

Policy Brief Series

# PAKISTAN'S URBANIZATION



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## ACHIEVING PROGRESS, GROWTH, AND DEVELOPMENT THROUGH URBAN RENEWAL

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### Policy Recommendations

- Revise current urban planning and zoning strategies. Emphasize more density, vertical growth, mixed-use (residential and commercial) buildings, and more walking space. This would stem sprawl, save precious agricultural land, generate environmental benefits, and promote more inclusivity. Such changes would also lead to a construction boom that in turn would create employment, attract investment, and hasten sustained growth.
- Eliminate city management biases against social, cultural, and learning activities and leisure space.
- Monetize housing benefits for public sector officials, who currently enjoy luxury housing and sprawled office space that take up large areas of city centers. Monetization could free up valuable land for high-value commercial and mixed-use development.

Recommendations continued on next page

This policy brief series seeks to share with a wider audience the proceedings of a November conference at the Woodrow Wilson Center that explored the challenges presented by Pakistan's rapid urbanization. The Wilson Center's Asia Program takes great pleasure in acknowledging support provided by the *Fellowship Fund for Pakistan* for the conference, this policy brief series, and the longer volume of essays to be published in 2014.

## Policy Recommendations (continued)

- Undertake civil service reform. Currently, a small group of federal administrators regulates cities and controls much of its prime land. Professional city managers are needed to manage cities for growth.

Recent research shows many reasons why city development is at the heart of progress, growth, and development:

**History and civilization evolved in cities.** All major scientific, social, political, economic, and technological innovations have happened in human agglomerations known as cities. Great civilizations and empires have been developed around cities. It is no accident that the dominant empire of any time has had the most important, creative, and productive city of the time.

**The most advanced cities have been places of learning and idea development.** Cities such as London, Edinburgh, Paris, Los Angeles, and New York have been birthplaces of invention, creativity, and—most important of all—enlightenment and reformation. Historically these cities have been for commerce and merchants, and have evolved as mixed-use commercial cities.

**The bulk of the output in any country is produced in cities.** Markets are based in cities. In bigger, denser cities, these markets can be highly specialized clusters of information exchange. Innovation and entrepreneurship often are incubated in such cities. Economic activity, innovation, and entrepreneurship tend to cluster and feed off each other, thereby favoring density.

**The difference between poor and rich countries often lies in the productivity of their cities.**

**Cities allow space for everyone and all**

**activities.** Cities offer community and networking infrastructure—libraries, community centers, sporting and conference facilities, theaters—to all, especially the poor and the middle classes.

**Creative cities enhance individual productivity.** In the post-industrial information age, creativity creates value. Creative cities are multiethnic, open to immigration, culturally rich, dense, and full of learning and innovation. They also allow for eccentricity, and offer many diverse learning experiences. In well-organized societies, productivity increases and energies converge to produce innovation and fresh ideas.

**City centers are mixed-use and densely populated, with private space as well as private transportation at a premium.** Increasingly, cities are using congestion taxes for cars and putting more emphasis on public transport to make cities more people-friendly. The young, the poor, and the middle classes—along with their creative activities—co-exist and interact with businesses in busy 24-hour downtowns. These city centers represent the heart of a city and define a city. All development around a city is then relative to this city center. City centers are magnets for ideas and migration. In fact, globalization is really the network of ideas generated in city centers.

**City regulation allows change and development.** Cities are dense human settlements, and it is no wonder that they accentuate conflicts. Successful countries and city

administrations develop institutions for managing these conflicts, while bearing in mind the needs of development and growth. Where conflicts are not properly managed, decline sets in.

**Building regulations must allow for creative destruction and renewal.** An important tension that needs to be managed is that between preservation of legacies and histories, and accommodations to the new and modern. Preservation is costly but necessary. However, without creative destruction, city development may be arrested. Preservation must be cleverly executed, preserving the spirit of the past and not seeking to keep obsolescent culture and functions alive.

**Real estate prices go up where height restrictions are excessive and building processes are discouraging of construction.**

**Rezoning helps development and increases supply to keep prices in check.** Mayor Ed Koch of New York once talked of the NIMBY (“not in my backyard”) mentality. Most of us would like a nice spacious mansion set in the middle of nice green meadows, with all urban amenities within easy reach. Yet no one wants a busy highway or a shopping mall close to their backyard. Yet as a city grows, space has to be made for urban conveniences such as highways, hotels, offices, and shopping malls. Often estates and even palaces have to give way to the development of the city. City management must be able to deal with the NIMBY mantra. Palaces, estates, hunting grounds, and leisure parks of the rich have given ground to the needs of cities. There are examples of the supremely entitled—namely kings and dukes and barons—who have seen the importance of yielding such private spaces to the development of more productive cities.

### THE STATE OF PAKISTANI CITIES

This idea of city development being at the heart of the growth process represents an emerging global consensus. However, Pakistani policy and

research remain largely oblivious to it, thanks to a highly donor-dependent policy process that eschews domestic thought and debate. The result is that Pakistani cities are the opposite of what conventional policy advice says they should be. Consider the following:

**Sprawl is actively encouraged.** No Pakistani cities appear to have downtowns or city centers—dense areas of residential, office, and commercial use combined with entertainment within an almost walkable district. Instead, many cities are falling victim to urban sprawl at the expense of valuable agricultural land for which, at various times, expensive irrigation has been put in place.

**Sprawl development favors roads and housing estates for the rich over other activities.**

There is an excess demand for most forms of city activities and basic services—education, entertainment, offices, retail, warehousing, and even low-income and middle-class housing. All these activities lack purpose-oriented space, and so are forced to be conducted in the only kind of city space planners have been allowing for the last few years—single-family homes.

**High rises, even for flats, are severely discouraged and penalized.** The result is that housing for low-income groups, young people starting families, and the middle class is in extremely short supply. In addition, there is no cohesive, mindful construction activity in any Pakistani city—even though this sector could sharply expand employment and growth.

**City zoning has been very unfriendly to commercial construction, public spaces, and commercial and community activity.** Zoning, heavily manipulated by influential groups with vested interests, favors single-family housing, which leaves little space for other activities. Commercialization—anything other than single-family homes—is arbitrary, cumbersome, ill-planned, and expensive. As a result, zoning and real estate development appear to be rent-seeking games.

**Government rather than commerce dominates city functioning.** There is a large presence of government (and also of the army) in all cities. Most prime land is government-owned, making the availability of prime land for commercial and mixed-use development very difficult. For example, the Mall Road in Lahore—the city's main thoroughfare—is completely owned by the government, almost all the way from the provincial assembly chambers to the airport.

### WHAT EXPLAINS THE PREVAILING PARADIGM?

Why are our cities in such poor shape? The answer lies in the architecture of their governance. Cities have become a major vehicle of rent-seeking and privilege preservation. Zoning and the arbitrary use of public land have become major vehicles for rent distribution. Laws and institutions—based on open transparent processes and clear property rights—have not been created to deal with this problem. In Pakistan, centralized administrations, opaque processes, and inadequate city administrations have heightened rent-seeking activity—stifling city economic growth while accelerating speculation. For example:

**City management is an almost part-time activity of the centralized civil service.**

Professional and autonomous city management cannot be structured and implemented without civil service reform. The current structure does not allow community participation and catastrophically places cities in the hands of junior civil servants who are generally in their positions only temporarily before transitioning to a higher position in a monolithic federal bureaucracy.

**Pakistani cities offer little in the way of entertainment, community, or leisure space.**

There are practically no libraries, community centers, theaters, or sporting facilities (except for the elite). Spurred by donors, city

management is viewed as providing physical infrastructure, such as sanitation and roads. Yet social, cultural, and learning activities are also important aspects of a city.

**Most cities are not administratively cohesive.** Cantonments, federal and provincial governments, and other administrative structures often operate to undermine city functions and even to take over city space, to the detriment of city development. Federal and provincial governments own vast amounts of inner-city land which is arbitrarily developed without consultation with the city. Examples abound: Consider the arbitrary offices, leisure clubs, and training academies that the Punjab provincial government and various federal agencies have built up in Lahore without consultation.

**The public service pay and pension system, which relies on perks based on urban land, seriously impedes city development.** City centers are dominated by housing for civil servants, judges, and army officials. Consequently, land that should be available for mixed-use, high-rise development is blocked. Reform that would monetize this perk and instead make this land available for mixed-use, high-rise construction could have an estimated investment potential of 50 percent of gross domestic product over 10 years. This suggests that the opportunity cost of the perks system is huge.

**Because of this perk system, real estate development has become a public sector enterprise business and not a commercial activity.** Officials are rewarded for government service with gifts of land, and hence prefer to keep land development a public sector activity.

**The unintended consequence of this form of city development is a serious lack of public, community, entertainment, and commercial space.** This paucity accentuates exclusion—especially of youth and the poor—not only from the city, but from globalization and modernity. The only form of public space that zoning has

avored or is unable to curtail is that devoted to religion.

## THE WAY OUT: REFORMS OF THE FRAMEWORK FOR ECONOMIC GROWTH

Following earlier research done at the Pakistan Institute of Development Economics (PIDE), the Framework for Economic Growth (FEG, a 2011 publication of Pakistan's Planning Commission) highlighted urban reform as central to any strategy for sustainable reform in Pakistan. Cities, the FEG argues, become engines of growth and development when they are allowed to function as decentralized, coherent administrative units for the advancement of commerce. To achieve this:

**Policy, research, and thinking needs to move away from a spaceless approach to development.**

**Fiscal federalism needs to be urgently adopted for city growth** and to allow cities adequate ownership of their land and resources. This must mean an adequate definition of city limits with exclusive city ownership of its resources. Federal, provincial governments, and defense agencies should not affect city administration.

**The zoning paradigm needs to move away from its current emphasis on upper-class housing** to one that recognizes the diversity of the functions of a city. It must favor density, high-rise mixed-use, and walkability—and especially in downtown areas. In addition it must favor public and community space while allowing for commerce, culture, and education and other needed city activities. Zoning needs to be based on clear transparent processes that are in turn based on open citizen consultations.

**Building regulations must be loosened to allow complex high-rise construction.**

**City centers need to be developed for dense mixed-use.** Government ownership of city-center land needs to be reduced if it is retarding

downtown development. Commerce needs to be given priority in city centers.

**City management should be professional, consultative, and accountable.** Cities must be able to hire out of their budgets without federal hiring restrictions and mandatory positions for the federal civil service. Moreover, decision making must be based on open consultative processes.

Central to this reform process will be much-needed civil service reform, without which cities cannot attain the autonomy, professionalism, and control over their land needed for development. Unless the system of perks and civil service control of cities and their land development is shaken, serious commercial and construction activity will not start. And without this, there will be no serious effort to start unraveling the current system of exclusion of the poor. In turn, enlightened space and culture to counter the prevailing fundamentalist narrative in Pakistan will not emerge.

FEG and its predecessors at the PIDE have initiated the thinking on a simple reform agenda that will reduce the current high level of rent-seeking in Pakistan's cities, and lay the basis of commerce and creativity that will fuel sustainable growth. But is anyone listening?

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*This policy brief marks the third in a series of four on Pakistan's urbanization. Other briefs in the series can be accessed from the Asia Program webpage at <http://www.wilsoncenter.org/publication-series/pakistans-urbanization-policy-brief-series>*