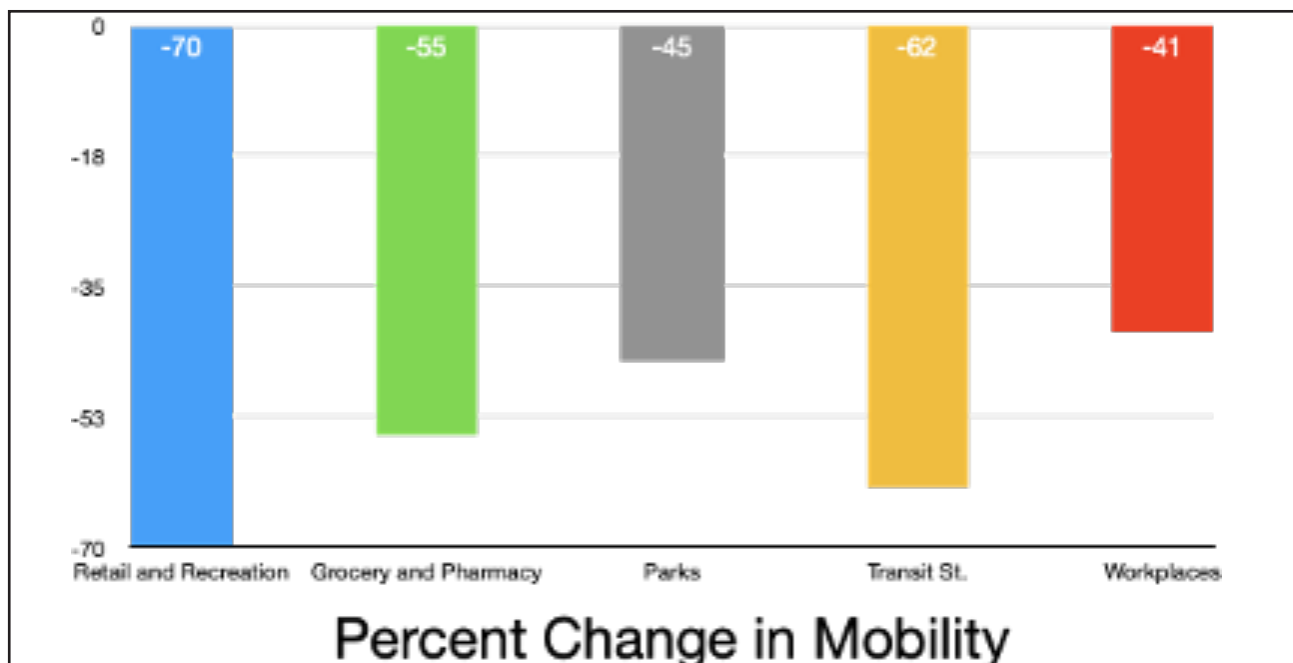
The country has been in lockdown, the economic activity has plummeted, and it is advised to stay at home in these testing times of COVID-19, as the second wave is taking a toll. Despite the clear government orders, authoritative instructions and awareness campaigns, people are less-heeded to comply with these. Away from the metropolitan hustle, there is a life that is less affected by the state orders and does go on synonymous to as it was before, with less economic transactions assuredly.

This article was written in April to understand the people's willingness to stay at home in face of COVID. Much of the situation remains same.

However, the trickle-down effects of economic slowdown are creeping in and there is a visible slowdown in community mobility in Pakistan. While the media reports indicate less affective social-distancing abiding within peripheral areas, there is clear indication of low mobility seen in urban areas and public spaces. Google mobility reports suggests a clear precipitous slowdown in mobility with the help of surveilling mechanisms of geo-locating the people.

Google started reporting the mobility changes on the baseline media of the 5-week spanning since January 3, 2020 to February 6, 2020. Based on these baseline medians, the google has been updating the mobility reports regularly. As per the data, till March 26, 2020 there is a significant decrease observable in the mobility within Pakistan.

Google has been using the location data in understanding how social distancing, or quarantine,



has affected the movements of people; and in order to map the changes in patterns, Google has been updating its reports.

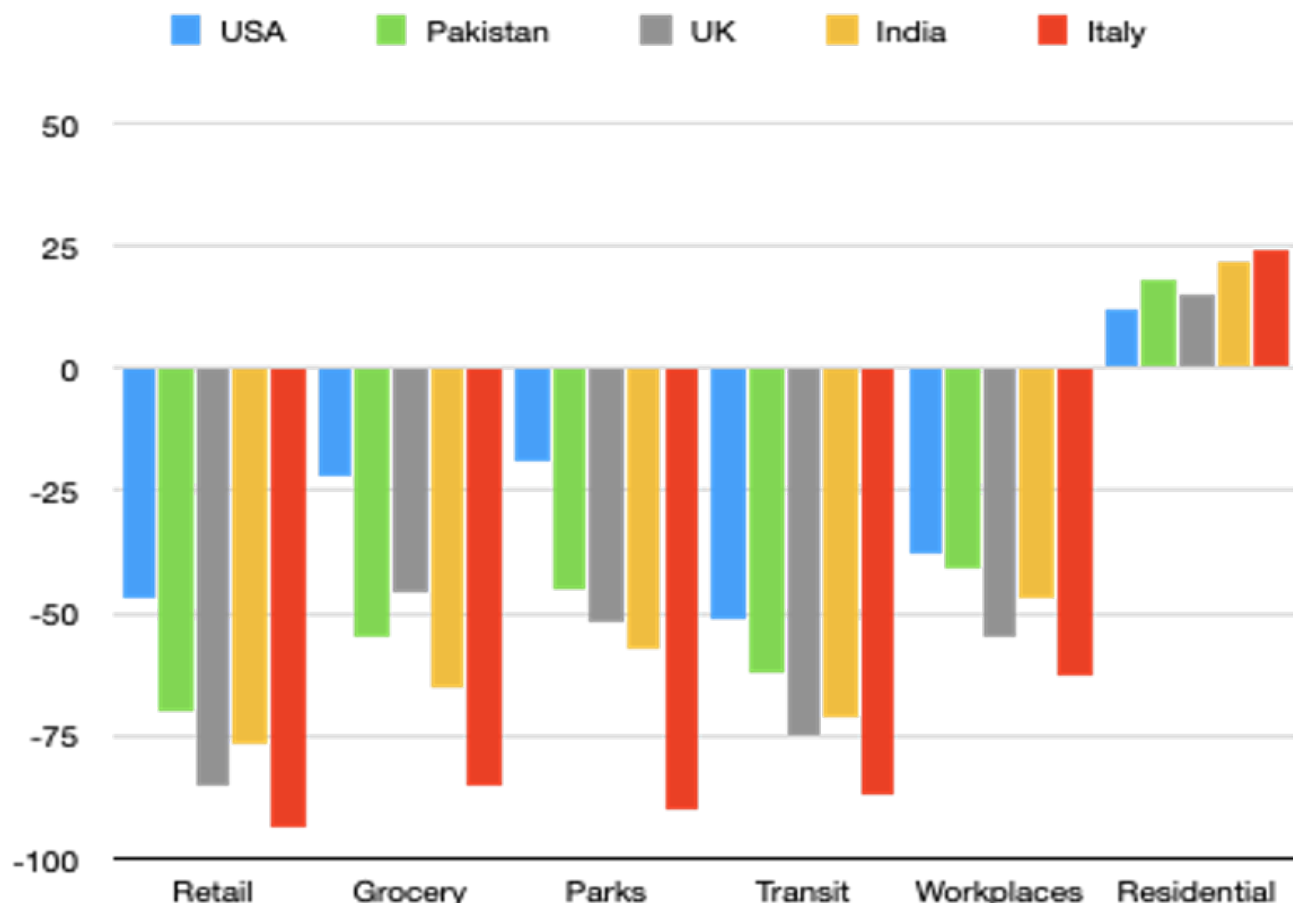
Governments worldwide are partnering with the Google, and using Google Data, to keep people at their homes, and in case of unusual gatherings and the rush, the local administration is alerted to disperse the people.

In Pakistan the statistics show a decrease of 47 % in Retail and Recreation Mobility as compared to baseline 5-week period of January to February 2020. The community movement to Grocery and Pharmacy points reduced by 55%; the movement to parks by 45% and transit stations came down by 62% because of shutting down major transit stations. The movement to workplaces has come down by 42% within last 6 weeks.

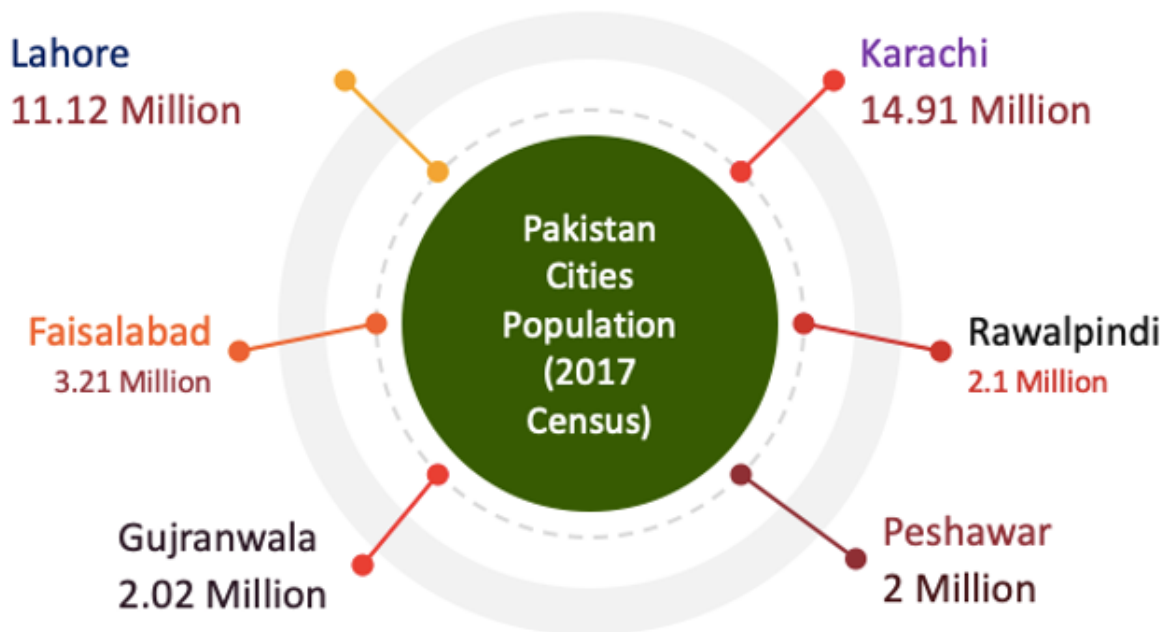
### Community Mobility Report. \*Estimates by Google

	USA	Pakistan	UK	India	Italy
<b>Retail</b>	-47	-70	-85	-77	-94
<b>Grocery</b>	-22	-55	-46	-65	-85
<b>Parks</b>	-19	-45	-52	-57	-90
<b>Transit</b>	-51	-62	-75	-71	-87
<b>Workplaces</b>	-38	-41	-55	-47	-63
<b>Residential</b>	12	18	15	22	24

In comparison with other countries, the movement in Pakistan, comparatively, has been significantly more concluding the lesser degree of lockdown and loopholes in enforcing the lockdown.



There is a strict enforcement of lockdown in Italy, as observable through statistics, after the sudden explosion of deaths and number of Corona infected patients since mid-march. This degree of rise in patients called for such extreme measures, and fear and panic looms in Italy. The United States is having the greatest number of cases of Corona, and resorting only to a partial shut-down hints as plausible cause.



With lesser percentage moving in and out of country, Pakistan still needs to have further accurate measures to contain the COVID-19.

Other than the contingent availability of data and permissions allowed through the mobile settings in individual phone sets, this data can be used as a guide for business decision making, governmental decision making.

The governments can reach out to Google to understand and map out the high-mobility zones and focus on averting COVID-19 spread in particular areas.

Businesses can understand the degree of lockdowns and decide on their supply chain matters.

## Resorting to Car Ownership

### 1. Walking?

The Urban Population wants to exercise mobility, but the greener option of walking is harmful, unavailable and dangerous.

### 3. Public Transport

The people can use public transport, rails as cheaper and shared modes of transport. But these are unavailable, inaccessible and limited to fewer routes.

### 2. Cycling?

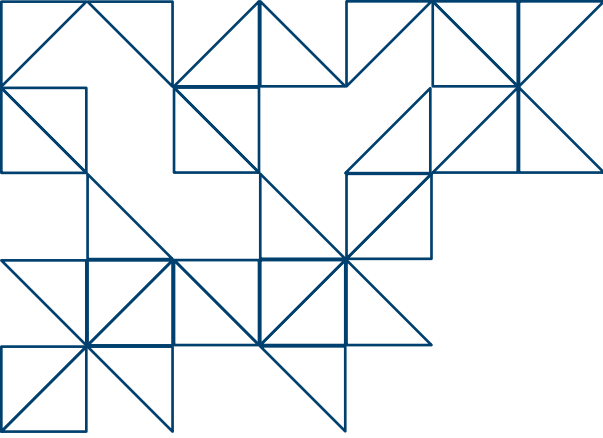
The Bicycling can lead to a greater health, less combustion, and fewer cars on road. But there are no cycle lanes on roads in Pakistan.

### 4. Cars?

First three options force people to own cars and facilitate the sprawl leading to GHG emissions, health hazards, higher costs and no public spaces.







# Edward Dodson on Rentier privilege

Pervez Tahir

Responding to my column on taxing property, Edward Dodson, director, School of Cooperative Individualism, sent one of his writings to “provide additional food for thought”. Indeed it does. A somewhat abridged version follows.

Poverty exists in every country, with differences in degree only. The fundamental cause of poverty is a status quo which benefits in every society a rent-seeking elite. What is “rent-seeking”? Nothing more than the ability to claim what others produce without producing anything in exchange. The most fundamental source of gain from rent-seeking is found in the system of property law and taxation that exists wherever there exists private property in nature, in the factor of production to which political economists gave the term “land”. What the classical political economists agreed upon, generally, is that land (i.e. nature) is the source of individual wealth but is rightfully the birthright of all persons equally. Wealth must be produced by labour with or without the use of capital goods (i.e. of tools and technologies). As

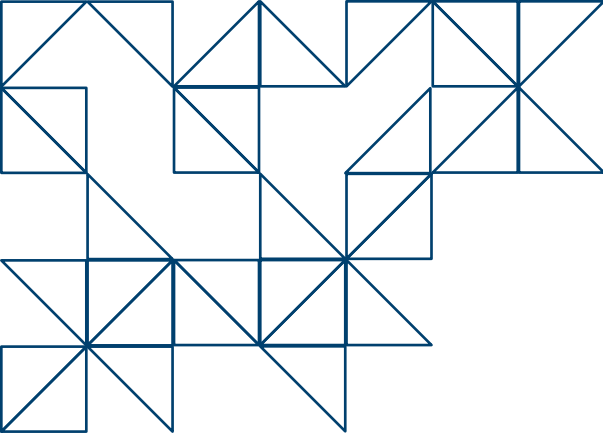


population increases so does the need for and demand for what nature offers, including sites in towns and cities on which to construct housing, businesses and engage in other activities. Thus, land will increase in value. Every tract of land, every parcel of land has some potential annual rental value as determined by competitive forces. That value — “ground rent” or simply “rent” — arises because of aggregate demand and not because of what any one holder of land does or does not do with land held. Rent is society’s share of the total production of goods by all members of a community or society. The amount of rent is determined by locational advantages attached to specific tracts or parcels of land.

Political economists going back to Cantillon, Turgot and Smith understood these relationships clearly and urged societies to collect rent to pay for public goods and services. Writers such as Paine suggested that a portion of the rent fund should be distributed to each member of a community in equal shares. Had these writers been listened to, the world would be a very different place for all persons around the planet. This was eventually explained in great deal by Henry George. The few economists today who have come to embrace the analysis of the political economists have produced analyses that reveal the consequences of the failure of government to raise needed revenue by the taxation of the rent of land (and land-like assets, such as the broadcast spectrum). Landed interests have effectively avoided the taxation of rent. They have managed to have gains on the sale of land treated more favourably than the wages from labour, by having tax law categorise such gains as “capital gains”, even though there is no such thing in the real world as a capital gain; capital goods depreciate over time down to zero.

Ending poverty requires that we end landed privilege. This was recognised by many thoughtful prominent leaders, none of whom were able to get their governments to change the existing system. Tolstoy tried in Czarist Russia, Sun Yat-sen in China. Churchill described the monopoly of land as “the mother of all monopolies”. And yet, here in the early part of the 21st century, control over the planet is becoming increasingly concentrated in the hands of a rent-seeking elite — individuals, corporations, cartels and other institutions that hold large amounts of land idle. Only a fundamental change in the laws directing how all governments — at all levels — raised public revenue will change the course of history.

**Originally published on 4th December in The Express Tribune**



# The lesson of Anandi

Hafeez Ur Rehman Hadi

In a specially convened session, the nobility of the city—the municipality, with anger and fury, condemned how the ‘unholy’ women of the city were the reason of God’s wrath, source of youth’s poor performance in education, the misguiding to the Ashrafiya women. Thus, the municipality convicted their existence. In anticipation of making a city sinless and holy, it was announced to consecrate the sinning women out of the city to a barren land where snakes and sparsity were in abundance.



ایک عہد جو تمام ہوا

Ruins of a house in Shahi Mohalla of Lahore a.k.a Heera Mandi; which used to be a hub of economic activity back in time

As the dishonored women settled in desolation, there started an economic activity. Their advent was coupled with the arrival of vendors—the paan frosh, the watering agent, imam masjid, the fruit-sellers. Witnessing the contrary to what was anticipated, the ‘visitors’ to these women started pouring in from the city. So much so, that members of nobility prolonged their delays to this previously barren land in name of trade and other excuses. The municipality could do nothing but witness the flight of nobility and capital to this newly developed town. Shortly, what in retrospect is a jiffy, there developed a city called Anandi.

This short story by the eminent Urdu writer Ghulam Abbas not only suggests the societal bigotry, inhumane and merciless attempt to ostracize women of a particular profession but it also tells a moving story of how cities develop. The cities develop around economic activity. If there’s an economic activity, people will gather around it to agglomerate.

In the case of Pakistan, it provides two counter-intuitive suggestions to ‘master-planners’: the cities evolve as per the needs of people, and their activities. Secondly, cities can agglomerate without causing unbearable congestion or sprawl for that matter.

# The Pakistan Paradox

Hafeez Ur Rehman Hadi

In his 2015 book, *The Pakistan Paradox*, Professor Christophe Jaffrelot talks about a paradox of instability and resilience in Pakistan. While he divulges the political story of creation, consolidation, and setbacks Pakistan has faced, his list of paradoxes is not exhaustive.

Hence this snippet. If I have to title the story of urban development in Pakistan, I shall have to borrow the title: *The Pakistan Paradox*.

- The cities are sprawling, yet there are huge congestion problems within cities because of rising car-ownership,
- The people want the benefits of agglomeration, yet they want to stay in far-flung single-family house units,
- The cities are growing horizontally without any centralized feasibility, but the development

## Lahore's OmniBus

Hafeez Ur Rehman Hadi

Lahore has not always been unfamiliar with public transport. Around the 1940s, the Lahore and Karachi saw a surplus making 'Lahore Omnibus Service' (LOS) which was packed after a decade of its successful operations and was one of the largest taxpayers. These double-decker buses assembled at Ferozepur Depot with engines from the Bedford Chassis had made moving around the city very convenient and had covered cities by breadth and width. The attempts by the government to seek loans from financially-too-good LOS had left the business model of LOS failed. Since then, Pakistan has seen uneven attempts at public-transport with loss-making efforts and deficit financing.



# HHI Index for Competition in Car Industry of Pakistan

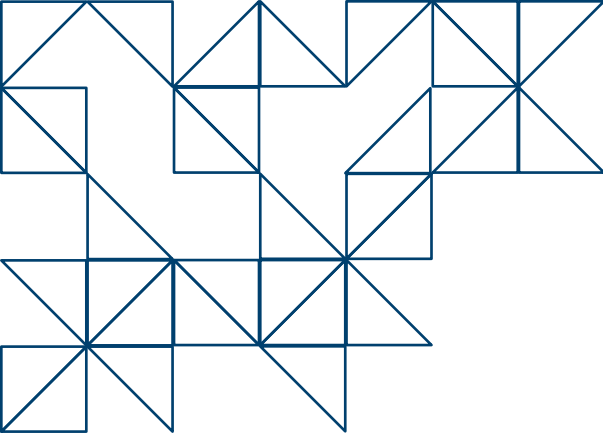
Hafeez Ur Rehman Hadi

Herfindahl-Hirschman Index or HHI is an index that measures the concentration of market players in any industry. With the high competition and number of market players, it tends to reach 0; while in the case of hegemonization it approaches its highest 10,000. The industries with HHI above 2000 are considered highly concentrated. The author calculated the HHI in the Car Industry of Pakistan with data of market share from Pak Wheels and PAMA.

- HHI in Car Industry in Pakistan
- 1300cc above category: Toyota 4500 HHI
- 1000 cc Category: Suzuki 8500 HHI
- 880 cc Category: 650

Car Pricing in World Cities												
City (Agency)	Metropolitan Population				Pricing Scheme			Payments, Costs, and Revenues				
	Scheme Launch (Min)	2020 Est. (Min)	% Change	CAGR	Description	Primary Goals	Improvements	Payments	Hours	Initial Investment (Min)	Operating Cost (Min)	Year Net Revenue (Min)
London* (Transport for London)	7.3 in 2003	9.1	24.65	1.3	The Cordon Pricing Scheme detects number of plates through cameras in the 21km <sup>2</sup> zone at entrance points, pavements, and streets.	-Reduce Congestion -Improve Air Quality -Journey Time -Funding Source	Electric Buses, Less Pollution, Funding Source, Walkability, Park and Ride Spaces	£11.5 for daytime in the restricted zone, Parking Charges Vary	Mon-Fri Daytime	\$214	\$172	182
Stockholm (Swedish Transport Administration)	1.9 In 2007	2.34	23.1	1.62	The Cordon Congestion tax scheme recognizes the number of plates in 35km <sup>2</sup> zone through cameras, gantries, etc. since 2007.	-Reduce Congestion -Improve Air Quality -Better Public Health -Funding Source	New Bus Routes, Uber, etc. Pay Taxes, Better Air, Walkability,	Variable Charges, Peak Charges, 35-50 Krona	6:30am-6:30pm	\$236.7	\$11.8	\$155
Singapore (Land Transport Authority)	3.9 In 1998	5.63	44	1.68	The electronic road pricing (ERP) is automated for specific times, roads, routes, directions, and congestion. Vehicles need to have a card topped with credit to pay automatically generated price through cameras and gantries; the scheme was first launched in 1975 and renewed 1998.	-Reduce Congestion -Improve Air Quality -Journey Time -Reliability for Car Users	Parking Fee doubled, HOV+4 Lanes made, Better Air, 15k park and ride spaces	Vary Rates, 0-4\$ for crossing 50 Points, In-Vehicle costs around \$110US	7:00am-8:00pm Mon-Sat	\$110	\$18.5	\$100
Notes: * A new policy has been issued in 2019 wherein some areas car-entry has been restricted without prior permission.												





# Why does the myth of rural Pakistan persist?

Nadeem ul Haque

Why do Pakistani official circles still like to maintain Pakistan is a rural country? Every pronouncement of government, at the cabinet table and even in donor dialog, this myth is maintained. Yet data shows otherwise.

Reza Ali, an indigenous urban researcher has been studying this use for some time. For decades he has argued that censuses are underestimating the extent of urbanization.

His most recent work using satellite imaging that about 70% of Pakistan is non-rural. He hesitated to say that 70% was urban because despite showing concentration of population several areas lacked city functionality.

He found large areas where density was at levels that were by international definitions accepted as urban. Yet he hedged and called them 'urbanizing' because he found that despite density they really were satellites of some urban core.

The new category of "urbanizing" that Ali used is newly emerging suburbia. As we all know there is a push for housing colonies and strip urbanization along roads because of the repressed demand for housing in cities. And demand for housing and urban space is growing and leading to a rapid development of housing colonies spreading cities far and wide.

Moreover, Ali is right the world has been confused about suburbia for along time. Only recently has it started waking up to how suburbia is a netherworld between rural and city and perhaps neither. The negative consequences of suburban development are now being spelt out.

But Ali's research does show that Pakistan is largely an urban country and urbanizing at a rapid rate. Although it is happening badly because of bureaucratic failure. But that is another story.

Agriculture production as a share of GDP is about 21%. It is often stated that agricultural employment is 40%. Yet various surveys show that half or more could be non-farm employment. If that is correct than agricultural production employs about 20% of the labor force. What is more important is that agriculture is a declining industry.

Why this pressure in official circles to keep Pakistan an agricultural country. USAID continues to characterize Pakistan as an agricultural country and the economic growth component of its aid is based mainly on agriculture.



When I was in charge of the Planning Commission, I told them many times that Pakistan was now largely urban and that we wanted an urban based growth policy. The Pakistan Framework of Economic Growth accepted by the NEC and Cabinet was an urban based growth strategy. The bureaucracy, EAD and USAID however remain rural focused. Perhaps John Perkins (Confessions of an Economic Hitman) is right, US-AID does not want Pakistan to develop. Maybe USAID wants to keep us as a farming hinterland! We can't even have a debate on this subject despite Ali's work which is now about 5 years old and still not recognized by donors.

DFID commissioned a study on urban areas by a young assistant professor at one of our prestigious universities which cited no work of Ali or of any other urban researcher. The researcher told me donors did not know any Pakistan work (such as at PIDE or Planning Commission) on urban areas and more importantly they did not even want to recognize such work. Yet DIFD published the report. Why then should the young researcher know more than what the donor contracted. So, we have the myth of rural Pakistan.

I remember at an ECC meeting one minister made this very eloquent speech to counter the pro-market, urban voices by saying in a nice modulated voice "Finance Minister, we can continue our conversation on markets and policy, but one issue is settled we are a rural country and the poor farmers deserve subsidy" Of course, if we are a rural country:

"Agriculture production as a share of GDP is about 21%. It is often stated that agricultural employment is 40%. Yet various surveys show that half or more could be non-farm employment."

1. Agriculture incomes must not be taxed.
2. Subsidies must be given on inputs such as water, electricity and fertilizer.
3. Farm to market roads (mainly to havelis) of influential must be made.
4. Support prices can be kept well above the market.

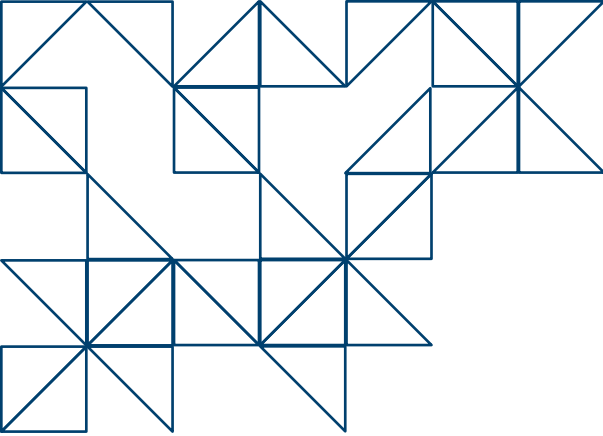
I was also surprised at the number of bureaucrats and politicians in meetings who professed to be

farmers and speak on behalf of agriculture, of course to increase some form of subsidy to agriculture. Recall the government has on occasion given agricultural land as a gift to senior officials, judges, generals. These people and their children now in official positions maintain the myth of rural Pakistan.

I asked some bureaucrats why so many of them are farmers? The answer was that having a DMG job is considerable advantage to farming. State resources can easily be used to help manage and even increase some productivity. Timely and abundant supplies of water, seed, fertilizer, electricity are available to those with political or bureaucratic muscle.

So, our policy continues to remain distorted because of the nexus of landlords and donors. Interestingly local intellectuals like Ali even when they do great work remain invisible.

**Published in Pakistan Today on 17th April, 2016**

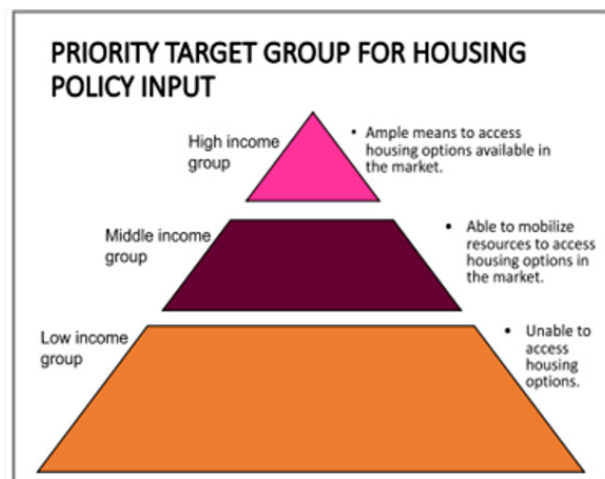


# Construction without real estate development

Nadeem Khurshid and Nadeem Ul Haque

Construction is an important industry which although despite only accounting for 3% of the GDP directly in the economy through its linkages with other important industries holds great significance. Given the strategic importance of the construction industry, it is often used by governments and policymakers to spur investment in the economy and revive growth through a cascading effect in times of economic downturn. In the wake of the economic downturn that has afflicted Pakistan's economy due to the coronavirus pandemic, the incumbent government has introduced special reforms and concessions to investors in the construction sector in the shape of a 'Construction'. The ultimate aim of the government is to revive growth in the economy by incentivizing private investment along with the public investment in the construction sector, this in turn through construction industry's linkages with other important industries will generate economic activity, create jobs and lead to a revival of the economy.

In a recent PIDE working paper, the authors argued that although there are concrete examples that can be cited from around the world where governments have used investment in construction sector to spur economic growth, any such growth can only happen if the right conditions in the economy exist. For particular emphasis is the need for well-established and functioning real estate markets that go hand in hand with the construction activity. The government aims through using construction to stimulate the economy also fulfill one of Prime Minister's campaign promises i.e. providing subsidized housing for the poor in Pakistan. But as the authors point out in their



paper any attempt to provide housing at the monumental scale that was promised (5 million units) can only be done through involving the private sector effectively and create well-functioning and affordable housing real estate and housing markets.

Firstly, the authors point out the obvious that the government does not have the financial capacity to finance subsidized housing on the scale that is being mentioned. Furthermore, they point out that even in relatively more developed economies; house ownership is restricted and by no means extensive within the population. Most people in advanced economies too are reliant of real estate and lease-markets to meet their housing needs. The fact of the reality is that the low-income group which comprises the largest chunk of the population in the country will still be unable to access the housing market despite any subsidized housing options that the government could provide given its own limitations. This section of population would most probably continue to live in informal squatter settlements which are often termed as 'katchi abadis'. The typical housing markets would only be accessible to those that belong to the high- and middle-income groups. Even for this part of the population, and particularly for the mid-

middle-income group, housing options are limited. The target of government policy should be to target this middle-income group that when given the right options are able to mobilize resources and get access to the housing and real estate markets.

But even here, as the authors point out there are serious impediments to increasing the reach of middle-income groups to housing options given the extremely high real estate costs and the economic uncertainty

that these middle income groups face at a micro-level with regards to stable sources of income. If one was to take the example of trying to establish a mortgage housing market in the country, the prices involved mean that only the very rich can get access to credit either private or at publicly subsidized rates to enable them to access the expensive housing options.

One way in which the very high costs of housing units can be reduced and hence brought within reach of the middle income group is by prioritizing apartment units over housing units. This however will require significant rethink of urban planning policy that has been yet far

favored in Pakistani cities. The current model prioritizes single unit horizontal housing units that take up a lot of space and end up driving the cost of housing space in the city along with contributing to uncontrolled urban sprawl. The need is to prioritize high-rise development which includes apartment buildings that can provide affordable housing options. Height restrictions on building need to be relaxed and the Floor-Area-Ratio regulations need to be relaxed to allow for high-rise construction. Furthermore, the cumbersome zoning laws need to be changed so that mixed use of land i.e. for both residential and commercial purposes is encouraged to a point that it becomes a predominant reality.

Summarized by: Raja Rafi Ullah

### Box: Some Mortgage Arithmetic

- While collateral is important for a mortgage, the creditor wants a steady source of income and does not want to undertake the costs of collecting on the collateral and disposing of it. Creditors also like to lock in a secure income to avoid the risk of collection or the price fluctuation of real estate. Thus, the most important element of a mortgage is the income of the mortgage holder.
- Mortgages are possible with property as collateral, but more importantly a "good job" is essential i.e., secure, steady, with income growth and some form of insurance to cover risk.
- The rule of thumb used by most creditors is that the borrower cannot commit her full income to servicing the mortgage. Taking into account the family's needs, servicing a mortgage, as when paying rent, should require no more than 25-30 percent of a mortgagee's income. Thus, it is safe to assume that mortgages will be available at 3-4 times a person's secure income. With that in mind, the following table shows the mortgage possibility for various income groups, from poor to rich.

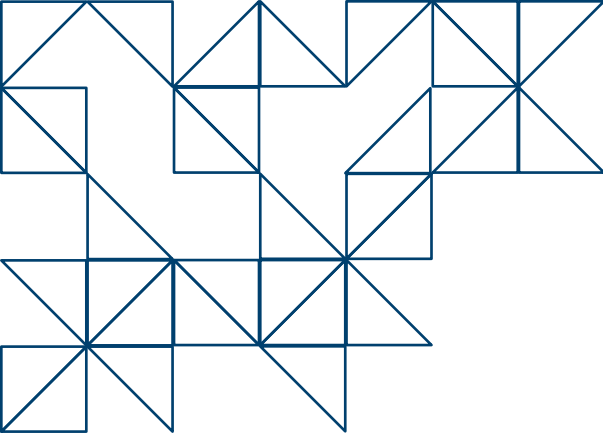
Mortgage Potential by Income			
Monthly Secure Income	20,000	200,000	400,000
Annual Income	240,000	2,400,000	4,800,000
Mortgage=3*Annual	720,000	7,200,000	14,400,000
Mortgage =4*Annual	960,000	9,600,000	19,200,000

#### Conclusion:

- Given property prices of well over Rs.10 million, only the very rich can get a mortgage, provided they can show good, secure jobs.
- The poor, who have no secure jobs or prospects of increased income, will probably not be able to get a mortgage.







# Spading the real estate industry in Pakistan

Hafeez Ur Rehman Hadi

There is a commonly found motivation to invest in real-estate market in Pakistan. Rightly so, for the peer assurance that the investment is risk free, yields greater return, and greater degree of informality. However, as researcher, the question in hindsight is

***What is real estate industry in Pakistan? How does it fundamentally differ from the other real estate markets worldwide? And above all, if this is a misnomer?***

Real Estate is an important part of economic activity and wealth creation, partly because housing is a basic need. Secondly, real estate is a huge investment attraction worldwide. However, the real estate in Pakistan differs significantly because of excessive plot making, sprawl, filing system, and extravagant speculation. The webinar organised by the Pakistan Institute of Development Economics discussed the issues of industry in detail with voicing of stakeholders.

To begin with, there's dearth of research in this billion-dollar industry in Pakistan. There does not exist any real estate research centre in Pakistan nor does any university offers a dedicated degree in the subject. The industry itself is highly fragmented. There are multiple institutions with regulating jurisdictions in cities with no coordination, hence it is impossible to evaluate the total size of market and trends. Cash based Market

"REIT Scheme" means a REIT Scheme as defined in the Real Estate Investment Trust Regulations 2015.

Real Estate is not considered as "industry" under the Income Tax Ordinance, 2001. In 2020, they added a new provision saying: from the 1st day of May, 2020, a person directly involved in the construction of buildings, roads, bridges and other such structures or the development of land, to the extent and for the purpose of import of plant and machinery to be utilized in such activity, subject to such conditions as may be notified by the Board. -Ikram Ul Haq

## Sector or Industry?

The Income Tax Ordinance 2001 does not consider Real Estate as the 'industry'. However, earlier this year the 30 billion construction package and several tax exemptions to construction and housing sector had underscored the importance of this industry. There is a huge gap between the DC value and real market value. People use these as proxies to evade taxes, under-invoice in official documentation, hence, poor performance in tax revenues.

The Real Estate Industry is further obstructing the competition through development of several kinds of real estate developments. Authorities-led estate is high-risk and expensive but yield higher return and quickly. Furthermore, there are cooperative housing societies, private housing societies, and various government department societies. The return differential makes this industry even more complicated.

## Realtors

The Realtors are the agents that facilitate the transactions in real estate or construction industry. Without the strong centralized association, notwithstanding ABAD etc., these realtors are not registered, regulated; hence contribute to asymmetric information. The panelists urged to have some mechanism that could uniformly define the role of realtors and verify the trusted realtors.

## House Financing or Mortgaging

The house-financing through commercial banks is almost non-existent. According to Adil Khan, Head of Business Development at Zameen.com, out of 14,000 leads that were generated by the Zameen.com in previous year only 1 person was disbursed with house financing loans of 5.8 million Pkr. This market is highly cash based with little or no traces of transactions.

In Pakistan, usually the housing finance is offered by the commercial banks at the rates incremental to the policy rate. Since, the SBP policy rates were as high as the 13.75; the housing finance can be rationalised at the rates above than these. To start with, housing finance shouldn't be offered by commercial banks, and at best, could be done by subsidiaries with dedicated housing finance portfolio.

The idea of mortgaging is novel to the citizenry, and people are averse to it. The only house building finance commission has been performing poorly and has failed to simulate any significant contribution in industry.

## Multiple Transactions

The process of doing business in Pakistan is heavily wedded with multiple time-taking transactions. These transactions, needed approvals and NOCs are the impediments in process of doing business in any sector particularly real estate. According to panelists, there are score of transactions and NOCs required to do business in the sector. Any transaction starts with token money, then there are multiple No Objection Certificates required to construct anything on a plot.

## Permission Economy

The country is running a permission economy with highly-regulated processes to run businesses. Along with more than 20 certificates and several taxes including CVT, Stamp duty, advanced taxes etc. There are further permissions required if the land comes under the jurisdiction of special authorities such as Défense Housing Authority or Cantonment Boards etc. These supervisory bodies have their own charters with varying demands that make the business/construction more cumbersome.

Because of these complications, the cases registered in National Accountability Bureau are largely about the land grabbing, non-compliance, or based on the regulatory complications.

## Have we Digitized?

The government of Punjab has made strides in digitising the patwar system (the land registration, transfer etc. system) with help of Punjab Information Technology Board and other departments. Another effort, amongst others, was the Land Record Management and Information System (LRMIS). The government of Punjab appointed several Land Record Officers as well as Additional Directors; however the accounts in the webinar mentioned that the digitisation efforts have been poor, and 'patwar system is still alive.' Supporting this claim, a panellist mentioned that out of his 80 acres of land, a naala claimed 2 acres. It was the Patwari, who marked 2 acres extra on his 'naqsha' to compensate those 2 acres of land.

The shift is coming—FAR values and purchasing power is decreasing; it means the real estate industry shall have more competition and lesser revenue yields.

The government is heavily subsidizing the real-estate industry without understanding the needs of buyer side. As Shabbar Zaidi, former Chairman of FBR suggested, the demand of household is from the poor household while the real-estate investment is a play between upper middle class to yield returns and benefit from rented economy; or a tool to whiten their ill-earned money.

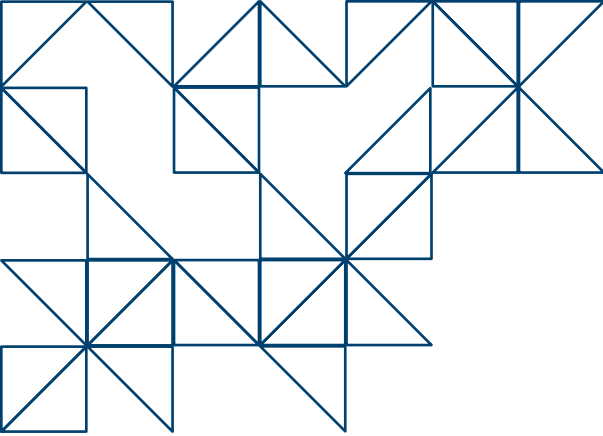
Arif Hasan recently highlighted in an article published in 'Dawn': "The seriousness of the housing issue in Pakistan can be judged from the fact that conservative estimates put the housing backlog at nine million units which is increasing at 300,000 units annually because of unmet demand. 62 percent of this demand is for lower income groups".

This is a summary of the webinar organized by the Pakistan Institute of Development Economics on Real Estate Industry.



# Supplement





# Making exports a policy priority: nothing mercantilist about it

Gonzalo J. Varela

**Exports are crucial for Pakistan's development, yet, they have been stagnant for too long. Increasing them should be a policy priority.** This column presents three arguments in praise of exports and suggests avenues for boosting them. Exports bring foreign exchange into the economy, essential to finance well-needed imports, and to reduce macroeconomic risks. They also create good quality jobs, pulling labor out of low-productivity informal activities. And, importantly, exports are associated with productivity gains through increased scale and increased exposure to sophisticated global clients. To boost exports, the Government of Pakistan needs to make exporting more profitable than selling domestically by adjusting its tariff policy and modernizing its export and investment promotion initiatives.

## A little background...

**Pakistan's exports have stagnated since the turn of the century.** Despite the rapid recovery from the COVID19 shock – exports of October and November 2020 are roughly on par with those of 2019 – a long-term examination of export performance reveals stagnation. In 1990, the export market share of Pakistani firms stood at 0.19%. By 2019, it had fallen by almost 40% to 0.12%. The combination of three elements seem to be behind this trend. First, little capacity to attract FDI, crucial to take advantage of the powerful export platforms that GVCs have become during the last two decades. Second, an overvalued exchange rate during much of the 2010s that made exporting more difficult. Third, a tariff policy that rewards domestic sales rather than exporting seem to be behind this trend. Indeed, the country is today more inward looking than it was at the turn of the century.

**Concerns about inward orientation are not mercantilist in nature.** Mercantilism, a common economic theory in Europe during the 16th to the 18th century, associates an economy's wealth with the accumulation of precious metals (or hard currency, in modern times). Within this framework, then, trade surpluses are inherently good, because they allow countries to accumulate wealth. As a result, a nation can only grow wealthier at the expense of another one (someone must run a trade deficit for you to run a trade surplus). What follows is protectionist policies that curb imports, and a collapse of trade (because countries retaliate!). But this column is not promoting mercantilism in the least. Instead, this column argues that it is increased productivity, leading to more and better jobs, and then to greater welfare of people that is at the base of a country's wealth, not a positive trade balance. Indeed, exports are not good per se. That is, there is in principle nothing 'honorable' about exports. They are just a means to an end. As put by Krugman "what a country gains from trade is the ability to import things it wants. Exports are not an objective in and of themselves: the need to export is a burden that a country must bear because its import suppliers are crass enough to demand payment". It so happens that they are a pretty useful 'burden' to bear, for three reasons: macro stability, job creation, and productivity. That's why, from a purely instrumental point of view, exports should be a policy priority.

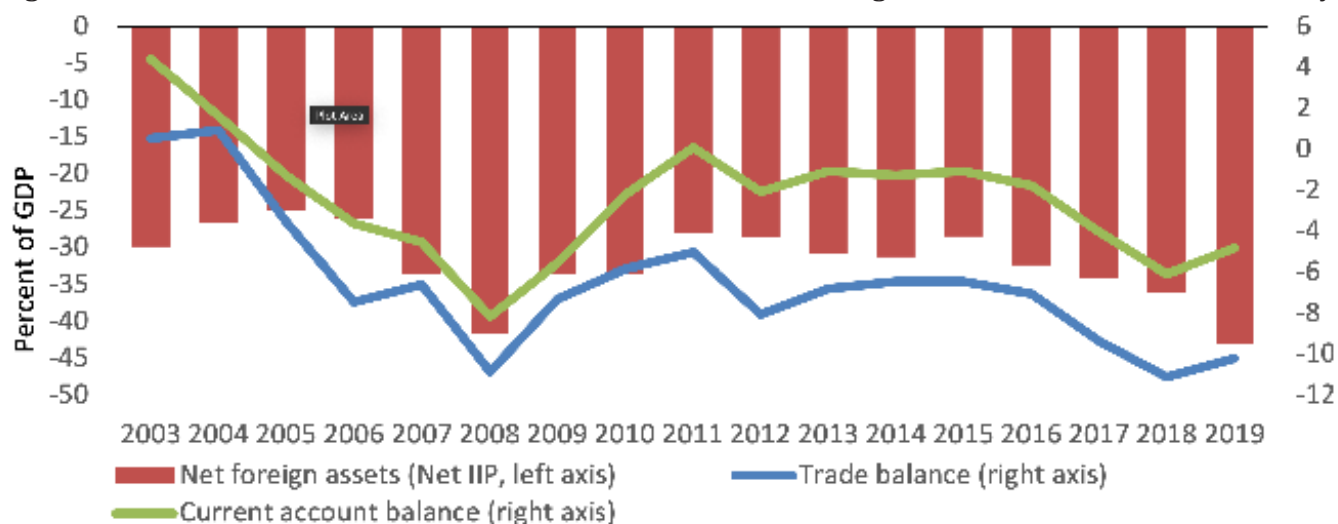
## Boosting exports for macro stability...

**Stagnating exports in Pakistan led to systematic current account deficits (CADs) over the past two decades, increased macro instability, and therefore heightened perceived risk of future**



**lower growth.** High effective rates of protection for domestic industries, coupled with an overvalued exchange rate during much of the 2010s contributed to underwhelming export performance. With relatively fast import growth, the trade deficit led to persistent CADs, despite high remittances. Accumulated CADs added to the stock of net foreign liabilities (NFL), that now stand at about 40% of GDP. These generate a stream of debt servicing and amortization payments that falls on future generations. Accumulated NFLs, in turn, lead directly to future current account deficits through larger income outflows. They increase the perception of country risk, driving interest payments up and compromising macro stability.

**Figure 1: Pakistan's trade and current account imbalances and net foreign assets since the turn of the century**

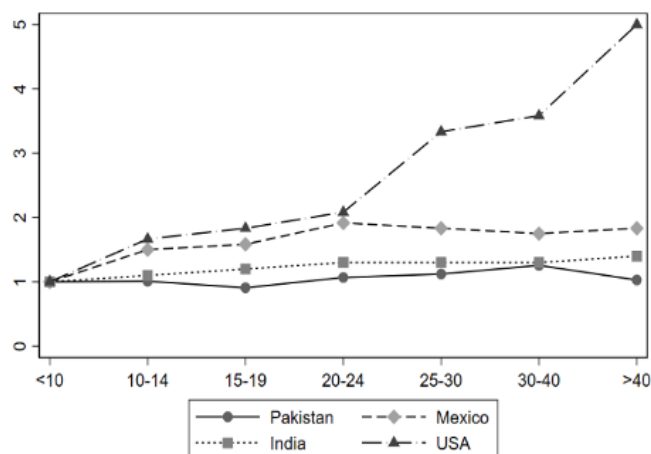


Source: IMF-IFS, Ministry of Finance, Pakistan Bureau of Statistics and World Bank

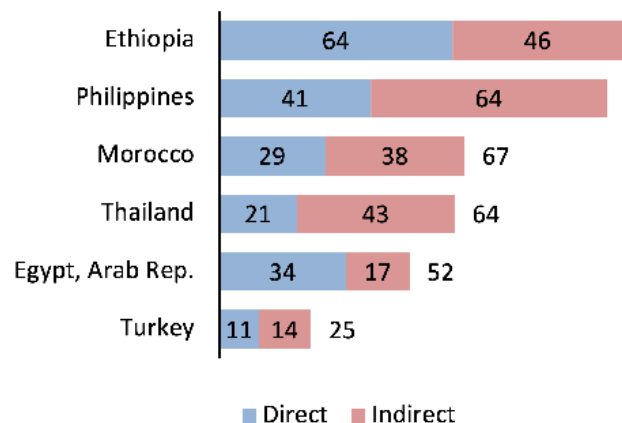
### Boosting exports for job creation...

**Exports can be a powerful engine for the creation of good quality jobs.** Increased export competitiveness has substantial potential to create quality jobs. This is crucial for Pakistan, a country in which almost three out of four jobs outside agriculture are in the informal sector, which operates at low productivity levels, and therefore offers relatively low wages to its workers. Increasing export activity helps pull workers away from the low-productivity/low-wages informal sector, into the higher productivity/high-wages formal sector. Indeed, formal job creation in Pakistan has been a challenge in Pakistan recently, as formal firms struggle to grow large as they grow old. In fact, a young, formal firm in Pakistan, with less than 10 years in operations is about the same size as a firm with 20-25 years in operations (Figure 2). Data for comparable labor abundant countries specialized in labor intensive industries, such as Ethiopia or the Philippines shows that every additional one million US dollar exports, between 64 to 41 jobs are created directly and an additional 40 are created indirectly (Figure 3). This means that if Pakistan's exports had grown at the same rate as Vietnam's during the last fifteen years, Pakistani exporters would have created an additional 6 million direct jobs in the sector – about one-fourth of the 23.6 million additional workers that entered the labor force during that period.

**Figure 2: Plant Size by Age in the Cross Section**



**Figure 3: Direct and indirect jobs per \$1 million exports**



Source: Mexico, India and USA data come from Hsieh and Klenow (2014), data for Pakistan comes from Lovo and Varela (2020)

Source: Autor's calculations based on the Jobs Content of Exports Toolkit (World Bank).

## Boosting exports for productivity growth...

**Underwhelming export performance has resulted in sluggish productivity growth, crucial for sustainable economic growth in the long term.** To be sure, low export performance is both cause and consequence of productivity stagnation. Successful integration into the global marketplace through exporting requires a minimum threshold of productivity of firms. At the same time, as firms export systematically, their productivity increases through more exposure to competition, and knowledge transfers (there is 'learning by exporting'). An example of this bidirectional relationship between productivity and exporting is the fact that Pakistani exporters are on average more productive than non-exporting, comparable firms, and their productivity grows as they export more systematically (Figure 4). Yet, Pakistani firms have not taken advantage of this productivity-enhancing platform that exporting activity offers. They have not done so, in part, because high effective rates of protection for domestic industries make the domestic market much cozier than distant and highly competitive export markets. Essentially, high effective rates of protection have made exporting relatively unprofitable when compared to selling domestically, virtually shutting down a great escalator for productivity growth: exporting.

*the additional job creation is estimated at 6 million. During that period, data from Pakistan's Labor Force Surveys suggest 23.6 million new workers were added to the labor force.*

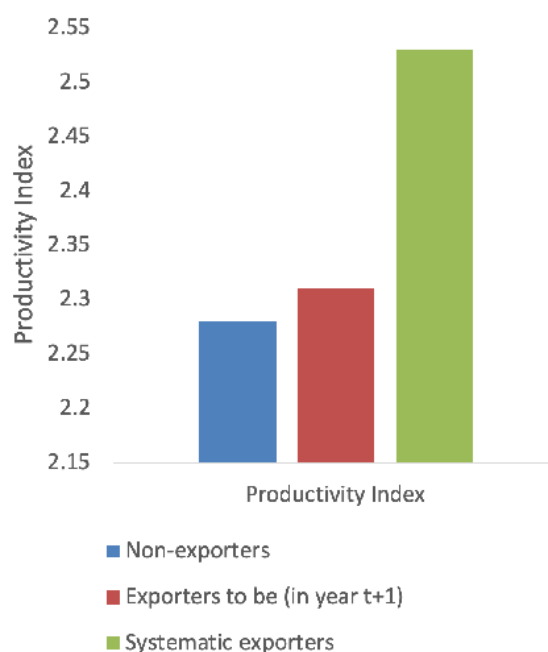
*Atkin et al (2017) provide the most direct evidence on productivity gains through exporting. They randomly provide opportunities to export to Egyptian rug manufacturers. By focusing on a narrow industry, they can measure productivity more convincingly than previous researchers. They find that several years after the initial export opportunity, firms that received the opportunity (treated firms) have higher quality-adjusted productivity. Treated firms produce higher quality rugs but do not take any longer to manufacture them. The authors document productivity improvements that come in part from knowledge flows between foreign buyers, local intermediaries, and the producers (exporters).*

## Boosting exports, but how?

### **Increasing exports will require making exporting more profitable than selling domestically.**

A reasonable question to ask is: if exports are great, then why don't Pakistani profit maximizing firms export more? The answer is because economic policies have made exporting a less profitable activity than focusing on the domestic market. How to change that? There are three areas in which reforms could greatly impact export performance in Pakistan by increasing its relative profitability: import tariff reforms, export promotion, and investment promotion reforms. First, the combination of high tariffs on final goods and relatively lower tariffs on intermediates and raw materials, make effective protection of domestic industries high. This means these firms will choose the market in which they are protected (the domestic one) relative to the one in which they are not (the global one). They will sell domestically rather than exporting. The high import duties act implicitly as an export duty – they make domestic markets much more attractive than export markets. Second, export promotion in the form of direct support to exporting firms should place more importance on new exporters than old, be linked to performance targets, and be subject to rigorous impact evaluation. This way, support can focus on what interventions that are proven, rather than assumed, to be impactful in reducing exporting costs for firms. Third, investment promotion with focus on attracting efficiency-seeking foreign direct investment will be instrumental in helping Pakistani firms leverage the powerful platform that GVCs are for export growth.

**Figure 4: Productivity and exporting in Pakistan**



Source: Lovo and Varela (2020).





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