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# URBANIZATION CHALLENGES IN PAKISTAN

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DEVELOPING VISION 2030

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# URBANIZATION CHALLENGES IN PAKISTAN

## DEVELOPING VISION 2030

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### INTRODUCTION

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This brief outlines the urban challenges that Pakistan will likely to face in the next 25 years. The brief also offers strategies to address those challenges in urban Pakistan.

Over the next 25 years, the urban population in Pakistan is likely to increase by 140% (Figure 1). This dramatic increase in urban populations will add another 80 million to the urban population in Pakistan, bringing the total urban population to a 130 million people. The year 2030 will also be a major landmark in Pakistan's development as a nation. For the first time in 83 years, the urban population in Pakistan will constitute 50% of the total population. From nearly 50 million urbanites today, Pakistan will be home to a massive urban population of 130 million, with one of the largest urban centres in the world.

The urbanization in Pakistan is likely to pose new challenges in governance and urban service delivery. The current appalling state of most urban centres may worsen with time if the development challenges were not recognised and dealt with in a planned and systematic manner. While urbanization poses new challenges, it will also create new opportunities for growth and prosperity. A natural by-product of urbanization will be the emergence of a middle class of over a 100 million individuals, who will not only create a domestic market for goods and services, but at the same time can create a skilled workforce that can become the engine of growth and source of innovation.

The Vision 2030 for urban Pakistan should aim for creating healthy, prosperous, socially just, and environmentally sustainable urban communities, which would contribute to the growth and prosperity of the entire nation. The Vision 2030 for Pakistan should recognise that the cities would be the primary engines of growth, development, and innovation in Pakistan. Vision 2030 should aim for creating urban centres in Pakistan that could compete globally in the future with other knowledge economies.

In the next few paragraphs, the major challenges in urban development in Pakistan are highlighted, followed by a discussion on what policies are needed to address these challenges.

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### URBAN CHALLENGES

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It is no longer possible to overlook the urban decay in Pakistan. Streets are littered with waste, drains are overflowing with sewage, low-lying communities are inundated after rainfall, traffic congestion is ubiquitous, and the violent crime in urban centres is on the rise. The State either has divested from, or is no longer able to offer, reliable mass transit, good quality and affordable primary education, and healthcare. This has given the opportunity to the private sector to take up some of these roles. However, the private sector has assumed these roles at the cost of social justice and equity. Affordable public healthcare, public transit, security, and primary/secondary education are some of the sectors where the private sector has filled the void left by the public sector. However, these services are very expensive and only a small segment could afford them. In brief, the urban rot in Pakistan is screaming at us, pleading for intervention.

## **INFRASTRUCTURE DEFICIT**

The infrastructure deficit is the most obvious telltale of urban decay in Pakistan. Some indicators would help understand the scope of the problem. Less than 1% of wastewater is treated in Pakistan. The rest is dumped into ravines, streams, and rivers. The result has been drastic. Brooks, streams, ravines and rivers have turned into sewers. The metropolitan governments recover fewer than 50% of the solid waste generated in the cities. The rest is left to rot on the streets. Even the waste that is collected is mostly dumped in open fields or is incinerated. The dumped waste pollutes the groundwater and the incinerated waste creates air pollution. Lahore, a sprawling metropolis of seven million, has fewer than 100 traffic lights, which are insufficient measures of traffic management. The result is severe traffic congestion. In the federal capital, Islamabad, even the well-off communities face chronic water shortages.

## **URBAN POVERTY & UNEMPLOYMENT**

The infrastructure deficit and the associated urban decay are only one manifestation of much more complex structural dynamics and constraints. The poor economic growth, specifically the low rate of employment growth for the youth, lack of entrepreneurship, and the collapse of civilian institutions are some of the more inherent causes of the urban decay in Pakistan.

Consider that the largest and the fastest growing cohort in Pakistan is between the ages of 15 and 25 years of age. In urban areas, more often than not, the youth are educated. However, gainful employment, even for the educated youth, remains elusive. Add to this the lack of entrepreneurship, and the result is an army of unemployed youth, who are readily drafted by the mafia or other degenerated groups. This may be the reason behind the increase in violent crime in the last decade in Pakistan. Media reports suggested that the first week of January 2006 witnessed 10 murders in Karachi and seven in Lahore. With the coming of age of large number of unemployed, educated youth in urban Pakistan, the severity of challenges is only likely to increase.

## **INCOHERENT FUTURE AMBITIONS FOR URBAN PAKISTAN**

Another challenge in urban Pakistan is the intolerance towards the diversity of views and virtues for the future of urban Pakistan. On one hand are the conservatives who would like to see the economic growth of cities divorced from the cultural evolution and diversity. On the other hand are the pragmatists who see cultural evolution a natural outcome of the urbanization process. Consider that riots took place in Lahore in 2005 on the issue of holding a marathon. The lack of tolerance towards divergent views continues to pull urban Pakistan in different directions, which is not conducive for growth and development.

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## **DEVOLUTION PLAN**

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Recent innovation in governance is likely to affect the future of cities in Pakistan. Under the devolution plan, a new system of municipal governance has been laid out in Pakistan. The salient features include emancipation of women (more than 25% of the 130,000-odd municipal representatives are women), devolution of power for local decision making, and the formation of citizen community boards (CCBs) to engage the community in the decision making process. These developments are monumental from Pakistan's perspective. These changes, accompanied with the much-needed municipal financial reform, which is yet to occur, are likely to bring positive change in urban Pakistan.

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## **URBAN SECTORAL POLICIES**

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The following sections outline the generic policies that need to be formulated and implemented in Pakistan. While some of these policies may exist, however, their implementation has remained a challenge.

### **LOCAL ECONOMIC POLICY-MAKING**

Urban economic development and job creation is not a well-defined mandate of the urban and regional governments in Pakistan. Large metropolitan areas, such as Lahore, Karachi, and Faisalabad should have offices for economic development and poverty alleviation. The federal government indeed enjoys the mandate at the national level, however the local level economic policies will be able to capitalise on the competitive advantage of urban centres nationally and internationally. Given that cities have already started to compete directly in the globalized economy, the need for urban economic development policies, which are inherently location-specific, will be felt even more in the future.

### **HOUSING & LAND POLICY**

There is an estimated backlog of six million housing units in Pakistan. Inadequate housing, over crowding, poor indoor air quality, lack of affordable land, and ad hoc treatment of informal settlements within urban areas are some of the challenges facing urban Pakistan today. The urban development authorities have systematically shifted public land to a privileged few by sanctioning public land to land development schemes initiated by the military and other privileged groups in the civilian setup. Land has thus become the primary instrument of wealth creation in Pakistan. This process has created severe inequalities in urban centres. Low-income communities have been shunned to largely undesirable parts of the cities.

A new housing and land policy is needed for urban centres in Pakistan. The primary goal for such policy should be to address the systematic bias towards the low-income households who have suffered at the hands of the urban development schemes. The new housing and land policy should recognise the right to shelter for all and not just a privileged few. A housing policy that gives equal treatment to the housing development plans put forth by the community-based organisations is the need of the hour in urban Pakistan.

At present, the community-based organizations that have been successful in obtaining public land at subsidised prices comprised of military officers, lawyers, journalists, academics and the like. However, the low-income communities, who lack the organizational and financial resources to propose such schemes, have remained on the sidelines while most of the desirable land in urban Pakistan has been carved up by the land development schemes put forward by the privileged sections of the society.

The State's role is paramount in the proposed setup. The State should help low-income communities with forming cooperatives to pool their resources and later to submit land development schemes to the urban development authorities. The State should also provide technical assistance to the cooperatives so that they could develop the initial development plans. The cooperatives on behalf of the communities could then seek financing from the commercial banks by putting down

the communities' collective worth as collateral. The State could offer guarantees to the bank against the land pledged for the development schemes.

#### **PRIMARY AND SECONDARY EDUCATION POLICY**

A two tiered education system has emerged in Pakistan. The children from affluent communities attend the more expensive private schools, which offer better education than the state-operated schools. The children from low-income communities attend the state operated affordable schools, whose standards have declined sharply in the past two decades. An urban education policy is needed in Pakistan, which should benchmark the quality of education in public schools against the standards maintained in the private schools. The local and higher tier governments should allocate sufficient resources to ensure that the public schools improve their standards and continue to offer education at affordable prices. The right to *quality education at affordable costs* should replace the *right to education*.

In addition, there is a lack of community involvement in education in Pakistan. For instance, educated parents can contribute a great deal in the quality of education being imparted in public schools. In urban Pakistan, parents are professors, engineers, doctors, and lawyers. However, the current education set up does not involve parents in the school system to assist with the pedagogical needs of students. An education policy that encourages parents to participate in school operations, and at time teach classes and serve as mentors, would go a long way in addressing the decline of standards in public schools.

#### **BASIC HEALTH POLICY**

A two-tier health system has also become a norm in Pakistan. The poor households have no other recourse but to use the public health care system, which has crumbled because of inadequate funding. However, district hospitals in urban Pakistan are crumbling because of inadequate funding and staff. A for profit private health care system has emerged which serves the needs of those who could afford the price. This inequality needs to be addressed urgently. A basic health policy that guarantees quality health care in urban centres at affordable prices is urgently required. This would also require new financial commitments from all tiers of government. The operation of district hospitals should be benchmarked against private hospitals of comparable size. The State should ensure adequate funding of all district hospitals in urban Pakistan to ensure that these hospitals offer comparable service to the low-income communities.

#### **INFRASTRUCTURE DEFICIT**

There is a huge infrastructure deficit in Pakistan. An urban development policy that involves the community in decision-making and implementation of infrastructure projects is required in Pakistan. The community-based infrastructure development has shown great success and promise in Pakistan. Community based solid waste management in Lahore, community-based water supply and sanitation systems in Orangi (Karachi), Hasanpur (Faisalabad), Lodhran and Jaranwala are examples of successful implementation of municipal service delivery where the local governments lacked the resources to implement such projects. The devolution plan recognizes an explicit role of the community in addressing the infrastructure deficit. A nation-wide implementation of these projects should follow to address the infrastructure deficit in Pakistan.

While there has been work done on water supply and sanitation, the urban transport sector has largely been neglected. To date, there is no urban transport policy or vision in Pakistan. These issues need to be addressed at the earliest.

An urban transport policy that outlines the vision and aspirations for mobility of urban communities needs to be developed. The urban transport policy should be developed along with the urban land use policy to ensure that transport infrastructure will be able to service the future travel demand that will emerge from new communities.

In this regard, the role of Bus Rapid Transit (BRT) systems, which operate high capacity buses on dedicated right of way should be considered for Pakistan. The success of BRTs in other developing countries, which could not afford the expensive rail-based systems, should serve as the guiding principle. Thus, the BRT systems in Curitiba, Brazil, and Bogota, Columbia, should serve as prototypes rather than the prohibitively expensive subways systems in Europe. Similarly, serious consideration should be given to the bus franchising schemes to engage private sector in offering quality public transit.

The urban transport policy should include a comprehensive parking policy in Pakistan. A significant percentage of road capacity is lost to illegal parking in urban Pakistan. Commercial developments in Pakistan have not provided dedicated parking spaces. This has resulted in on-street parking along commercial arterials in Pakistan. A parking policy should be developed and enforced as part of the transport policy.

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## **STRATEGIES TO ENHANCE SUSTAINABLE URBAN REGION DEVELOPMENT**

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Following strategies should be considered to support the policies that have been mentioned in the last section.

### **ROLE OF FINANCIAL INSTITUTIONS IN ALLEVIATING POVERTY**

There lies a great potential for the banks to make a meaningful contribution in alleviating poverty while creating a new client base. The Grameen Bank in Bangladesh has established the viability of micro credit in Bangladesh. The micro credit programs run by the Orangi Pilot Project (OPP) in Karachi have also concluded the same. With lower than average default rates, poor consumers have proven themselves to be creditworthy and bankable. Realising the potential of micro credit, the government in Pakistan has initiated a micro credit facility: the Khushhali Bank. However, the bank's coverage is rather limited as it espouses to reach 600,000 households by 2006. With millions of households needing assistance, no one bank can service this demand. There is an opportunity for the commercial banks to participate in development finance in Pakistan. The global experience with micro credit suggests that poor are bankable and trustworthy clients. The experience in Pakistan should be no different.

The private banks and their leadership in Pakistan have not yet seen the value in banking the largest segment of the market. The poor purchase all services they consume, often paying more than the market price. Development finance in developing countries needs to become mainstream. The commercial banks should consider extending loans to self-organizing communities, who have been ready to invest in their own future. The scale of the development challenge is such that it cannot be left to already stretched multilateral and bilateral donors. The commercial banks have to step in and realise the potential of banking the poor.

### **SELF-SUSTAINABLE DEVELOPMENT**

It could be argued that the development process should be envisioned in a self-sustainable environment. The conventional approach of relying on multilateral or bilateral donors may not be

conducive in the long run. There are no straight answers for the role of donors in offering financial assistance to communities. It could be argued that the donors' assistance should not take the sense of ownership and the responsibility off the shoulders of the community. Once the donors lose interest in the projects that they have financed, the community seldom steps in to plug the equity gap. However, the likelihood of long-term survival is higher for the projects where the donors have restricted their assistance to the capital costs and have encouraged the community to shoulder operating and maintenance costs.

#### **MUNICIPAL FINANCIAL AND INSTITUTIONAL RESTRUCTURING**

Municipal finance in Pakistan, like many other developing countries, needs to be reengineered. Local governments rely on transfer of funds from higher tiers of government. They lack own source revenue and sources of buoyant taxes. This needs to be changed. While the smaller communities may not have a sufficient tax base, the larger municipalities are in a position to generate funds from pricing the services they deliver and by generating local revenue from direct taxation. Metropolitans, such as Lahore (population: seven million) and Karachi (population: 11 million) enjoy the critical mass to sustain their operations from local taxes. The new devolution plan in Pakistan pre-empts local governments from raising funds in the capital markets. Municipal bonds are unheard of in Pakistan. There is an immediate need of financial restructuring in Pakistan so that the local governments can expand the revenue base by relying on direct taxation rather than on transfer of funds. In addition, large municipalities, which have high-value assets, should be permitted to float bonds in open markets to finance development.

Agencies dealing with municipal services, such as water supply, sanitation, and transportation, continue to be under the control of provincial governments. The devolution plan did not bring these agencies under the administrative control of local governments. This creates administrative and operational confusion. While the local governments have the mandate to deliver municipal services, the state apparatus bearing the technical expertise and financial resources, continues to be under the provincial control. Needless to say, this shortcoming should be addressed at the earliest by bringing such entities under the local governments.

#### **INSTITUTIONAL CAPACITY-BUILDING OF LOCAL GOVERNMENTS**

There is a dire need of capacity building of local governments in Pakistan. Municipal governments lack technical expertise. Adequate number of trained engineers and planners are lacking in the municipal workforce. Without technical expertise at the local level, local governments will continue to struggle in delivering the mandate they have assumed under the devolution plan. Similarly, there is a need to extend technical assistance to the Community-based Organisations (CBOs) while they are planning to develop new infrastructure. The government can create a national agency with the mandate to assist CBOs in designing new infrastructure. Given the lack of trained technical staff at the local government level, it would not be feasible to deputise the local governments' staff to CBOs.

#### **PUBLIC COMMUNITY PARTNERSHIPS**

Public-community partnerships (PCP), which are inherently different from public private partnerships (PPP), are the way forward for urban development in Pakistan. When the state cannot offer infrastructure or services, PCPs could plug the gap in Pakistan. In a resource constraint environment, such as the one in Pakistan, where the communities lack the ability and the willingness to pay for services provided by the private or the public sector, putting communities in-charge of the projects could be the answer. The traditional PPP involves a private, for profit, enterprise that builds

the infrastructure and provides service at a cost that also includes the profits for the private enterprise. The private enterprise essentially acts as an intermediary between the community and the government. A PCP on the other hand eliminates the intermediary and puts the community in the driving seat. This approach reduced the project costs by almost 60% in Faisalabad.

The holy trinity of the NGO, community, and local government could be the formula for urban development in Pakistan. The important lesson to learn is that NGOs and CBOs do not eliminate or replace the state, but in fact work with the state for large-scale implementation of community led initiatives.

#### **REVAMPING CURRICULA FOR URBAN DEVELOPMENT**

There is also a need to revamp the engineering and planning curricula in Pakistan. Community based infrastructure development is missing from the curricula being taught in engineering and planning programs. Those who are employed in the field also lack experience in community-based infrastructure development. This creates an opportunity for the institutes of higher learning to step in and design new curricula for students and practitioners. In addition, newly created institutions, such as the National Institute of Urban Infrastructure Planning (NIUIP) at Engineering University in Peshawar should be strengthened and integrated in the policymaking process at the national and provincial levels

#### **INFORMATION AND KNOWLEDGE BANKS**

Efficient planning and service delivery cannot happen without location-specific data. Local indicators of municipal services are vital in benchmarking the performance of local governments and also in planning interventions and improvements. Such information has not been made available in the past in Pakistan. The donor community has also financed numerous surveys in Pakistan on municipal service delivery, literacy, and gender related development. Almost without exception, those data sets have remained with the international consultants and have not been made available to local planners and policymakers. A paradigm shift is in order when it comes to making data available for informed policymaking.

Only recently, the Population Census Organization in Pakistan has started publishing District-wide reports with details on development indicators at the neighbourhood level. In addition, different state agencies have started to generate GIS databases with spatial details at the local level. An information bank that pools information from various entities of government and donors will play a large role in becoming a data depository, which would also disseminate data to various stakeholders. In the absence of such an information bank, many agencies would waste precious development funds by duplicating data collection efforts. The information bank will support research, planning, and execution of municipal services so that informed, timely, and relevant decisions could be made in improving the lives of millions of poor in Pakistan.

### Pakistan Urban Population : Cumulative Increase (Base 2005)

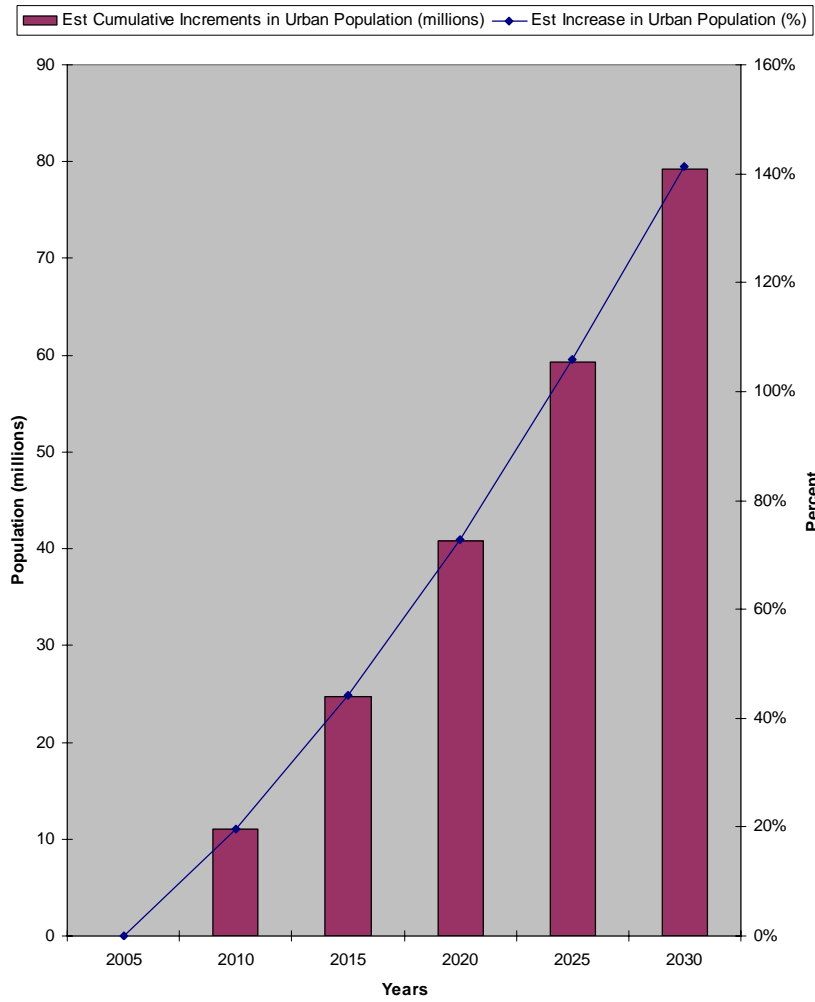


Figure 1: Projected growth of urban population in Pakistan.