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MUNICIPAL PLANNING LAND  
AND  
HOUSING DEVELOPMENT  
IN THE PUNJAB

VOLUME I  
MAIN REPORT

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**CHAPTER 1**

**EXECUTIVE SUMMARY**

## **A- INTRODUCTION**

The study on Municipal Planning and Land Development in the Punjab was commissioned by USAID. The report provides a brief historical review of the development of land registration and land transfer in the Punjab and discusses how the cities of Lahore and Rawalpindi and the capital city of Islamabad have evolved over time. The report evaluates the existing land development process in each of the three cities and also the role of the Provincial Government in planning and funding development throughout the Province. It discusses the policy, legal, fiscal and institutional factors that have constrained the land development process and which have led to severe problems in the provision and maintenance of urban infrastructure. It discusses the equally severe problems in making land available for development of housing stock in the three cities. The final chapter of the report describes proposals that can improve the land development and urban infrastructure delivery systems in these cities.

Land development and urban environmental management are the foundations upon which communities, cities and countries are built. In Pakistan, as in most developing countries, the land development process does not function adequately, and provision of urban infrastructure has not been able to keep pace with the rapid growth of urban centers. The report provides an overview of the development process in the Punjab. Its primary purpose is to allow for a better understanding of the constraints in the existing process and to recommend actions which will effect the process directly with the objective of making the process function more efficiently. The report should lay the groundwork for more detailed and focused work in the area of land development.

## **B- AN OVERVIEW**

Peoples' work, their homes, and most of the activities involved in their daily lives are directly tied to the land. Land is what countries normally fight about. It is what people seek to give their lives meaning and stability. It is not just for housing but for industry, commerce, recreation and a multitude of other human activities. To have stability in a developing country, stability in the land is needed. There is little or no stability in land in Pakistan.

Land title, registration and transfer is a tangled mess in Pakistan. High cost of registering title, the extensive use of unofficial means of transfer and the lack of a formal development process at the local levels of government have

all contributed to the slow development of land for housing in and around the urban areas. Government development of land for the benefit of government employees and politicians has helped create a land shortage in the major urban areas and has fueled a rapid rise in land prices in the large cities where the government continued to dominate the development process for its own benefit.

There is an immediate need to start to change the methods by which urban infrastructure is currently provided. Fragmentation of authority among Municipal Corporations, Cantonment Boards and local Development Authorities has created a haphazard approach to infrastructure provision. There needs to be one agency in control of land use in a metropolitan area.

Overlaying the system is the government's direct involvement in land development. This has kept private development out of the picture to a great extent. Private development schemes have, more often than not, taken the form of land speculation and given the private sector a bad name. Many private developments in the Punjab have been paper developments with lots laid out but no infrastructure provided or anticipated. These subdivisions are sold off for a quick profit and they almost always remain vacant and unproductive.

Government created the system which produced the speculation. It has used the speculation to continue its development of land for its own benefit. This system must be changed. Government's job should be to control private development not to do development itself. Better titling and registration of land are important issues but peripheral to the central question of the role of government in land development. We believe the government must get out of the business of land development and back into the business of land use control.

The private owners of land should consolidate and develop the land. Government can provide mechanism to facilitate this consolidation. Where there is government ownership of land the government should only be involved in land development for general public purposes, such as buildings, parks, monuments, etc. If the government wishes the land to be developed for a certain land use, such as, housing it should sell off the land to the private sector and allow the private sector to develop the land to the specified and approved use.

Infrastructure provision is critical to a smoothly functioning urban area. Its improvement and extension must be carefully planned by government. Financial planning for infrastructure extension and improvement are also critical. Contracting for infrastructure has traditionally been done by government. Because of lack of funding and corruption in

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the process, infrastructure has not been provided in an efficient manner. We believe that to make the development process work in urban areas in the Punjab, the government must remove itself from the contracting and financing process to the extent possible. Mechanism for financing infrastructure, such as private sector bonds, using land as collateral and guaranteed by the Provincial government could allow private sector development of infrastructure on a much larger scale. The bonds can be paid off through the property taxation system.

We believe the only way to begin to have a workable development process in the urban areas of Pakistan is to gradually remove the government from the business of physical land development and get government back into the business of planning, regulating and controlling land development.

#### **C- SUMMARY OF FINDINGS**

**System of Favoritism.** The British imposed land revenue system was built to support its efforts to conquer, divide, and rule the people of the sub-continent. It is a system which favours large land holdings and agricultural use (land mainly given to British supporters), and division of the land for non-agricultural purposes requires a cumbersome legal process which often takes more than ten years to take action.

**Difficult Land Acquisition & Transfer.** The 1894 Land Acquisition Act, formalized the British system and incorporates rules which makes land acquisition and transfer difficult at best. The legal and administrative procedures for land management in Islamabad, Rawalpindi, and Lahore derive their powers by delegation of the Province from the Land Acquisition Act of 1894.

**Poor Physical Planning.** Physical planning in Lahore and Rawalpindi is fragmented due to the separation of land use control among the Municipal Corporation, the Cantonment Board, and the Development Authority. There is little or no coordination between the three authorities in the provision of basic urban services and infrastructure. This fragmentation has undermined the efficient expansion of services and infrastructure at the metropolitan level.

**Shortage of Vacant Land.** Due to the inefficient use of urban land by the Municipal Corporations, Cantonment Boards, and Development Authorities there is now an acute shortage of vacant land which can be made available for development. And since the responsible authorities have allocated most of the land at 10% or less of market value, government has not received the return on development which would allow it to finance the development of new areas. Except in Islamabad,

where there is still a large amount of vacant land, the metropolitan areas, we investigated, were faced with growing demand and limited supply of land.

**High Urban Land Prices.** Urban land prices have risen rapidly over the last twenty years. This is due to a number of factors. Drug money in the 70's and 80's found land a good investment for large cash holdings and bid the land prices up. Government found land to be a major source of wealth for its own employees and used its land development control to develop large tracts of urban land and allocate it to politicians and bureaucrats as a non-transparent benefit. For example, a plot of land (one kanal) in Islamabad is sold to a retiree for a price of 175,000 rupees. The market value of this one kanal of land is currently 1,200,000 rupees. This represents a 1,000,000 rupee non-transparent benefit to the employee which is more money than the average Pakistani would earn in 27 years of labor. The system is organized by the government to benefit the government bureaucracy, not the general public it is supposed to serve.

**No mechanism for private land consolidation.** Private land is available in Lahore but is mostly in small individual parcels unsuitable for larger scale housing development. Due to the difficulties in land titling and transfer it is virtually impossible to consolidate private land for more efficient usage.

**No Effective Land Development Process for Private Sector.** There is a significant amount of privately held land in Rawalpindi and Islamabad. Unfortunately, the land development process is mainly functioning to accommodate government development for government or government employee building society benefit. There is no effective development process in any metropolitan area in the Punjab which provides a formal mechanism for a developer to follow if he wishes to propose a project and gain government approval for the project. There has been some recent efforts to involve private developers in land development but such actions are on an ad hoc basis and the procedures proposed for review individual projects is tentative at best.

**Technical assistance needed for process development.** The Rawalpindi Development Authority (RDA) has shown interest in providing a formal process for private sector developers to follow to gain approval for their projects. We have discussed this emerging process in the body of this report. Our conclusion from reviewing the current RDA development process is that a new process has to be developed if a significant amount of land is to be made available for private sector housing development in urban areas.

**Inadequate Land Use Controls.** There are 102 building societies with a variety of land development schemes in the

areas under the authority of the Rawalpindi Development Authority. Many of these schemes are very speculative in nature and provide a very risky investment for their clients. There is an immediate need to bring these housing schemes under some control and supervision to protect their investors.

No current five year plans. The local authorities do have statistics on housing shortages in their communities. They do not have duly approved five year land use/transportation plans to address these shortages. Even more importantly they do not have five year financial plans which can start to address how the needed development can be funded.

Development Authorities need to make more land available to private developers. The CDA until recently has only worked with private developers to provide housing for government employees. The CDA is currently launching a scheme to open new areas of Islamabad to joint public private development. The RDA in Pindi is starting to investigate the possibilities of public private partnerships. Hopefully, this will mean at least a small portion of the remaining land in Islamabad can go directly to the general public rather than first being allocated to government employees at 10% of its market value and then being purchased by the private sector at market rates. One of the reasons prices of land in Islamabad have risen so rapidly is that many of the government employees receiving plots already have homes and therefore are holding these surplus plots for speculation.

Provincial Government Land Registration records are inadequate. Records kept by the Land Revenue Department provide only a rebuttable presumption of valid title to land in favor of the person whose name is mentioned in the Record of Rights. Oral sales of land are legally permissible in rural areas of the Punjab. In cases of inheritance, changes in ownership of land are usually not reflected in the revenue record for a long time.

Development Authority Land Registration Records are inadequate. Records maintained by Development Authorities are not conclusive evidence of title. While subsequent sales are compulsorily registerable, the new owners are not required under the law to get the changes effected in the record of the Authority. The Authority in turn does not often bother to have their transactions recorded in the Provincial Record of Rights. This all provides a muddled system of land ownership and land transfer.

Land Registration/Transfer fees are too high. Most changes in ownership are not recorded because of the high charge levied by the Provinces in stamp duty tax for formal registration and the Corporation Tax of the Development Authorities. Additionally, there are other high fees for

formal registration of land transfer. These include a 5% Capital Value Tax on non-assesseees (people who are not registered tax payers). There are 100,000 registered tax payers in a country with a population of 125,000,000 people so non-assesseees are the vast majority. Excise Tax on housing construction adds another 2% fee. All of these fees together make it difficult or impossible for formal title registration or transfer.

**Unofficial Transfers continue to tangle the system.** Because of the high cost of formal land registration people have created less expensive unofficial means of transfer. In Development Authority areas, the majority of land transactions are now undertaken through a sales agreement and power of attorney in favor of the buyer in regard to the land in question. In Building Society areas, an allotment letter from the society to the land purchaser is the only record of title. Legal ownership if it exists remains in the name of the Society. Benami transfer which register transactions under a fictitious name are also common and are used to avoid wealth tax. Even more common is the practice of not registering a transfer at all.

**Land & Construction Financing are Needed.** There is virtually no land financing or subdivision bridge financing available in Pakistan. This has slowed the rate of growth in housing stock. Financing is not available mainly due to the problems in legal title and the uncertainty in the development process within the Municipal Corporations, Development Authorities, and Cantonment Boards.

#### **D- RECOMMENDATIONS / ACTIONS TO BE TAKEN BY SRMP**

**SRMP Technical Assistance.** SRMP should consider providing technical assistance to the Rawalpindi Development Authority to assist the RDA in the development of a private sector land development approval process. The process should include the following elements.

- Technical assistance to analyse staffing patterns which would serve not only the RDA but the Municipal Corporation and the Cantonment Board agencies. One staff to serve all three agencies would be preferred. Staffing would necessarily cover, planning, approval and inspection monitoring of development.
- Technical assistance to analyze physical planning, financial planning in the RDA area of Rawalpindi. This work would have as its products a model five year land use/transportation plan and a five year financial plan aimed at prioritizing development expenditures by cataloguing sources and uses of funds by project for each of the next five years. This work would also look at the possibility for Metropolitan level or Regional financial

planning to provide alternatives to the existing fragmented multi-jurisdictional system.

- Technical assistance in analyzing the infrastructure delivery systems in the RDA, MC and Cantonment Board areas aimed at finding methods to improve the delivery system.
- Technical assistance to the RDA to put a model project approval system in place. This would include production of a "Development Approval Process Manual" which would guide the RDA staff, and the private sector, on development requirements.

### **Reform High Transaction Costs of Land Titling, Registration and Transfer.**

It is clear that land titling, land registration and transfer are in great need of improvement in the Punjab and throughout Pakistan. This is an immediate problem that can only be solved over a long period of time. The dialogue must start as soon as possible. It is recommended that the SRMP:

- request the Government of Pakistan to establish a Commission to address this major issue and how it is constraining the overall development of the country;
- SRMP commission a study which identifies constraints in the existing land development system in the Punjab, and wherever possible, recommend solutions to constraints that are both reasonable and feasible in the short term. This study would necessarily concentrate on the high transaction costs currently charged for land titling, registration and transfer; and
- pursue rationalization of stamp duty tax, and other high transactions costs through direct contacts with the Provincial Government and the Federal Ministry of Finance.

The study on transaction costs in the land transfer process could serve as the basis for initial consideration by a Government Commission on Land Development Constraints. It could also serve as the foundation for an Urban Environmental Management program by USAID to assist the government of Pakistan address this major development issue.

**CHAPTER 2**

**INTRODUCTION,  
SCOPE,  
PURPOSE,  
AND  
BACKGROUND**

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## INTRODUCTION

This study is concerned with three major cities: Rawalpindi, Islamabad and Lahore. Therefore, the development of the infrastructure of these cities will be discussed in detail. Reference will be made to other cities of Pakistan for comparison.

Basically, the ownership of land by private individuals and its acquisition by Government dates back to the Bengal Codes of 1824. The Bengal Code set forth the law for the acquisition of land to assist the East India Company obtain land and other immovable property at a fair price to build roads, canals and buildings. The Bengal Codes were periodically amended until 1894 when the present Land Acquisition Act was passed. Initially the 1894 Act gave the power for land acquisition to the Central Government. In 1935 the Government of India Act passed the authority to acquire land on to the Provincial Governments. Since 1935 each Provincial Government has amended the Act according to its own needs so that now there is some dissimilarity in the operation of the Act in all the Provinces. It should be noted that the 1894 Act covers more than just land acquisition. It also provides the only legal basis for the transfer and registration of land ownership under the Land Revenue System.

Access to urban land and housing is a critical component in the social and economic structure of a city, underpinning not only the living conditions of resident and immigrant populations, but also economic decisions made by its inhabitants. These economic choices are shaped by a range of factors, only some of which are subject to control by individuals. Individual members of the population do not enjoy equal access to housing and land, rather, varying levels of opportunity exist for different economic and social groups. In the three cities under examination in this study, this differential access to the valuable and desirable commodities of urban land and housing is a product of both historical and present-day policies - deliberate decisions by colonial and present administrations to favor some groups at the expense of others, on the one hand, and individual responses to economic necessity and opportunity on the other. The result is often a checkerboard of land and housing patterns, and one should more properly speak of markets in the plural than in the singular.

The urban housing sector is more than merely the backdrop to life in the city. In many places, the land market and housing construction are the most vital activities of the urban economy; they are often the most popular and secure opportunities for investment and profit in the city, if not in the country as a whole. In general, land prices and returns on housing in the above-mentioned cities have risen continuously during the last three decades and this fact

makes obvious their appeal as a long-term investment or as a short-term holding, perhaps to produce a quick return. Other potential sources of profit may be dependent on the policies of the government and the international climate. Demand for urban land and housing has risen among virtually all socioeconomic levels of city dwellers, the product not only of rising numbers of residents, but also of increasing urban rootedness. Urban land and housing provides a range of investment opportunities for both men and women, rich and poor. An individual may construct a small room at the back of his house to rent out, while another with more capital or perhaps more influence, may purchase land with the goal of constructing luxury housing for rental to the foreign community, as in Islamabad. As a rule, these kinds of investments have proven to be relatively secure and have held up well under economic hard times and despite often ill-advised government interference. In all three cities, for example, despite the political and economic problems, land prices have continued to rise at a rate that has kept pace with inflation. Recently, in Islamabad, the Government has levied a property tax, though an unfavorable policy for investors has proven not a dis-incentive for future investments in land and housing.

The major aspect which is detrimental to the healthy growth of private land development in all three major cities is the element of fraud. It has come to the notice of the general public that some Housing Societies are fleecing individuals after taking advances for the plot of land and sometimes, completely disappearing from the scene. This tendency is a difficult hurdle which cannot be eliminated without the proper registration of societies and also by the continual monitoring of activities of societies at every stage. In conclusion, it can be said that private developers will face first of all, a problem of rules and regulations, processes for the approval of their activities which are not available in written or published form and supplied to the individuals or groups obtaining permission to develop residential houses. This is a great hurdle particularly in these three cities which are expanding and where developers are completely at the mercy and whim of the authorities. This problem will be examined in depth while discussing the individual cities in this study.

Since the advent of the First Five Year Plan, The Government of Pakistan has espoused a policy aimed at providing housing for all income groups in the country. Due to the economic development and industrialization of the country which took place in the major cities of Karachi, Lahore, Faisalabad, etc., there was a shift in population from rural to urban areas. This migration attracted the attention of the urban planners to provide housing in the urban areas. In the past three decades, cities in Pakistan have grown at a dramatic pace. The increase in the population of the cities has surpassed even the high rate of growth of the national

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population. Where once urban residence was considered by many to be temporary, the cities have become permanent places of settlement for a large number of residents. No sector of the urban economy has been more affected by this fundamental change than the land and housing market.

The Government from the very beginning was of the view that the provision of land after development, i.e., water, sewerage, roads, electricity and other utilities would be enough. The individuals who were allotted these plots of land, then would construct houses according to their own needs and specifications. In some places, the Government did construct nucleus houses, i.e., one room, kitchen and bathroom on a small plot for lower income groups, and expected that they would extend the house according to their needs. Such houses were made available in Karachi in areas like Korangi etc. The Government was only responsible for constructing from two to four bedroom houses for its employees and these houses were provided to the government servants at subsidized rents.

In major cities, in the beginning, the government servants themselves formed Housing Societies and asked the local authorities to allot large size lands to them for further allotment to their members. This system may be considered as the start of private-sector development activity and Housing Societies as early private developers.

To systematize the development of the cities in the early sixties, efforts were made to have town plans of the major cities in Pakistan. To administer these town plans, Local Development Authorities were established under the provincial governments such as the Karachi Development Authority, the Lahore Development Authority, etc. At the same time in early 1960, when the decision was taken to shift the capital from Karachi to Islamabad, the Capital Development Authority was established. A master plan of Islamabad was prepared by M/s. Doxides Associates, a Greek consultant.

The Master Plan was to guide the overall development of the Capital City as well as its sister city Rawalpindi. It provided long range land use categories for various areas of the two cities. Industrial, commercial and residential areas were carefully laid out in a modern coordinated fashion. In Islamabad the development has followed the Master Plan quite closely. The Capital Development Authority has been the sole authority over land development. It acts as the Municipal Authority as well as the Development authority. There is no Cantonment area and land is allocated to the military in Islamabad in the same manner as to other government groups. Development has been controlled and regulated and the city has maintained a good image as the Capital of the country. Unfortunately, the same has not been the case with Rawalpindi. Its land use authority is

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shared by three different bodies, the Municipal Corporation, the Cantonment Board and since 1990 the new Rawalpindi Development Authority. Master plans have not been closely followed. Coordination among the three agencies has not been at a high level. Corruption has dictated land use decisions and provided unplanned and uncoordinated development throughout the City. We have tried to describe the authority of each agency and their functions in the land management and development process.

## SCOPE

The scope of the study is to collect data and information about the constraints on land and housing development in the Punjab and specially in Rawalpindi, Islamabad, and Lahore. An action program/recommendation may be prepared for the improvement of the housing sector. This study examines in detail the housing development planning in Rawalpindi, Islamabad and Lahore. The study concentrates on the existing Federal/Provincial Agencies, Municipal Corporation, Cantonment Boards and Regional/Local Development Authorities. This study will provide a qualitative assessment of the effectiveness and efficiency of the planning process and the approval process by the concerned agency. The role of the informal sector in meeting the needs of housing is also discussed. The study has concerned itself with the historical development of the three cities particularly of Rawalpindi since 1960. The problems faced by the housing developers in the private sector have also been discussed, based on interviews with a few private developers in above mentioned cities.

The legal and administrative set up for the acquisition of land, and the procedure followed in this area has been taken from the published Acts and documents received from different agencies of Rawalpindi, Islamabad and Lahore. The main emphasis is placed on the interviews conducted with the officials of Rawalpindi Development Authority, Lahore Municipal Corporation, Capital Development Authority, Islamabad, Member, Planning and Development Board, Government of Punjab (concerned with the physical planning and housing), Lahore Development Authority and private developers in Lahore, Rawalpindi/Islamabad.

The formal processes and procedures adopted by the agencies in the above mentioned cities in respect of urban residential planning and development process has been examined, particular emphasis is given to the city of Rawalpindi. All the relevant information is collected and they are placed in Annexures. The legal and administrative set up concerned with the land acquisition and urban planning are examined and placed in Annexures, whereas brief discussions are included in the main study. The urban development in the Punjab including the territory of

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Islamabad is heavily dependent on the legal and procedural aspects of land acquisition and the machinery needed for this purpose has been discussed in detail in this study.

The Study first looks at the various laws which impact on the land acquisition process. It then provides a description of the legal and administrative framework which has been developed to implement the land acquisition in Pakistan. The Land Acquisition Act of 1894 is the basis for most of the public sector activity in land development in Pakistan. The government has been a major obstacle to private sector development which in turn has provided a major roadblock to the aspirations of the average person to own his or her own home. Most of the land developed by the government has been for the benefit of its own employees and has not been available to the general public in Pakistan.

Because of this dominant position of the government and the problems this dominance has created for private sector land development, the study next looks at the land titling, registration and transfer system in place which serves as the foundation of the land development system. We believe that if the transaction cost of land transfer and titling can be lowered that the private sector will take the initiative in developing land for housing and other purposes.

We next discuss the organization of the major land use authorities in each of the major urban areas of the Punjab. We describe their planning and land development systems and discuss their current activities. As mentioned above, the preponderance of activity in housing is development of plots for government employees.

We then discuss the constraints of the land titling, registration and transfer system in the Punjab as they relate to the development of a housing finance market. We have used the Citibank Housing Finance Company experience to illustrate the problems that have limited land development in the past.

Finally we discuss our impressions of the current system and conclusions reached in the study.

#### PURPOSE

The purpose of the study is to examine the legal and administrative process in place in the Punjab to regulate land acquisition, and transfer and to look at the existing constraints to land development in the urban areas of the Punjab. Our main objective is to understand the existing planning and development process and recommend ways to improve the process, so that, urban land development systems in the Punjab will allow larger scale, better quality, private sector housing development to occur.

## BACKGROUND

In South Asia i.e., Pakistan, India and Bangladesh, the legal framework has existed from time immemorial. The ownership of land by private individuals and its acquisition by the Government dates back to Regulation I of 1824 of the Bengal Code. This Code governed the law for the acquisition of land which was primarily intended to enable the Officers of the East India Company to obtain at a fair price, land and other immovable property required for roads, canals or such other public purposes, as the manufacture of salt for which the Company held a monopoly.

The present Land Acquisition Act of 1894 (Appendix I) is the result of many laws which were enacted between 1824 and 1894. The original Act of 1894 provided the authority for the acquisition of land by the Central Government, which after the enactment of the Government of India Act, 1935, the acquisition of land was passed on to the Provincial Governments. The provincial legislators adopted the said Act, and they made fairly substantial amendments in the provisions of the Act. After 1957, an extremely important amendment was made which delegated the powers exercised by the Provincial Government to the Commissioners of the Division, with the exception of rule making power under Section 55 which vests with the Provincial Government. The Commissioners of the Division now exercise all important powers under the Act. The Boards of Revenue of the Provincial Governments enjoyed the concurrent powers to issue notifications under Section 4 (1) and authorization under Section 4 (2) and to confer the powers of a Collector on any officer specially appointed under Section 3 (c) of the Act.

The land acquisition in the Punjab is the most cumbersome task. This activity is governed under the Land Acquisition Act of 1894 and amendments after 1947 in Pakistan. Under the Act the legal authority for the acquisition of land lies with the Collector/Deputy Commissioner. He administers the provisions of the Act under the supervision of the Commissioner of the Division, who controls more than one Deputy Commissioner depending upon the size of the Division. He is answerable, in respect of acquisition of land, to the Punjab Board of Revenues, which is supervised by the Provincial Minister of Revenues.

In 1973 an Act was enacted to give full and final powers to the Deputy Commissioner to fix the prices of a piece of land and the matter ended there. As a result of this the local authorities did a lot of land acquisition. The owners of the land felt cheated as the prices of the land after acquisition and development increased many fold and they protested. Therefore the 1973 Act was repealed in 1985 and since then the acquisition of land became almost impossible. Neither the local authorities had the money nor the time to

follow the time consuming legal process as such the development work of the local authorities slowed down or almost stopped. Development of land was possible only on state land and on such land where they could acquire land from a cooperative land-owner. To seek cooperation, the local authorities, particularly LDA in Lahore, has provided a few incentives like 20 per cent of the plots are to be earmarked for the land-owner, which he can sell in the open market when land is fully developed.

Some private land developers have also followed this practice. First they acquire the land on similar conditions from the land-owner or offering the market rates and then they approach the local authority for approval of the housing project. This is very attractive practice nowadays and many housing societies are taking advantage of this process. The approval process of the housing project by the local authority is completely arbitrary and only influential persons or developers with lots of money can manipulate the decision in their favor. This has given rise to a host of irregularities and corruption as no transparent system exists on the ground which can be followed by a private developer.

Physical Planning of urban areas started in earnest during the Second Five Year Plan 1959-60 - 1964-65. The Punjab province also followed the national pattern and formulated the Town Plans of major towns including Lahore and Rawalpindi. Islamabad had to have a master plan in advance, as it became capital of the country in 1960. It was sad to notice that Master Plans of the three towns under study, though formulated with much fanfare, could not be implemented in letter and spirit. The changes were made without due consideration of the original plans. Even today the plans of these cities are under revision and new housing localities are planned to meet the new demands.

Lahore Municipal Corporation was mostly concerned with the maintenance of the infrastructure of the old city area and some other areas which fell under its jurisdiction. It had no land for development but regulated the specifications and building controls of houses in its area. It has only a small role in the future development of the city.

A substantial area was developed by the Lahore Cantonment Board. The Board only developed areas which were meant for the residential houses of the military servicemen. The Board operated under the Cantonments Act, 1924. The Board also did not allow the private sector to develop the land and construct houses.

Like Lahore, Rawalpindi city had been facing similar problems. Since 1960, when Islamabad was declared as the Capital of the country, the city of Rawalpindi saw a faster development of residential colonies. It was the result of

the influx of government servants from Karachi that population of the city grew much faster than the previous decade. The establishment of satellite townships between Islamabad and Rawalpindi was the obvious result. It all happened due to the availability of public funds and now these funds have dried up. The Rawalpindi Municipal Corporation is nowadays maintaining the infrastructure i.e. water supply, sewerage systems, roads etc. from taxes received from property, water, transport vehicles (tongas) etc. The RMC controls the old city and their buildings which are either replaced or improved upon. For this purpose the RMC has framed rules and regulations but it is not in a position to develop land or housing projects.

The development work of Rawalpindi is assigned to Rawalpindi Development Authority (RDA). The RDA is preparing a master plan for the city. The main feature of the new plan is the ring road around Rawalpindi and its connection with the proposed Motor Way running between Lahore and Peshawar. In this planning process the RDA has identified two areas for residential purposes and it is interested to invite the private sector to develop them. So far the project is in the planning process.

Rawalpindi Cantonment Board is planning the residential areas only for the military servicemen. The Board has allowed a private party to construct houses and sell them, but it is a unique case. As a policy the Board does not allow the private sector to develop or maintain the residential colonies.

As far as Islamabad is concerned, there is a Capital Development Authority (CDA) and its main responsibility is to develop land and construct houses for the government servants. The CDA has utilized the public funds for this purpose and as a policy it has not allowed the private sector in the development process. Like Lahore and Rawalpindi the CDA is also facing the problem of land acquisition and now contemplating to involve the private sector in the land development process.

**Private Sector Development.** The above procedure is followed for those land development and housing construction projects which are financed by the public funds. If the projects are meant for private sector then only the administrative approval of the local authorities is required. So far the LDA, RDA, and CDA have been engaged almost exclusively in the public sector projects. These local authorities have not dealt with private sector projects and they are not geared to tackle such projects, except that they have formulated rules and regulations for the construction of houses on the developed land by these authorities. Thereafter they pass on the responsibility of maintenance of the infrastructure to the RMC and LMC, but CDA has to do the maintenance job also as it is operating as a municipal corporation.

These authorities - LDA, RDA, and CDA - are now in the process of establishing a procedure for the approval of development projects of the private sector. It is learnt that the local authority first of all identifies a piece of land for the private developer and invites applications for assigning the work to one or more private parties; or alternatively the private parties acquire the land by direct purchase from the land owner and they approach the local authority for permission to construct the housing colony. The second procedure is now in existence in all the three towns under study.

The private parties either independently or they form Housing Societies with member's contribution who are mostly government employees of various government departments and such societies carry the names of the departments concerned such as Police, Post and Telegraph, Central Government Employees etc. Some private parties also form societies with influential people as members such as Judges or highly placed government officers and get them registered as NGO with the Registrar of the Cooperative Societies. Then they acquire land by direct purchase at market rates and avoid the land acquisition act of 1974 as it is time consuming and requires a lot of litigation. Then they approach the local authority for approval of the housing project. After approval they announce in the press for the sale of housing plots after allotting the plots of land to their own members. These societies also develop the land and provide the infrastructure as prescribed by the local authority. Examples of successful private developers are the British Homes in Rawalpindi, Group of Developers (Pvt) Ltd Lahore etc. A few private parties without the approval of the local authority had also announced the housing projects and when their projects were not sanctioned by the authority, they mis-appropriated the funds of the members/individuals who had contributed for the project. Such cases have been reported in the press and need is there to provide some safeguards to the private developers and to their clients. Such a suggestion has come from the private developers themselves. They desire that laws, rules, regulations and procedures should be streamlined and made transparent for the healthy development of the housing industry in the country.

CHAPTER 3

LAND ACQUISITION,  
REGISTRATION,  
ADMINISTRATION  
AND PLANNING PROCESS

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**1. PROVINCE OF THE PUNJAB**

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## **A-. LEGAL FRAMEWORK.**

**-Land Acquisition Act of 1894.** Under the Land Acquisition Act of 1894 the Provincial Board of Revenue has the only legal authority in Pakistan to maintain records of the registration of documents pertaining to land transfers. This is true for both rural and urban areas although as noted above there is little interest in the urban area records as they do not produce any revenue for the BOR. Other institutions and agencies maintain certain land records. Development authorities, Cantonment Boards and the Provincial Government offices of the Department of Housing and Physical Planning are all public sector development agencies that maintain independent property records. However, they only record land transfers and sales deed on land that they own and have subdivided themselves. More often than not, these transactions are never reported to the BOR and entered into their Land Revenue records.

What is often not mentioned in this whole discussion of land tenure is that registration of documents on property transfers is not a substitute for legal title to the land; and that, there is no formal land titling system in Pakistan. Land registration systems in urban areas have proven to be a poor substitute for formal land titling and have become muddled and unworkable. The situation continues to degenerate and is at a point where even the formal registration of land has little authority in rebutting claims against a property. Due to the high cost of formal registration a number of other informal documents recording the transfer of property, such as, allotment letters, powers of attorney and benami transfers, have been developed. As a result, most individuals have become indifferent to the formal registration system and are using less expensive ways to undertake property transactions. These types of informal property transactions have also been greatly encouraged by the high cost of stamp duty tax and registration fees involved in formal registration. In spite of these legal issues, there is a very high demand in Pakistan for any form of documentation which can provide evidence of property rights. Unfortunately, there is no legally secure documentation of property rights in Pakistan at this time.

**-The Land Registration Act of 1908.** The Registration Act 1908, applies to the whole of Pakistan, and contains provisions for registration of documents. The Registration Rules of 1929 provide procedural details for maintenance of records, instructions in respect of registers, copies, etc. Although it is a countrywide Act, it is a provincial subject and several provincial amendments have been made to the Act. Under the Act no document can be accepted for registration unless it is presented for that purpose within four months of the date of its execution. This period can be extended

for four additional months under certain circumstances. The object of requiring an instrument to be registered is to enable it to be used as evidence and to minimise the chances of fraud. The Act does not require that a transaction in respect of properties be carried out through a registered document. It does require that if a document is created to record a land transaction in writing, the document must be registered to have any standing in court.

Although legal registration and transfer of property is not often done formally it can be a relatively straight forward process based on the requirements of the Land Registration Act of 1908. However, in the search for revenue the Provincial Governments have gradually increased the fees and taxes on land transactions to the point where the cost is prohibitive and is therefore avoided. Since land registration, titling and transfer is the foundation upon which land development has to stand, the current system of land development is not working.

## **B. ADMINISTRATION.**

For the purposes of land administration, the Punjab is divided into five Divisions. Each Division is headed by a Commissioner and is divided into four or five Districts. Each District is run by a Deputy Commissioner (DC) or Collector. Under the 1974 Act the legal authority for the acquisition, registration and transfer of land is the Deputy Commissioner/Collector. The Divisional Commissioner is answerable to the Provincial Board of Revenue and the Provincial Minister of Revenues. The BOR is the controlling authority on all matters connected with the administration of land, and revenue collection and preparation of land records. Members of the BOR comprise the highest court in the province and act as secretaries to the departments of Revenue and Colonies and Consolidation. The Director of Land Records works for the BOR and is a provincial official responsible for supervising the work of the Patwari and the Kanungo. He also acts as the Inspector General of Registration.

At the headquarters of a District there are, in addition to a large ministerial staff, several officers appointed by the local government who exercise executive and judicial functions under the orders of the Deputy Commissioner. They are known as Assistant Commissioners if they are members of the Civil Service of Pakistan, and as Extra Assistant Commissioners if they belong to the Punjab Civil Service, as per the Punjab Tenancy Act XVI of 1887 and the Punjab Land Revenue Act of 1887.

A District is divided into several Tehsils, to each of which a Tahsildar and Naib-Tahsildar are appointed. Both of them exercise administrative and judicial functions within the limits of their own Tehsils. The unit of revenue administration in the Punjab is the Estate or Mahal, which is usually identical with the village or Mauza. Of these Estates, large and small, a Tehsil, as a rule, contains from two to four hundred estates. Beside other, one of the duties of the Deputy Commissioner is to maintain separately record of rights and register of fiscal and agricultural statistics of each Estate. All its proprietors are by law jointly responsible for the payment of its land revenue, and in their dealings with Government they are represented by one or more headmen or Lambardars. These headmen are paid by the communities which they represent by a surcharge of five percent on the revenue. They form a valuable unofficial agency through which the Deputy Commissioner and the Tahsildars convey the wishes of Government to the people and secure the carrying out of their own orders.

For the purpose of the maintenance of revenue records and agricultural statistics, estates are grouped into small circles to each of which a Patwari or village registrar is appointed. About twenty of these circles form the charge of a field Kanungo, whose duty is to supervise the work of the Patwaris. Kanungos are servants of Government.

As mentioned above, the DC carries out his responsibilities with the help of a number of officials include Tahsildars, Naib-Tahsildars, Kanungos, Patwaris and a local headman called Lambardar. The key role in this hierarchy is played by the Patwari who maintains the complete record of land ownership and use on each piece of land in his jurisdiction. Patwaris are very low paid employees with little opportunity for advancement. As a result, their record keeping is not very accurate and is subject to bribery and fraud.

### C. RECORD KEEPING.

To aid the Deputy Commissioner in the maintenance of records and revenue registers and to advise the Board of Revenue and Government on these matters, an officer is appointed known as Director of Land Records. Among the principal duties of the Director are:

(a) the supervision of the patwari and kanungo, and the inspection of the records of rights and statistical records compiled through its means; the posting of settlement kanungo and mappers.

(b) the control of the income and expenditure of mutation fees and of all expenditure on contingencies connected with the kanungo and patwari establishment and with the revenue records.

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The main duties of the village Patwari are as follows:

- i) the maintenance of a record of the crops grown at every harvest;
- ii) the keeping of the record of rights up-to-date by the punctual record of mutation; and
- iii) the accurate preparation of statistical returns embodying the information derived from the harvest inspections, register of mutation, and record of rights.

#### **D. PLANNING**

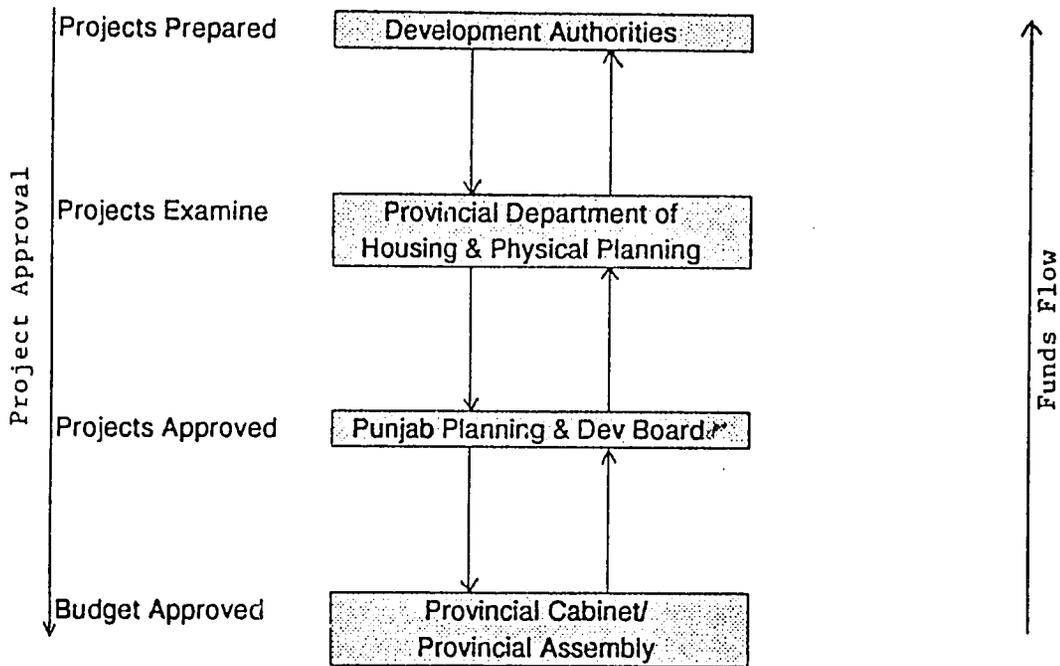
In the Punjab the planning process for housing projects operates in a mixed way. The local authorities like LDA and RDA first of all identify land areas - either they plan to acquire them on payment or it is a state land. Then they will prepare a project for housing, which means that the area will be developed by providing infrastructure i.e. sewerage, water supply, roads etc. The proposed project will be submitted to the Provincial Department of Housing and Physical Planning, Lahore.

The Department will examine the project and will assign a priority for its implementation. The project will be included in the Provincial Development Program after it has been approved by the Provincial Development Working Party (PDWP) or by the Central Development Working Party (CDWP) depending upon the cost of the project. If the cost is below Rs 10 million then PDWP will approve it and beyond this cost the project will be approved by the CDWP. This approval process is conducted by the Punjab Development Board, which acts as the secretariat for the approval of all the projects either under the competence of the Province or by the Federal Planning and Development Division. After the approval of the project the Board will include the project in the Annual Provincial Development Budget. It, along with the Provincial Budget, will get approved by the Provincial Cabinet/Provincial Assembly. At this stage the project stands approved and availability of funds is assured.

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# PUNJAB PROVINCE

## POLICY DECISIONS IN HOUSING & PHYSICAL PLANNING ( For Funds and Projects)



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**II. ISLAMABAD AND CAPITAL  
DEVELOPMENT AUTHORITY**

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## **A-Introduction.**

Pakistan came into existence in 1947 and with its existence Karachi, the most prosperous city, became the capital of the newly created state. An eight Member Commission was constituted in February 1959 to frame recommendations on the National Capital. Among the terms of reference for this Commission were questions whether Karachi was suitable as the Capital keeping in view its geographical location, communications, defence, climate and productive hinterland; and in case Karachi was considered unsuitable, the Commission was to recommend another site.

After four months of deliberations and scientific studies, the Commission decided that the Capital should be shifted from Karachi and recommended the site on which Islamabad was later built.

The factors influencing the decision of the Commission were various but all inter-linked. The site met the requirements of defence, climate, local resources, aesthetic and natural beauty to name a few of these factors. It was also in close proximity to the Shahrab-e-Pakistan, the international highway.

Then there was also the city of Rawalpindi which could act as the "Mother City" during the growth and development of Islamabad. Mutually influencing their progress, the twin cities could gain and flourish and still maintain their distinct entities. The structure of the plan provides for a dynamic and parallel development of several functions. It has been planned in a way that it should be able to face in the future the problems arising out of its proximity with the expanding large city of Rawalpindi. The idea is that Islamabad should be served by Rawalpindi yet not face the danger of being intermingled with it. It would help the simultaneous and coordinated, but not necessarily equal growth of the two cities. In this way the twin cities would retain their individual character while at the same time they will become a part of one and the same Metropolitan area.

The recommendations of the Commission were accepted by the Government in June 1959 and Potowar was declared as the future Capital site.

## **B. Master Plan.**

In 1960, the Government appointed M/s. Doxides Associates, a Greek firm as consultant to develop the Master Plan of Islamabad. The Master Plan of Islamabad has undergone changes either by design or by default, mostly by default. The physical development of the city has moved in such a

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direction that it is far from the original Master Plan of the capital. The Master Plan is being revised after a study which has been carried out for the last three years, and is now taking some shape. The total land area of Islamabad has been acquired under the Land Acquisition Act of 1994.

The Master Plan for the Metropolitan area of Islamabad and Rawalpindi has been prepared on the principle of "Dynapolis" which means a dynamic city where the city center grows in direct proportion to the growth of residential functions.

Four highways with a right of way of 365.8 meters from the framework within which a grid of squares, each measuring 3.1 square kilometers have been planned. Two of these highways namely Shahrāh-e-Islamabad and Shahrāh-e-Kashmir link Islamabad with the rest of the country and through Shahrāh-e-Pakistan, with Lahore, Peshawar, and Kashmir. Master Plan covers an area of 1165.50 square kilometers.

Islamabad Park was created in the Master Plan and extends over an area of 220.15 square kilometers and is earmarked for semi-urban functions. Institutions of national importance such as the Atomic Research Institute and the National Health Laboratories are already functioning in this area. Institutions, requiring large areas of land would be located in this area. It would also have spacious sports centers, parks and exhibition grounds. Agricultural, dairy and poultry farms have also been located in this area. Its functional scope has also been enlarged to include establishment of a few Model Villages, Agrovillages, Suburban Centers and suitable places to facilitate the settlement of the displaced families near their ancestral surroundings as far as possible.

The 609.6 meters high Shakarparian hill is also located in the Master Plan area and serves as a vantage point. It gives a panoramic view of the city.

### **C- Capital Development Authority.**

It was considered expedient to establish an authority for making all arrangements for the planning and development of Islamabad within the framework of a regional development plan. Perhaps the progress of Islamabad and the Capital Development Authority are so dove-tailed that the progress of one has become synonymous with that of the other. The huge task of developing a city within a reasonable time span, needed an organization which could cope with the magnitude of work involved. The Capital Development Authority came into existence on 14th June, 1960. The Ordinance, known as Capital Development Authority Ordinance 1960, was promulgated by the President.

The Authority has been defined as "a body corporate, having

perpetual succession and a common seal, with power, subject to the provision of the Ordinance, to acquire and hold property, both movable and immovable, and shall by the said name sue and be sued". The general direction and administration of the Authority and its affairs vest in the Board which may exercise all powers and do all acts and things which may be exercised by the Authority. If any question as to whether any matter is a matter of policy or not the decision of the Central Government shall be final.

The Board is appointed by the Central Government. The Central Government is also authorized to appoint Chairman, Vice Chairman and a Finance Advisor from amongst the Members.

#### **D- CDA as Municipal Authority.**

In 1966, municipal powers were also delegated to CDA. The Authority may, with the previous approval in writing of the Central Government, raise funds for the purpose or raise its working capital through issuance of bonds and debentures.

The acquired land was placed at the disposal of the Capital Development Authority to administer the development of plots for government officers, government servants' housing, marketplaces, places of worship, educational buildings, parks, and land for private individuals for housing. CDA operated under the Municipal Ordinance of 1960 and later on, under the Islamabad Territory Local Government Ordinance of 1979.

The Authority was to prepare a master plan and a phased master program for the development of Capital site, and a similar plan for the rest of the specific areas, and all such plans and programs had to be submitted to the Central Government for approval.

The Authority may, pursuant to the master plan and the master program, call upon any local agency to prepare any scheme in consultation with the Authority. Such schemes only relate to specific areas. The Authority may pursuant to the master program, itself prepare, when it considers desirable to do so in the public interest, schemes in specified areas. The Authority may acquire any land in the specified areas according to a procedure, incur any expenditure, procure plant and machinery, instruments and materials required for the use, enter into and perform all such contracts as it may consider necessary, cause surveys experiments and technical researches to be made, issue interim development orders for areas for which a master plan is under preparation and restrict or prohibit any change in the use of land and alterations in building, structures and installations, cause removal of any works obstructing the execution of its schemes and seek advice from local bodies.

## **E- Infrastructure Maintenance.**

The Authority also carries out functions to meet the needs for municipal and civic amenities. It tries to maintain a clean, healthy and hygienic atmosphere for the inhabitants of Islamabad. It also performs such mundane functions from elimination of rodent and stray dogs to grants of trading licence and registration of births and deaths. The Islamabad fire fighting and sanitary services and the like are within the ambit of CDA responsibilities.

## **F- Acquisition and Disposal of Land.**

All land within the specified areas is liable to acquisition by the Authority with the provisions of the Capital Development Authority Ordinance, 1960 (XXIII of 1960).

The Authority is authorized to enter upon land and undertake preliminary surveys and set out boundaries. No person however, is liable to enter upon any building without the consent of the occupier or prior notice to occupier.

The Deputy Commissioner may acquire land for the purposes of the Ordinance. This land should be marked out and measured and planned. The Deputy Commissioner may then issue notice to interested parties to make claims for the special land. The particulars of their interests and any objections to the measurement are received in writing and a Notice served to the occupier as well (usually after 10 days of publication of first notice). The enquiry is held on a particular date, the Deputy Commissioner enquires into the objections, the market value of land, the respective interest of the party and the compensation expected. Where any land is acquired under the ordinance, the compensation is paid considering market value, the damages sustained by the person by dispossessing him of land, his residence or place of business.

In case of urgency, after the publication of the Notice, as stated above, the Deputy Commissioner may enter upon and take possession of the land without causing the occupier unnecessary inconvenience.

The Authority or any other person aggrieved by an award or final order of the Deputy Commissioner may appeal to the Commissioner, within fifteen days. Proceedings before him is deemed to be a judicial proceeding within section 193 and 229 of Pakistan Penal Code.

The Ordinance allows the CDA to make regulations consistent with the rules of all matters for which regulations are necessary. In exercise of the powers conferred by Section 51 of the Capital Development Authority Ordinance, 1960, the Authority has made the Regulation, called the Land Disposal in Islamabad Regulation, 1985. It extends to the land

acquired by the Authority.

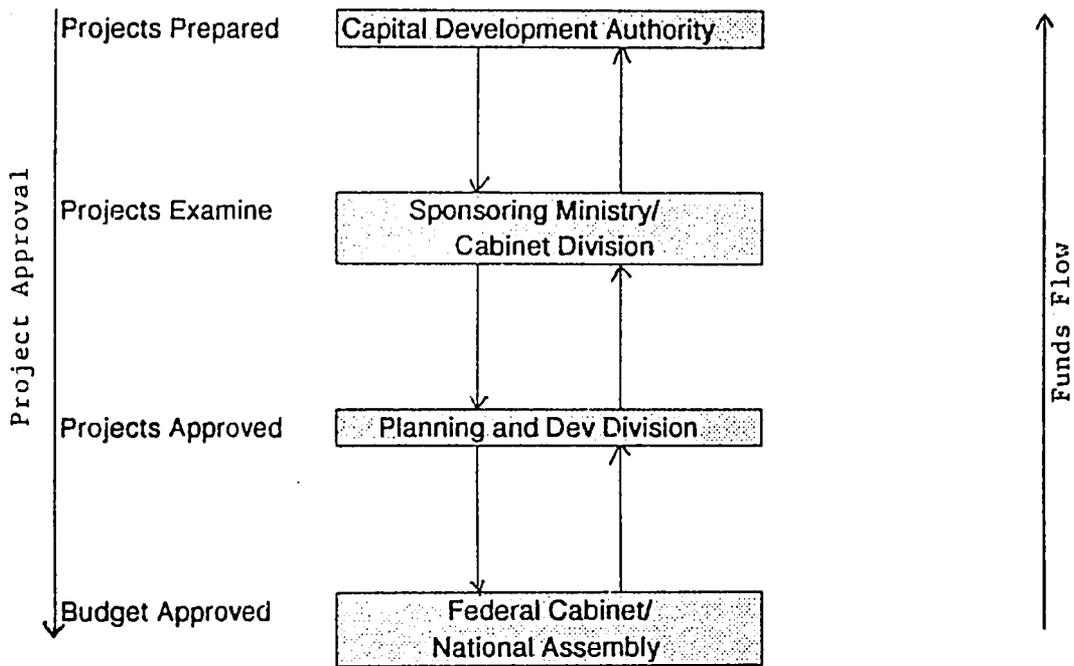
## **6- Land Development.**

The Capital Development Authority has an elaborate process for land development within its jurisdiction. It has maintained strict control over development and the Capital City has grown at a pace and scale consistent with the Master Plan. However, most of the residential development has been low density single family residential homes and a large number of higher density government employee housing complexes. As in Lahore and Rawalpindi, the CDA has not allowed much private sector housing development. This is the area that needs to be addressed in the current development policy if the Capital and the rest of the metropolitan area are to expand in an orderly manner and provide for large scale quality housing development.

CDA's policy for the sale of land depends on the schemes which they announce periodically, where most of the plots are meant for government officers, judges, army personnel, journalists, with a certain percentage of the allotment given to the President, Prime Minister, Minister for Housing and CDA Chairman; only 10% of the plots are for private citizens. The sale of land is on a 99-year lease and the land for institutional uses like shopping centres etc. is on a 99-year lease at a nominal rent the leases are renewable.

# FEDERAL GOVERNMENT

## POLICY DECISIONS IN HOUSING & PHYSICAL PLANNING ( For Funds and Projects )



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III. RAWALPINDI  
MUNICIPAL  
CORPORATION

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## A- INTRODUCTION.

Rawalpindi is an old city, its growth accelerated a little bit when the British established a Cantonment in this city. The most important factor which brought in the prominence, the urban development in Rawalpindi started in earnest in 1960 when the Capital of the country was transferred to Islamabad. At that time, it was planned that Rawalpindi would act as a Satellite Town of the new Capital and the twin cities would develop in harmony in meeting the housing needs of growing population of these cities. Hence the population of Rawalpindi grew much faster after 1960 as the officers/officials of the Federal Government were transferred from Karachi to Islamabad. Early development of the city saw the establishment of Satellite Township between Rawalpindi and Islamabad.

The growth of population of Rawalpindi since 1951 has been as follows:

YEAR	POPULATION	PERCENTAGE ANNUAL GROWTH**
1951	235,877	--
1961	340,175	4.36
1972	614,804	7.34
1981	836,140	4.00
1992	1,245,400	4.45

The annual growth rate of population was more than 7% during 1961 and 1972; during 1972 and 1992 the rate was a little more than 4% and it was estimated that the annual growth rate would remain about 4%.

According to RMC estimates, there are about 93,000 housing units in the Municipal area. At present, they have prepared by-laws which are mostly concerned with the replacement of existing dilapidated buildings, otherwise they have no scope for the development of new areas.

## B- Organization of Municipal Corporation.

The Municipal Corporation operates as a local body with 70 elected Councillors with one Mayor and 2 Deputy Mayors. The RMC is financed from the money received from octroi, property tax, building fee, toll tax, tonga tax etc. But they do not have money for development purposes. Some funds are available to the RMC from the funds allocated to MNAs and MPAs for development works in Rawalpindi area. Most of the funds have been used for improving the roads of the city.

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### **C- Master Plan.**

Under the Municipal Administration Ordinance, 1960 (X of 1960), all the cities of Punjab were required to prepare a Master Plan. Rawalpindi had also prepared a Master Plan. The Master Plan could not be implemented in Rawalpindi because there was no separate Development Authority at that time. Most of the job was done by the Rawalpindi Municipal Corporation. The development of the city was handicapped by the existence of two powerful Authorities i.e. Capital Development Authority of Islamabad on one side and the Cantonment Board on the other. The Rawalpindi Municipal Corporation (RMC) neither have the funds nor the technical know-how for acquiring new land and developing new housing areas. The RMC concentrated mostly on the up-keep of the city i.e. maintenance of roads and sewerage system, whereas the other services were provided by other agencies i.e. water supply by WASA, electricity by WAPDA and gas by Sui Northern.

### **D- MUNICIPAL CORPORATION LAND DEVELOPMENT PROCESS**

Rawalpindi Municipal Corporation has no land development programme. It is only concerned with maintenance of the existing infrastructure and housing stock.

\* estimated

\*\* simple average

Source: Population Census Reports 1951, 1961, 1972, and 1981 and Rawalpindi Development Authority.

IV RAWALPINDI  
CANTONMENT  
BOARD

## **A- Introduction.**

The Cantonment Boards were created by the British with a view to; protect the British minority ruling class from the Indians; and to keep distance from their subjects (i.e. Indians). There was a third important reason for creating the Cantonment areas and Cantonment Boards. Since Cantonment Boards were to cater for the British armed forces personnel - which in turn meant ammunition dumps located in Cantonment area and had to be kept out of the reach of the Indians who were getting more rebellious as time passed.

Until the British left India in 1947, the Cantonments thrived, but after independence the government of Pakistan took control of the cantonments all over Pakistan and failed to maintain them at the same level as the British. The Cantonments were/are residing area for servicemen, armed forces units and contingents. The residing areas of the officers was in bachelor quarters of the "messes" - for example in Rawalpindi there are messes for Signals, EME, Artillery, Air Force, Joint Staff Headquarters, Aviation etc. etc.

For the officers who were married, accommodation had to be provided. Therefore, houses were built for them. Then came the questions of hospitals, educational institutions and markets. So DMH (Combined Military Hospitals), Federal Government Schools and Colleges (and more recently Army Public School), CSD (Canteen Stores Department) came into being. Later on private markets were developed to cater to the needs of the Armed Forces personnel.

To provide facilities on such a large scale, some authority was obviously needed. This authority came with the creation of Cantonment Board offices under the Cantonment Act of 1924.

## **B- Master Plan.**

The only master plan available for the Cantonment Board is the Islamabad/Rawalpindi Master Plan of 1960. This plan is completely out of date and does not provide useful land use control mechanisms for the Board. The Board has its own planning department which is primarily involved in the development of housing schemes for the military officers assigned to the Cantonment. Classification of plots is done in the following manner:

Officers up to Lt. Colonel	500 yards
Up to rank of Colonel/Brig.	600 yards
Major General and above	1000 yards

The conclusion which must be drawn from the classification system outlined above that the Cantonment Board housing policy is to use the Cantonment land for the benefit of its

own military officers.

There has been a great deal of land transferred from military officers to private parties over the last four to seven years. These plots have been developed under the regulation and authority of the Cantonment Board. There is no formal development approval process in place at this time and the approval is done on an ad hoc basis. We are aware of one private sector housing subdivision of 212 plots within the Cantonment Board area which built over 100 of its proposed homes before getting its site plan approved by the Board. It was two years after the launching of the project that the Cantonment Board finally approved the site plan. There is obviously a need for a coordinated master planning of the city among the Municipal Corporation, the Cantonment Board and the Rawalpindi Development Authority.

### **C- Land Development Process.**

Some of the rules and regulations in the Cantonment for allotment of plots are outdated and these must be revised. The Cantonment Board has been ineffective in the area of house construction. The bylaws regulate that one third of the land on which any building is to be constructed must be left open for a garden. This is due to lack of supervision and inefficiency of field staff who allow such buildings to be constructed thereby the development of land is not taking place as smoothly as desired by the Cantonment Board.

The Cantonment Board is trying its best to maintain a clean living environment in the Cantonment. However, whenever, some law is passed political pressure is put on the Board. For example, tongas and Rehries were banned in the Cantonment area but due to the political pressure they never left the Cantonment area. General condition of cleanliness is not very satisfactory.

It is evident that the Cantonment Board does not speculate in plots. Its job is simply to develop plots, control building activity and provide civic facilities like ponds, streets, water supply, sewer, drains, street lights etc.

Cantonment authorities also have the powers to cancelled allotment of any plot if it discovers some irregularity and violations of terms of allotment or lease conditions.

Whenever an allotment is to be cancelled the matter is put before a Board which gives proper notice to the allottee and decisions are made after listening to parties.

According to the rules and regulations, the minimum requirement for allotment is 20 years service in the defence forces. It must be kept in mind that these rules and regulations relate to servicemen but there is a growing trend these days that civilians are acquiring land in

Cantonment area, but this land is not allotted to them. Instead they buy the land from the allottee officers. Plots are also allotted on the basis of reward for widows and children of Shaheed(martyrs).

The laws of Cantonment Board state that the total construction period is 2 years. However, permission is given for construction on a yearly basis. If the building is still incomplete extension of construction period may be required which is also given on a yearly basis.

There are also by-laws regulating the building of temporary structures in Cantonment area. Accordingly, it is regulated that no temporary structures will be erected on land that belongs to Cantonment area without permission of Cantonment Executive Officer or any other Cantonment Board officer. Any person or persons committing a breach are punishable with a fine.

Even with the presence of these laws, we find illegal occupation of land by people, illegally constructed buildings, no proper drainage and sewerage system. To all this there is only one answer - incompetence or weakness of the Cantonment Board staff. The laws have been made but they are not being enforced.

According to the bylaws of Cantonment Act 1924 the house tax is charged at a rate of 15% of assessed annual rental value of the building.

There are certain conditions where an exemption is granted in payment of house tax to widows and children of shaheeds. Government servants living in their own houses are given certain concessions. Poores of Cantonment are also given concessions.

#### **D- Private Land Development.**

As far as private transactions of land (private land and leased land) are concerned there is no law prohibiting, buying and selling of private land to individuals who can afford to buy it. There is no limitation on how much land a person is allowed to own. However, sale and purchase of land is regulated by Cantonment authorities. Since the Cantonment Board is controlled by the military, it is not concerned about providing mechanisms for private development within its jurisdiction. We did not find the Cantonment Board staff at all interested in providing any such process.

V. RAWALPINDI  
DEVELOPMENT  
AUTHORITY

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## **A- INTRODUCTION**

In 1990, the Rawalpindi Development Authority was established with qualified staff to find ways and means for the development of Rawalpindi city. The Rawalpindi Development Authority (RDA) is heavily dependent on the development funds allocated to the MNAs and MPAs of the city. The RDA, having no funds of their own, are now planning to cooperate/encourage the private developers to establish housing schemes in Rawalpindi.

The RDA operates directly under the control of Punjab Provincial Government. The Chairman of the RDA and his supporting staff including Town Planners, Engineers etc. are appointed by the Provincial Government and they receive funds from the Provincial Government for the development of Rawalpindi. RDA is also dependent on the development funds and they have their own annual budget of Rs. 50 million per annum. With these funds, they have developed about 4000 Kanals of land and sold to the private people for housing schemes. They have also constructed roads and they are planning to construct a Ring Road around Rawalpindi. When this road is constructed, some marginal land close to the roads would be available for housing development.

## **B- Master Plan**

The RDA is a relatively new authority and it has only had the Islamabad Master Plan to guide it in master planning the City of Rawalpindi. Over the last two years the RDA has begun to outline several peripheral areas of the City that it wishes to master plan and develop. Much of the land in these areas is privately owned by individuals or by the 102 housing societies in operation around the city. There has been little control over the development proposals of the societies and there is a need to bring these schemes within the planning and control of the Authority. In effect Rawalpindi has a thirty year old plan to work with and is currently in the process of updating that original master plan for the twin cities.

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### C- Housing Stock

Housing stock estimated in 1992 was about 144,650 or 8.61 persons per household. The Rawalpindi Development Authority (RDA) worked out the requirements of houses in Rawalpindi, assuming that:

a) Requirement at the rate of 6 persons per housing unit	207,573
b) Housing Stock	-144,650
c) Back Log	62,923
d) Immediate replacement of dilapidated houses at the rate of 8% of existing stock	11,572
e) Total Housing Shortage	74,495

To meet the shortage of housing, the RDA had been making efforts to develop residential plots numbering 42,330:

	<u>Area</u>	<u>Plots</u>
(i) Development of Model Housing Scheme	200 acres	1,110
(ii) Small Plots Housing Scheme	887 acres	14,190
(iii) Two Area Development Schemes		
a) 1,270 acres		13,230
b) 1,323 acres		13,800
		Total:42,330

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## D-Private Development

The RDA is planning to develop at least 100 kanals of land for the private developers under an scheme called Group Housing. RDA is willing to enter into a joint venture with the two Group Housing schemes.

A prospective Developer in the RDA area must fulfill the following conditions:

- (i) proof of the ownership of the land;
- (ii) feasibility of water supply, roads, sewerage treatment etc.;
- (iii) the housing scheme should fit into the town planning scheme of the RDA, which they are now preparing;
- (iv) the arrangements by the private developers have to be made with concerned agencies for the supply of utilities.

Due to the paucity of funds, the RDA is handicapped in the development of the housing schemes in Rawalpindi. Land in Rawalpindi is about Rs. 500,000 per acre and its development as serviced plots requires about 3.5 times more funds (i.e. Rs. 1.75 million for development expenditure), the total cost will be Rs. 2.25 million.

To date, RDA have a list of about 102 Housing Societies. The reliability and competence of the societies is being examined. RDA also has a list of some areas adjacent to the planned Ring Road around Rawalpindi. The RDA has developed schemes for low and middle income shelter in Rawalpindi. These schemes are self-financing.

The RDA, at present, do not have any procedure and rules for the approval of housing schemes which are either prepared by a public sector agency or by private sector agency. They are now in the process of preparing a Group Housing Scheme which will allow private sector to participate. The description of the scheme is as follows:

- i) Group Housing/Community Housing Scheme is planned in the vacant area bounded by Islamabad Highway, I.J. Principal Roads and proposed first Ring Road and area falling in between G.T. Road, Attock Oil Road up to Morga and Swan River.
- ii) The land will be purchased/acquired for the scheme in one contiguous parcel measuring 50 kanals to 100 kanals. The scheme will be prepared by a qualified Town Planner registered with the RDA.
- iii) The sponsor will submit the scheme on prescribed proforma (to be prepared by RDA) along with the requisite documents and plans to the Director, Town

Planning, RDA.

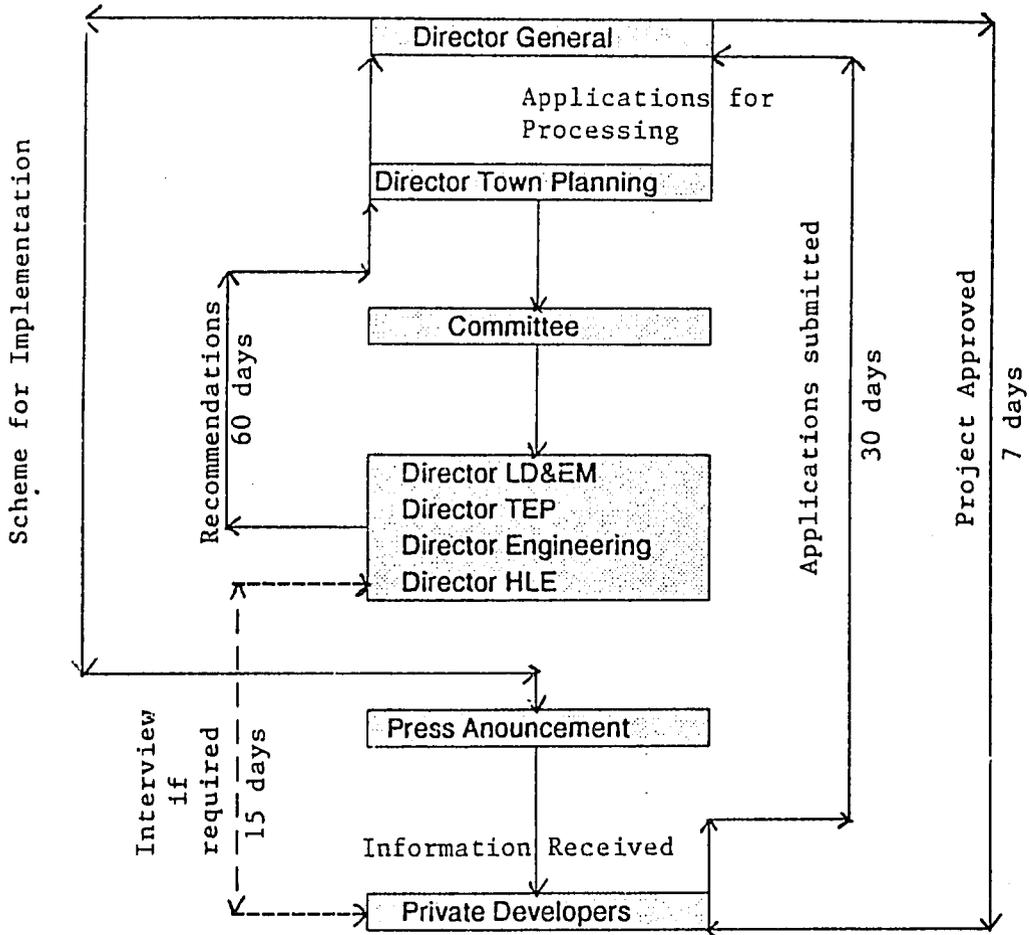
- iv) The scheme will be approved by a Committee with the following membership:
- 1) Director, Town Planning Convenor
  - 2) Director, LD & EM
  - 3) Director, TEP
  - 4) Director, Engineering; and
  - 5) Director, HLE
- v) The Committee will submit the recommendations regarding approval of scheme or otherwise to the Director General, RDA for decision.
- vi) The scheme will be developed in accordance with the lay-out plan, services plan, approved by the Director General.
- vii) After confirmation/verification of the ownership documents by Director, LD & EM/LAC, RDA, in favor of the sponsor, a public notice will be given at the expense of the sponsor for inviting public objection.
- viii) The sponsor will mortgage 20% of the residential plots in favor of RDA as per Mortgage Deed to be executed by the Director, LD & EM as a guarantee for completion of development works within the specified period.
- ix) A public notice will be published in the press at the expense of sponsor regarding the mortgage of the plots.
- x) The sponsor will transfer to the RDA, free of cost, the land reserved for roads/streets, public buildings, open spaces and graveyard as per transfer deed.
- xi) The stamp/judicial papers for registration deed will be purchased by the sponsor who will also bear all other incidental expenses including registration fee etc.
- xii) The scheme will have an independent water supply, sewerage and municipal waste system duly confirmed by Local Body/Agency/Department/Authority concerned.
- xiii) The scheme will be advertised after approval of lay out of building construction plans.
- xiv) The scheme must have accessibility from existing road of not less than 50' width. If the approach road is less than 50' then the sponsor will provide set back to make it 50 feet. However, the accessibility less than 30 feet will not be accepted.

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- xv) The scheme area will be enclosed by a boundary wall and have only one access to the existing abutting road.
- xvi) The sponsor will submit an under-taking on Stamp Paper of appropriate value duly attested by the Court in respect of acceptance of above mentioned conditions to the Authority.
- xvii) The building plans will be approved in accordance with the RDA Building Regulations, 1992.
- xviii) The sponsor will submit a certificate for use of the graveyard maintained by the local body concerned or he will provide 20% of the area outside the premises of Group Housing for the purpose.
- xix) The possession of constructed houses will be delivered after completion certificate is issued by the RDA.
- xx) The following fee/charges will be paid by the sponsor to RDA:
  - a) Security fee of documents -Rs. 10,000/-
  - b) Approval of layout plan -Rs. 2,000/-  
per Kanal

# RAWALPINDI DEVELOPMENT AUTHORITY

## PROJECT APPROVAL PROCESS



- LD&EM = Land Development & Environment Management
- TEP = Traffic Engineering & Planning
- HLE = Health & Engineering

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VI. LAHORE  
DEVELOPMENT  
AGENCIES

## **A- Introduction.**

Lahore is an old city. Historically, the city has developed with no modern town planning concept. The obvious example of this physical development is the Walled City which is still present indicating the historical development. Prominent signs mark the various gates, such as the Lohari Gate, Kashmiri Gate, Bhati Gate, etc.

Lahore, over the last forty years, has greatly expanded due to the establishment of manufacturing units in the towns of Sheikhpura and Kalashah Kaku. Most of the work force employed in these unit areas reside in a number of new Lahore suburbs. The Lahore Development Authority (LDA) had tried to maintaining some order in the physical expansion of the city by planning an infrastructure system i.e. sewerage and water supply trunk system. Moreover, the roads planning of the city provided a rough guideline for the location of housing societies including the katchi abadies. So far it was possible on account of involvement of the public sector in land development, which provided state land, financial support and legal authority for the acquisition of land under 1973 Act. The main beneficiaries were the public sector officials who framed rules and regulations for the distributions of housing plots which were tilted in their favor. During this period the private sector was kept out as a matter of policy.

The thinking of development along modern lines was taken up by the Lahore Development Authority in 1960. At present, the physical and infrastructure development of the city of Lahore is controlled by three organizations. They are as follows:

- 1) Lahore Metropolitan Corporation (LMC)
- 2) Lahore Cantonment Board (LCB)
- 3) Lahore Development Authority (LDA)

## **B- The Lahore Municipal Corporation.**

The Lahore Metropolitan Corporation is only concerned with an area of 400 square kilometers in the main city, and it has control over housing specifications, improvement and replacement of houses and related problems of infrastructure. But the Corporation has the authority to levy property taxes etc., and maintain infrastructure and provide municipal services, i.e., removal of garbage, keeping the sewerage drains clean and the cleaning of roads etc. This infrastructure maintenance is restricted mainly to the Old City of Lahore. The Municipal Corporation has no land for development. It is limited to regulating the specifications and building construction in its jurisdiction.

### **C- The Lahore Cantonment Board.**

The Lahore Cantonment Board operates under the Federal Cantonment Act. The rules and regulations are similar to those in Rawalpindi. It has notified the areas which are under the Cantonment Board and it is responsible for the development of infrastructure i.e., roads, water supply, sewerage etc. We have looked more closely at the rule of the Cantonment Board in Rawalpindi than at the one in Lahore. They have similar powers and develop land for housing within their jurisdiction almost exclusively for their own military personnel. In this regard, substantial areas have been developed by the Lahore Cantonment Board. To date the Board has not allowed private development of housing within its jurisdiction.

### **D- The Lahore Development Authority.**

Of the three agencies, the Lahore Development Authority is the one which exercises the most power and authority over the development in the urbanized area of Lahore.

LDA has jurisdiction on an area of about 2,000 square kilometers which include the areas of Lahore, Sheikhpura, Gujranwala, Muridkey, Bhai Khewo and the areas up to the Indian Border towards Wagah.

The main development of the city's physical planning is the responsibility of LDA. The Authority has three main departments: 1) Housing and Physical Planning Department; 2) Road Traffic Department; and 3) Water and Sanitation Department.

The Authority consists of the Chairman who is the Chief Minister of the Punjab, the Vice Chairman, and a full-time Director General; all three departments are assisted by additional Director Generals composing the Authority. The powers of the Authority are delegated through an Act, to eleven members consisting of the Chief Minister as Chairman, four Ministers of the Punjab Provincial Government and the Secretaries of Housing & Physical Planning, Finance, Local Government, Planning & Development Department, the Lord Mayor of Lahore, the Director General, Housing & Physical Planning, LDA, four Members of the Provincial Assembly/National Assembly and the Chairmen of the District Councils. The budget of the Authority is approved by the Chairman or the Director General.

According to the 1981 Housing Census, the housing population of Lahore was 440,000 units indicating a shortage of 130,000 units. It is estimated that until the year 2000, the shortage of houses will be about 200,000, allowing six persons per house. The present housing situation in Lahore is that 30% of the houses are one room, 30% of the houses are two rooms, and the remaining 40% of the houses are three

rooms and above. About 30% of the houses are 33 years old or more.

All the agencies i.e., LDA, Housing & Physical Planning Department of the Provincial Government, LMC, and the Private Cooperative Housing Societies are planning to have houses in the following order: 1/3 for low income, 1/3 for middle income, and 1/3 for high-middle and high income groups.

LDA has site and service schemes which operate in the following manner. First of all, it acquires the land, develops the land, and then sells the plots. 90% of the plots are 200 square meters and the remaining are in the range of 70 to 120 square meters (3 Marla or less). At present, LDA has no projects of this kind.

The 1973 Land Acquisition Act was repealed in 1985 and since then, it has become almost impossible to acquire land from landowners due to the long drawn-out legal process as provided in the 1894 Land Acquisition Act. Hence, LDA has developed a new method in which they get the landowners to sell land to the Authority at current prices subject to the conditions that 30% of the developed plots will be allotted to landowners, and the remaining 70% of the plots will be allotted according to the following procedure:

10% for the general public by ballot, 35% for the Armed Forces, 10% for Government Servants having a service of 10 years or more, 10% for the Chief Minister and Governor, 5% for those disabled or destitute, 3% for LDA employees, 2% for journalists/scholars, 2% for judges and 2% for artists.

It is significant to note that LDA only provides plots and is not interested in the construction of houses. LDA in the past has tried joint ventures with the private sector for the construction of houses for a few years, but these facilities were misused. However, LDA is open to enter into contracts with private developers if they possess land, and in that case, joint ventures would be possible. LDA is hopeful that its participation with private parties will provide the following benefits:

- i) The confidence in the minds of the people to purchase houses and provide advances to the developers
- ii) Having confidence in the parties, the houses will be sold quickly and the turnover of capital will be greater
- iii) The developers will fetch good prices for the houses

At present, due to the financial cooperatives scandal, the

climate is muddled. As soon as this problem is solved, there will be parties who would approach LDA for the development of lands. At present three are very keen. One of them has 5,000 Kanals, but it has slowed down due to the cooperatives' scandal. The other two parties have 500 and 300 Kanals projects and they will be implemented in due course.

**Slum projects.** The second of LDA's projects is to deal with the slum areas in Lahore. The main task taken up by LDA is to upgrade these localities through the provision of water supply, sewerage systems, roads, electricity, Sui gas etc. There are 308 Katchi abadis, out of which 200 have been upgraded. The main purpose is to improve the quality of life of people living in Katchi Abadis.

**Flat Construction.** The construction of flats is also taken up by LDA in cooperation with the private sector. They are planning to construct buildings of 4 to 5 stories and 9 to 10 stories with the latter ones provided with lifts/elevators. These flats will range from two bedrooms to three bedrooms or more. The present cost of two bedroom flats is estimated at a little less than Rs. 0.5 million, and the bigger flats will go up to Rs. 1 million. This project is under active consideration by the LDA. The flats will be sold by giving proper publicity in the newspapers on a first-come-first-serve basis.

#### **E- Land Acquisition Act of 1973.**

The Local Authorities of Rawalpindi, Lahore and Islamabad strictly follow the rules and regulations made under the Act of 1894, with the exception of the period between 1973 and 1985 when the Land Acquisition Act of 1973 was in operation. Under the Act 1973, the Land Acquisition Officer of these Local Authorities enjoyed the powers of the "Collector". Since 1985, the Local Authorities have been in a difficult situation in acquiring land under the Act of 1894 because the procedure laid down is so confusing that it takes almost 10 years or more to acquire a piece of land. As a result of this, the Local Authorities are now purchasing land from the landowners at current market prices. At the same time, they are encouraging the private developers to purchase land from the landowners, and these Local Authorities permit them to construct private houses for sale to the general public.

LDA is also purchasing land from the landowners at current market prices with the condition that 30% of the developed plots will be given to the landowners for their own use, i.e., to construct houses for sale or for selling the developed plots. Under the Land Acquisition Act of 1894, the record of land rights are fully registered by the Patwari/Kanungo/Tehsildar. This process is called **Jama-bandi**. It is drawn up in duplicate and shows by whom the land is held as owner or mortgagee at the end of the agricultural year and by whom it was cultivated in the

Kharif and Rabi harvest of that year. One copy has to be filed in the tehsil by the 7th of September, and the other should be retained by the Patwari. A similar situation of land registration is prevalent in areas controlled by the Cantonment Boards in the cities of Lahore and Rawalpindi. All the immovable property has to be registered under the Cantonment Act of 1924. Moreover, the details are available as how to register the Cantonment property under the Pakistan Cantonment Property Rules, 1957.

When in 1955 the Land Acquisition Act of 1973 was repealed, it became very difficult for the LDA to acquire land under the Land Acquisition Act of 1894, as it had no funds to acquire land at current market prices. Under these circumstances they thought to invite private sector in housing projects either allowing the private developer to develop land and construct housing units as per demand of its clients or enter into joint venture with the LDA. There were instances where the private developer had developed land and constructed housing colonies in Lahore, but there is no example of any joint venture so far.

#### **F- Land Registration.**

The registration of land in Lahore has been available for the last 100 years. Due to the operation of the Land Acquisition Act of 1894 in the rural areas, most of Lahore has complete ownership records. The system under the Act provides that agricultural land cannot be put to any other use without the permission of the owner, or if it is acquired by the Government, its use must be for nonagricultural purposes i.e., construction of industry or houses etc. In most cases, landlords have donated the land to the workers, but transfers have not been made to them, and the ownership rights still rest with the landowners. In the case of the worker's death, the land reverts back to the landowner; such records have been available for the last 40 years.

In the urban areas which consist of some areas of original agricultural land and the central areas of the city which were built up, the ownership of the land has not been updated and is not available. But such cases constitute only 20% of the houses in the city. However, the ownership/registration of the houses/land can be determined in the following manner:

- i) Present ownership can be determined by presenting the record by the owner. His claim is publicized in the newspapers, and if there are no claims, then the ownership of the land/house is registered in the name of the owner.
- ii) The owner of the house, who has lived there for a long time, can determine its ownership by providing a certificate from a Member of the Provincial Assembly, and the Chairman of the District Council. Certificates

should be countersigned by a Member of the National Assembly. If ownership is determined on the basis of an affidavit certifying that no litigation on the property is in the Courts, a certificate has to be obtained from the Judge. In cases where the property is owned by a family, then the affidavit has to be countersigned by a District Officer and by a Member of the National Assembly.

## **G- Land Development**

The land development process in Lahore is very similar to the process used by the LDA in Islamabad and the RDA in Rawalpindi. The process has been developed for the Authority to acquire land and provide serviced plots on the land. However, as in Islamabad and recently in Rawalpindi, the serviced plots are mainly allocated to government employees. Past experience has indicated that the pace of development, for projects where government has provided the serviced plots, is slow and any scheme which is 10 years old normally has only 20% of its houses constructed on the developed plots. The public employee owners of the plots usually keep the plots un-constructed for speculation purposes because they fetch better prices than constructed houses. Another problem is that individuals who want to own a house are not familiar with the procedure of obtaining loans from HBFC/Banks etc.

In Lahore, state land is hardly available, and if it is, then it is in very small pieces. Mostly, private land is owned by small landowners. In the case of private land, if it is converted into a Housing Scheme, either by the landlord or by a developer, then he has to prove that area is located in the jurisdiction of LDA. He applies for permission to develop that area for housing purposes, then LDA grants the permission within 3 months. After the permission has been granted, the housing scheme plan is submitted for approval and it is sanctioned very quickly.

We did not go into detail on the land development process in Lahore because there is little land available for large scale private development. In Rawalpindi and Islamabad there is still a great deal of vacant land suitable for public and private development.

## **H- Private Sector Land Development.**

There is no process in place which encourages private land development. As indicated above private sector land development is further hampered by the fact that most of the remaining land in the urban area of Lahore is in small bits and pieces and is not suitable for consolidation into large housing tracts. The LDA is planning a large number of higher density flat developments within the city. The

private sector can enter into the 110 housing schemes consisting of about 30,000 flats for development. There is another batch of 100 schemes which will provide about 40,000 flats which are in the planning stage, although the implementation has been postponed due to shortage of funds. The flats will be sold at current prices and the schemes will mature during the next 5 to 6 years.

LDA does not allow private developers to provide on site improvements such as roads, water and sewer, electricity and phone lines. These are provided by the Authority at a set cost to the developer. However, to get any of these services provided in a timely fashion the appropriate officials must be "paid" raising the costs to much higher than would be the case if the on site development were provided by the developer himself. This has greatly discouraged private development within the jurisdiction of the LDA.

With much of the available land already developed the LDA should provide assistance to private developers so that the remaining land in the urban area of Lahore can be efficiently developed. We found nothing but distrust and suspicion of the private sector when we interviewed LDA officials.

#### **1- Infrastructure Development.**

According to the recent rules, LDA provides the services design plans to be cleared by WAPDA for the electrical supply, and with WASA for the water supply and sewerage. LDA's role starts when the private developer obtains the permission referred to above, and then the area is developed. It is mandatory for the private developers to enter into an agreement with LDA for the provision of infrastructure on a "turn-key basis", as LDA follows all the specifications of WAPDA, WASA, etc.

Previously, the private developers made their own arrangements for the provision of infrastructure, but problems developed and the people of the area complained. Now LDA has a plan for a water supply and sewerage system under a Trunk System, which has been developed with the assistance of the World Bank. These systems are now complete as far as the northern part of the city is concerned, and it is now being extended to the south. This system asks all the private developers to link up with the water supply and sewerage within the Trunk System. The cost of this arrangement is Rs. 7,000 per Kanal, or Rs. 260 per square meter. The main problem in Lahore is to develop open spaces which are disappearing due to development. Water is available in abundance and can be supplied to any area in Lahore.

At present, the cost of development per Kanal (about 460

square meters) is about Rs. 100,000. This development includes roads, water supply, sewerage, electricity, Sui gas and open spaces for parks and gardens.

LDA is trying to motivate people to construct houses under the above-mentioned joint venture schemes and as explained above, plan the vertical development of Lahore because space is becoming scarce in the city. LDA has rules and regulations for the approval of housing schemes, as well as of individual houses, but they are not available in printed form because these rules are subject to change so frequently that updating is not possible.

CHAPTER 4

LAND TITLING,  
REGISTRATION  
AND TRANSFER

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## A- INTRODUCTION.

The study was commissioned to document the land acquisition process in the Punjab and to determine how the land acquisition process impacts on land development and planning at the Municipal level. It is clear that there is an elaborate system in place to acquire land. It is outdated, bureaucratic and cumbersome, and often takes many years to resolve individual land issues. As a result it is a major impediment to government planning and land development in vacant areas around the urban centers to accommodate rapid growth in population. Even when land has been acquired by government for housing it has been mainly for the benefit of government employees and there has been little land acquired by government which has subsequently been made available to the general public.

As the urban centers continue to grow the government is getting increasingly aware of the inadequacy of its policies for provision of land to the private sector. We have been approached by the Rawalpindi Development Authority asking that we undertake a demonstration project aimed at acquiring a large tract of land, providing technical assistance for development of a capital market financial package to finance the development of infrastructure, and then to assist the RDA structure a program by which the land could then be sold at market value to private sector developers who would build multi unit subdivisions according to RDA standards. The entire process continues to depend heavily on the local land use authorities to acquire and provide infrastructure to the land. There is a second approach which can only be followed if major policy reforms are undertaken. The second approach is to rationalize the existing system of land titling, registration and transfer of property so that a full-blown private sector real estate market can develop based on rapid and cheap transfer of land among private parties.

Land titling, registration and transfer is the same in all the jurisdictions discussed above. Pakistan does have a well developed system of record keeping for the purposes of collection of land revenue which was developed during the Mughal period. All title documents must be registered under the Land Registration Act of 1908. Failure to register any document makes the document legally ineffective under the Land Registration Act. Stamp duties, high land transfer and land registration fees and collateral wealth tax liabilities have all been major factors in discouraging the proper recording of land transactions in Pakistan. This in turn has created a system which is extremely inaccurate, confusing, subject to fraud and very difficult to work with in legal proceedings.

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## **B- CURRENT HOUSING ACCESS.**

Below we have attempted to describe the major segments of the population and their access to land and housing.

**Urban poor.** Land Grabbers take government land on the edges of the urban areas and illegally subdivide and sell off the resultant plots to the poorer classes of people. Many of these families have recently migrated to the urban areas looking for employment opportunities. These families pay three or four thousand rupees for twenty foot by twenty foot piece of land. They squat on the government land illegally and build homes from the ground up as money and materials become available. This has been a fairly efficient informal housing sector and has provided a great deal of lower cost shelter in Pakistan on the fringes of the urban areas, especially in Karachi. However, it does not provide adequate infrastructure which only comes after the informal community expands to the point where it can exercise some political muscle and get the local councillor to address the problems of no electricity and inadequate water supply, roads, etc..

**Government employees.** A second large group of people are the government employees who are for the most part allocated plots or flats depending upon grade and connections. This is the major source of house building activity in Lahore, Rawalpindi and Islamabad. Most larger scale, serviced plot development in the urban areas has been for the benefit of this group.

**Private sector.** The third group (excluding a small percentage of wealthy Pakistanis who can afford to purchase land at market rates and also have the money to build a home on the land) is the private sector workers, artisans, shopkeeper, and professional classes. The vast majority of urban employed Pakistani's comprise the remainder of the private sector. The middle income professionals and shopkeepers also have some opportunities to own property. With the help of family and friends they are often able to finance the purchase of a plot of land and then build on the land when time and resources allow. Urban laborers and rural agricultural workers make up the remainder of the private sector and they have little or no access to land except through the squatter process described above or on land owned by their landlord.

## **C- CITIBANK EXPERIENCE.**

Due to the high cost of stamp duty tax and Corporation tax most land transactions are not legally registered in Pakistan today. In some areas power of attorney is used, in other areas allotment letters are used, and in many cases a sales agreement which is not registered is the only prove of

the transaction. This of course has no legal standing in the Courts. Below we describe how the current system is being circumvented due to the high transaction costs involved in establishing legal title in Pakistan. We have used Citibank Housing Finance Company of Lahore as an example of the problems in land titling and transfer that seem to be prevalent throughout the country.

**1. Ready Property.** This is a property with the house completed and ready for occupancy. Citibank is proposing to loan up to 60% of the total land and improvement (house) value up to a maximum loan of 2,000,000 rupees. They will allow the borrower to use up to 50% of his, her or co-borrowers, net verifiable income to pay the monthly installments on the loan.

**2. Under Construction.** This is a property where the borrower has clear title to the land and wants Citibank to finance the construction of a home on the land. This is the main product line by which Citibank may be able to complete a significant number of bookings. Citibank has 22 pending applications for Under Construction loans. Many of these loans are from multi-unit subdivisions currently under construction by various developers in Lahore. Citibank will loan up to 60% of the total improvement value (house but not land) of the property up to a maximum loan of 2,000,000 rupees. Same 50% of net income can be used to service the loan.

**3. Under Construction-With Land Financing.** Same as above with the financing of the land purchase as part of the transaction and mortgage. It has not been possible for Citibank to work out a program which will allow them to finance the purchase of land. In effect, this product has been offered but can not be delivered to the customer due to the excessive fees and the problems surrounding legal title to land. Following are some of the fees involved and how they apply in various situations. The fees/taxes mentioned below also apply to Ready Property. The criteria is when land or completed house is bought from a third party, these rates are applicable.

#### **D- HIGH TRANSACTION COSTS.**

The current system with its high transaction costs is crippling the land development process in Pakistan and will continue to do so as long as the high transaction costs remain in place. As a first step government could lower the transaction cost involved in land registration and transfer. A formal land titling system will require a longer term effort but the dialogue on this issue should commence immediately.

A low cost land transfer and registration system is a necessary first step for the establishment of a strong

formal private sector housing industry in Pakistan. Indeed, such a system is a necessity for making the legal system more effective and responsive and would have a positive effect on government and the country's economy. For government, it would provide a firm basis for collecting wealth tax as well as land revenue. For the economy, it would be beneficial to all areas of land development, including industrial and commercial development, as well as the housing industry. Land and the improvements on land affect the lives of most of the people on a daily basis. Regularizing transactions in land registration, transfer and titling would facilitate the creation of new wealth and development in Pakistan.

#### **E- VALUATION TABLES.**

The costs of land transfer are high, largely because of government taxes to be deposited in the form of registration charges, stamp duty and the local government property transfer fee. In the Punjab this comes to 12.5% of the value of the transaction. The value of the transaction refers only to land. If there are improvements on the land a separate value has to be provided. To bring some measure of certainty to the process of land valuation the Tax people and the provincial Administration have established stamp duty rates, based on use of property (residential, Commercial, etc.), for each area in a town/city. This establishes a minimum sales price per marla, called the Valuation Table, which becomes the basis for determining the stamp duty on a transaction.

To formalize the Valuation Table system the Stamp Act of 1957 was amended in 1986. In 1989 the rates were increased by 15% and should have been raised again in 1992. Normally, the value stated in the Valuation Tables is much lower than the actual market value of the land. The system does not provide a good reflection of land values in the Province and is subject to manipulation by District officials. It has in many cases allowed the formal registration of land at low values and provided lower tax revenue for the government.

#### **F- PROVINCIAL TAXES.**

Below we discuss the taxes associated with land registration and transfer. In the aggregate it is a very substantial cost.

**Stamp Duty required to register land in Punjab.** This fee is 10% of the value of the land. In the Punjab the government has a rating system for land which provides the land value in different areas of the Province. As discussed above, this rating system sets the value for land transactions in most urban areas.

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Commercial Bank "customers" are charged only 1% stamp duty on a land title transaction. House Building Finance Corporation (HBFC) has been given the same status for its housing loans. New Housing Finance Companies (HFC's) do not have this tax break. HFC's want both the buyer and seller in a land transaction to be declared a "customer" for all land transactions which are clearly made for purposes of housing finance. This would allow the seller to transfer the property directly to the HFC who would hold title to the property during the term of the mortgage. Once the mortgage is paid off the HFC would transfer the property to the buyer/borrower. Both transaction could then be undertaken at a reasonable 1% fee rather than the exorbitant 10% currently in force for title transfers.

**Corporation Tax.** This is a tax of 2.5% of the value of the land which the Urban Development Authorities charge to officially register a sales deed changing the title to land in their urban jurisdictions. This fee must be paid in conjunction with the Stamp Duty described in (1) above. Therefore, a minimum of 12.5% of the land value is charged to legally transfer and publicly register the title. HFC lawyers are insisting on legal title, as a precondition for a mortgage loan. Paying Stamp Duty and Corporation Fees constitutes the best method for obtaining legal title in the Punjab.

**Capital Value Tax.** This is a 5% wealth tax on the transaction. The 5% wealth tax only applies to Non-Assessees (people who are not officially registered as income tax payers). However, the government indicated that the 5% Capital Value Tax applies to all land transactions, but that the government has not been enforcing the collection of the tax on registered tax payers - they have only been collecting it from non-assessees. The government policy on this tax needs to be clarified. This uncertainty provides greater risk for housing mortgage lending.

**Excise Levy.** This is a 2% tax on housing construction valued over 50,000 rupees. There is some confusion as to whether this applies to all housing construction over a certain value or self-constructed units (by individuals) are exempt from this tax. Developers' construction of multi-unit subdivisions is subject to the tax.

## **G- TAX EVASION.**

Unfortunately, nothing is straight forward when you are talking about land transactions in Pakistan. Every area has its own rules and practices. In Lahore for example, there are several different areas including the LDA, Municipal Corporation area, Cantonment Board area, several hundred building society project areas, and non-urban or urbanizing district areas. The Defense Society area in Lahore is a good example of how land transactions are undertaken to

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avoid registration taxes.

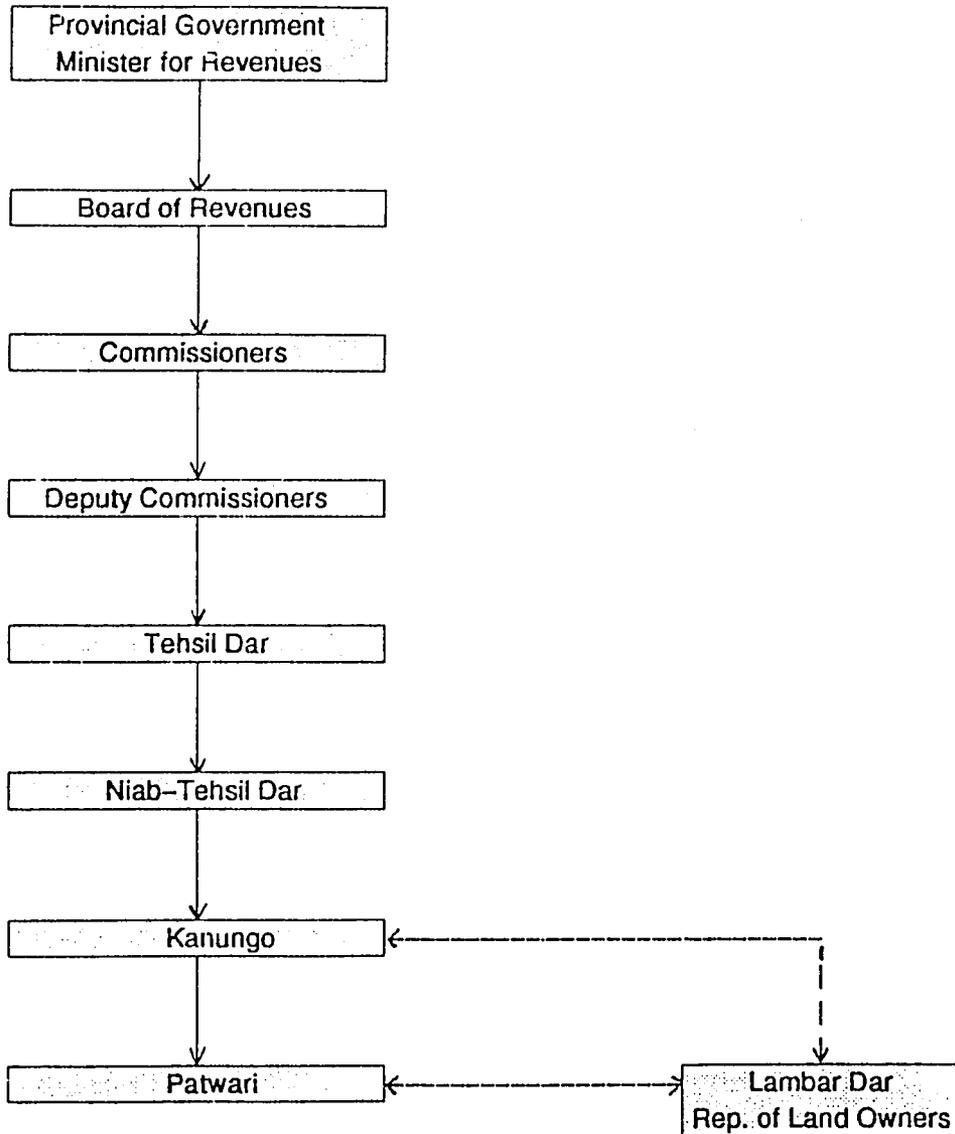
**Lahore Cantonment Cooperative Housing Society (LCHS).** The society has a large tract of subdivided land to which it holds legal title to in the form of a long term lease or free hold. It allocated its land parcels to members of the society at fixed prices. Ownership is given through an allotment letter from the Society to the buyer. A fee of 5,000 rupees is charged for issuing this allotment letter. The allotment letter is recognized by the general public as an ownership document but it does not constitute legal title under the law. Only by paying the 10% Stamp duty and the 2.5% corporation fee to the LDA, legal registration land and official transfer of title is possible.

The anomaly here is that if the buyer in the LCHS area does pay the required stamp duty and corporation taxes he will be reducing the market value of his property. Since there is little or no formal housing finance, in the LCHS area, the vast majority of the transactions are done through an allotment letter. The allotment letter costs 5,000 rupees and is recognized as ownership. So if an individual buys a plot of land, builds a house, and pays the fees necessary to obtain legal title, he cannot sell the property in the open market without taking a large loss, since his property has to compete with other properties for sale which have only allotment letters and do not have the added 12.5% cost. In Defence Society area an example would be that for a house and land currently worth Rs. 2,000,000 the buyer pays Rs. 5,000 only for the Allotment Letter. For Legal Registration the borrower would have to pay at least 12.5%, or 17.5% if he is not a tax payer (which is true in most cases), this comes to a cost of Rs. 250,000 for a registered tax payer and Rs. 350,000 for non-tax payers, and hence few can afford or have an incentive to obtain legal title in any building society area.

**Lahore Development Authority Area (LDA).** In the LDA area the vast majority of land transactions are completed through a sales agreement between the buyer and seller and a power of attorney in favor of the buyer in respect to the land involved. This circumvents both the stamp duty tax and the corporation fee. The power of attorney which is currently so popular has been forced on the general populace by the exorbitant government charges for transfer of legal title. It is possible that the Provincial government is losing a large amount of revenue and distorting the system to an extent where it will be very difficult and expensive to provide a system that works. The Provincial government's response has been to ask HFCs to prove that they are losing revenue from the current tax policy. A study needs to be undertaken to see what could be the results of a fee reduction. There definitely needs to be a rationalization of the fees involved in transfer and registration of land.

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In the LDA area it is very difficult to book mortgage loans due to the wide use of power of attorney. Many potential customers have power of attorney ownership of land but it may be the fifth such sales deed and power of attorney issued on an individual parcel since the land was last formally registered. This multiple power of attorney situation has made it difficult for lenders to contact the last registered owner and even more difficult to get his interest in clearing up the transactional mess. Forcing the general public into non-official land transactions is bad public policy no matter what the impact is on revenues.

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CHAPTER V  
CONCLUSION

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## CONCLUSION:

As is apparent from the above discussion legal registration and title transfer can be relatively straight forward based on the requirements of the Land Registration Act of 1908. However, in search for revenue the Provincial Governments gradually increased the fees and taxes on land transactions to the point where the cost is prohibitive and is therefore avoided. Since land registration, titling and transfer is the foundation upon which land development has to stand, the current system of land development is not working.

An effective land titling, transfer and registration system is a necessary first step for the establishment of a strong housing industry in Pakistan. Indeed, such a system is a necessity for making the legal system more effective and responsive and would have a positive effect on government and the country's economy. For government, it would provide a firm basis for collecting wealth tax as well as land revenue. For the economy, it would be beneficial to all areas of land development including industrial and commercial development in addition to housing. Land and the improvements on land affect the lives of most of the people on a daily basis. Regularizing transactions in land registration, transfer and titling would facilitate the creation of new wealth and development in Pakistan.

The current system with its high transaction costs is crippling the land development process in Pakistan and will continue to do so as long as the high transaction costs remain in place.

The second major problem in the land development process in Pakistan is the role assumed by the government in this process. The government has become developer as well as regulator and has provided the majority of serviced plots in the urbanized areas of the Punjab. Unfortunately, this developed land has not been made available to the general public but has been sold off to government employees and politicians and friends at very low prices. As a result, there is little state land available in Lahore and Karachi and only limited government sponsored development is occurring in Rawalpindi and Islamabad.

This situation has to change if development is to occur on a large scale and provide for the growing housing demand in the country. As stated before, the government should remove itself from the role of physical development and provide functional land development process which allow the private sector to develop land in urban areas. Government should regulate and control urban development. It should not be involved in the development of land for its own benefit.

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This brings us to the final point, which is that a routinized land development process aimed at providing access to land development by the private sector should be put in place in the major urban centers in the Punjab. We have provided recommendations on the steps to be taken in this regard in the Executive Summary portion of this study.

There will be continued resistance to entry of the private sector into the land development by government officials who have found this area of government control to be most profitable to themselves and their friends. Unless government corruption and unenlightened self-interest are checked, the urban centers will continue to lose investment in existing infrastructure and will be faced with growing deficits in urban services and housing.

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