ISSUES AND RELATIONSHIP BETWEEN LOCAL GOVERNMENT AND CENTRAL GOVERNMENT IN PAKISTAN

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Abstract: The paper at hand critically examines the nature of relationship exists between local and central government with respect to the powers enshrined in local legislative list. All local self-government systems that our nation has experienced are under discussion, and especially Musharraf’s which takes precedence. Aim of the paper here to discuss the reasons that why always democratically elected political governments give preference to reinstate bureaucratic local form of governments, till now what Pakistan has achieved politically and socially from the bureaucratic local government and the local government system established under the ordinance of 2001. Specifically this paper comprehend achievements of bureaucratic local self-government systems and LSG of 2001 in social and political context and also sheds light on the reasons because of which successive democratic governments have failed to materialize a local system in true letter and spirit of the term against bureaucratic local self-government system. Moreover, Pakistan has achieved what on being having more stratified governmental structures, unstable democracy and to what degree this new local structure has shaped the social structure. The increasing strengthening role of the bureaucratic Local government in Pakistan is analyzed particularly by keeping in mind the 18th amendment of the Constitution that authorized independent powers to the local bodies. The comparative analysis is made of Pakistan’s local government system with the other South-Asian countries on different political and social basis. This paper examines the expanding sphere of influence of bureaucracy in local management by using the powers which actually democratically elected people are entitled to discharge; without losing the context of 18th amendment. In the light of different political and social indicators, a comparison among Pakistan’s local self-government system with the other local systems, prevalent in south Asian countries is also part of the paper. Descriptive-analytical methodology is being used to conduct this research.

Keywords: Local governments, democratic and undemocratic regimes, Pakistan, South Asian countries.

Introduction

Pakistan since her independence has remained under the control of feudal forces, military and civil bureaucracy.. Constitutionally, Pakistan was a federal state and had the powers been given to the provinces in true meanings Pakistan would have been different today. ..

The federalism is actually a system that basically for the support of ordinary and poor society and particularly who lives far remote areas or in villages and districts. For instance, the representatives of the Central government, officials who living in Islamabad or other cities can't understand the problems of the provincial and districts people who are poor, labors, peasants, truck drivers, shopkeepers etc because of area distance. There are still many remote and backward areas that do not have electricity, clean drinking water, a school, hospital even without a small dispensary etc.

It happens first time in our history, when during the Pervaiz Musharraf era as under his military rule the powers were decentralized in the Bureaucratic form of political structure by the Local ordinance bill 2001. The power was devolved in the local level that comes under provincial governments and that was consisted of three tiers includes Councilors, Nazism and nab Nazism. However the provincial governmental power was transferred and enhanced into villages and towns. Now the common and poor people through democratic electoral process could elect their representatives. This occurred first time in dictator rule that autonomy, democracy and independence was given at very low local level. By this system the people was provided the right of casting vote but at the political level the supremacy of the few people was created and by them the broader chances were given to the corruption.

The restoration of the 18th amendment is placed as a milestone that strengthening and flourishing democracy by free, transparent, democratic, independent and autonomous provincial unites. The federalism is only the system through that the above mentioned challenges to the provincial people can be combat. Otherwise it becomes very difficult for the Central government to address all the issues at provincial level in a reasonable way.

The Local Ordinance bill and the restoration of the 18th Amendment are the productive basis that lay down the foundations of democracy, independence, autonomy in Pakistan’s federal political structure and local level governments. The paper will analyze that to what extent these two democratic reforms are affective for promoting democracy particularly in ethnic and feudal areas and what political, social and economic changes are brought. The important developments and failure of these two democratic reform will also be analyzed in order to make recommendations for future betterment or changes. Moreover it will be analyzed that with these two democratic reforms, today Pakistan is stand where among the South Asian states and from democracy perspective these reforms contains what value for Pakistan and her people.

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Provincial Empowerment: Restoration of 18th Amendment

Pakistan came into independence on the unity of few small provincial or federal units with this hope and promise that after independence the decentralized and democratic form of the government would be established. In which, all the federal units would have autonomous powers and rights. But unlucky in democratic and undemocratic era, the powerful and autonomous Central unitary form of government was established by ignoring the freedom, democratic rights autonomy of the federal provincial units. The Central government had always adopted the exploitation and ignorance policies against the federal provincial units. Unfortunately in the Constitution, Pakistan was declared as a federal state but practically there were no rights provided to the federal provincial units through the constitution. The major reason behind this was the repeatedly imposition of Martial law after short durations of democratic periods which do not last more than almost two or two and half years. Moreover, Pakistan in her earlier years of establishment was politically, financially, and militarily weak and was facing a great security threat from India.

Each dictator includes Ayub Khan, General Zia-ul Haq and General Musharraf had transferred the parliamentary form of government into the quasi form of presidential government after making amendments in the constitution in order to strengthened their personal rule. Even regarding this no struggle was made during the democratic form of governments. Because throughout the sixty-seven years of Pakistan's independence, in both democratic and undemocratic governments the wrong thinking had prevailed that only the strong and centralized form of the Central government could make assure prosperous and strong Pakistan.

Pakistan had tolerated many social and political loses by not providing federal rights and freedom to the federal provincial units. In constitutions of 1956, 1962 and 1973, the importance of federal units and their rights were recognized as by giving a name of 'federal state' to Pakistan. But the recognition was merely verbal and just as for fulfilling formality that the Constitution is on the basis of 1940 Lahore declaration that supported the federal rights, autonomy and freedom after independence. In practice, the federal units were kept under the complete autonomy of the Central government by providing no rights or less rights. Pakistan faced a big political loss in 1971 when the East Pakistan separated and became Bangladesh by not having the federal rights when living together with the West Pakistan. The people of East Pakistan did struggle and raised their voice for a long time for federal autonomy, political and social rights includes their demand for making Bengali as an official language as Urdu was, financial rights, commercial and trade rights and political rights etc. But the ill and unreasonable policies of the West Pakistan's politicians provided them a chance to make a separate homeland. Even after this dreadful incident, the free and democratic federal system was not established.

In 1950s, the Central government kept extra-constitutional powers and de-facto control on the country through a unitary form of the government. Till 1956, Pakistan was under the interim constitution of the government of India act 1935. In 1956 the first constitution was made by a bureaucrat. In constitution, the form of the government was unitary and by this the presence of federal units was completely ignored. The constitution illustrated the state power was divided into three level includes Central, provincial and Concurrent. The federal units had begun demand for autonomy and for having separate electorates. The federal units did not accepted the unitary form of the Central government that at that time was in hands of bureaucrats, military officers and Punjabi politicians. The 1956 Constitution could be implemented before by holding the national elections, Ayub Khan imposed martial law resultantly the Constitution went into abeyance.

In 1962, the second Constitution was made by the Military dictator Ayub Khan. In the constitution the relation among the Central government, the federal government and the federal constituencies was defined. But by this usual just the verbal formality was fulfilled. The state power was divided into three level includes Central, provincial and Concurrent. While in practice the provincial list of subjects was excluded that means the federal units were powerless and the Center was strong enough to deal all the issues at center and federal. This was stated in the Constitution that the provincial government were be headed by the governors that would be nominated by the President. The legislature was unicameral at the Central and the provincial level. The Central government was enormous strong.

The third and final Constitution was introduced in 1973 that was made in Zulfiqar Ali Bhutto time period through parliamentary process and it is still institutionalized. In the Constitution the provincial list of the subjects was excluded and all the federal powers were given to the Central government. The federal powers were restricted in the provincial assemblies. The bicameral legislature was given to the federal units. The budget was passing accordingly to the pattern under the government of India Act 1935. The President of Pakistan had an authority to decide about the distribution of revenues among the federations. On issues of the water distribution and the royalty of the natural gas, the relations of the Central government and the federal government were sour. The executive authorities were in the hands of the President and the Prime Minister. The upper legislative chamber was kept powerless. Many Constitutional and extra Constitutional amendments were yet made.

General Zia-ul Haq and the General Pervaiz Musharraf had made amendments in 18th and 17th although that were not merely the federation provision of the Constitution in order to shift the Constitution accordingly and in support to their presidential form of the government. In 2010, the 18th Amendment of the Constitution was restored by the both houses of the Parliament. This restoration has enhanced the rights and duties of the federal unite. The provinces has given an autonomy in
legislative, executive, fiscal and administration spheres. The competition and cooperation is brought among the provinces in order to strengthen them. Under the 18th amendment the Comissionerate system was restored at district and village level and the Local ordinance bill of 2001 was cancelled.

Actually, the powers of the Central government are now decentralized towards the provinces by providing autonomy and authority to them. The provinces are now authoritative to make plans, policies and programs but regarding this the provinces will be accountable to the National Economic Council and Planning Commission. Likewise the provinces, the districts will be free in planning and designing their projects but will accountable and under the final jurisdiction of the National Economic Council and Planning Commission. By these developments, a new era of progress is laid down. The local government elections at provincial and districts level are allowed to be held that broaden and increased the level of democracy. A large number of subjects, functions and institutions are suggested to relocate at federal and provincial level in order to enhance their powers, development and to facilitate their functions. Most importantly the fiscal equalization is brought among the three tiers of the government includes state, province and districts. For fiscal equalization, the 7th National Finance Commission Award (NFC Award) was approved. The financial institutions are established at provincial level within the provincial jurisdiction.

The ministers including sports, health, environment, women development, labor and manpower, food and agriculture, minorities affairs, zakat and usher, population welfare, youth affairs, local government, social welfare, special education, culture tourism, livestock, dairy development etc are under the devolution process handed-over to the provinces. All the issues and problems between the Central government and the provincial government will be settled down by the Council of Common Interests (CCI). 5

Most importantly now the provinces are authoritative and independent in making educational curriculum, syllabus, planning, policy, standard of education and Islamic education, standards in Higher education, research, technical institutions etc. Only FATA, Gilgat Biltistan and Azad and Jammu and Kashmir will be bound to follow the federal government educational syllabus. FATA and Gilgat Biltistan could follow that educational syllabus of Kyber Pukhunkhaw. 4

Local Ordinance Bill 2001 and Restoration of Commissioner Bureaucratic System

The Local ordinance bill was inflicted in 2001 by the military leader General Pervaiz Musharraf. Under the Ordinance bill the provincial power was devolved in three tiers includes Councilors, Nazism and Sub Nazism. The previous bureaucratic system of Deputy Commissioner and Commissioner who were official bureaucrat, were abolished. The new democratic system at the local level on the above mentioned three tiers based on the local body elections. Now the common and poor people were free to elect their ideal representative to address their issues. Under the democratic federal system, now a common poor people who belongs to far away remote and backward areas do have a right to caste vote and to participate in a political system. By the local body elections, it is tried to make the political system transparent. As previously in bureaucratic local system the elections were held indirectly and through bribes and blackmailing the nominees were elected.

Under the Ordinance bill 2001, heavy funds and commercial projects were allocated to the local district level governments. By this, the commercial class was boosted to emerge at local level and it is being tried to raise the living standard of the people. But resultantly there was less development occurred at the local level as a corruption was made in the allocated funds and the commercial projects by councilor, Nazism and sub-Nazism. The major reason behind their corruption was lack of rules and a complete authoritative hold over the system by Nazism. In bureaucratic Commissioner rule, all the decisions were made by Commissioner according to the rules that were made by the Central government.

While in Nazism system, all decisions were in hands of Nazism and these decisions were dependent on their personal thinking and interests. Moreover under the local Ordinance bill, a large number of land violation was placed and Nazism system had no rule and regulations to stop such land violation. Moreover, it was commonly said the Nazism were not even listening the technocrat government of the Pervaiz Musharraf. The elected Nazism did not have a balanced attitude and policies for their belonging areas people as they were supporting and helping those people who did caste vote for them.

Musharraf’s Local Ordinance Bill was failed in securing the rights of the poor people and gave space to corruption, violation and ethnicity. But it gave voice to democracy and democratic rights and duties of the people at district, towns and village levels by casting vote to their representatives in elections. 6

Under the 18th amendment, the comissionerate system was restored in all the provinces. The ward system in cities and district councils in rural areas is established. The posts of Commissioner, deputy Commissioner, mayor, deputy mayor, chairman district council and vice chairman are restored. 6

Social and Political Importance and Impacts of 18th Amendment

1- The primary importance of the 18th Amendment is to strengthen the democracy in Pakistan and to bring her out from the controlled democracy that is about sixty-seven years prevailed. In Pakistan history, it happens first time that all the
political parties with a great solidarity and spirit gathered at one platform to strengthen the free and true democracy that did not before this they have. The large aim of the 18th amendment is repealed that made null and void all policies and orders made by the General Pervaiz Musharraf that he approved from his own created technocrat parliament. First time in history, the political parties has showed such a bold stance towards the dictator rule that aim was just to realize to all anti-democratic powers that now onwards no undemocratic move could be tolerated. Moreover the Article 58 (2)b was removed under that the President had the powers to dissolve the national assembly. For instance, in 1990s the establishment with the help of the President on basis of article 58 (2) B dissolved the national assembly of different democratic terms of Nawaz Sharif and Benazir Bhutto.

2- Many ministers includes sports, health, environment, women development, labor and manpower, food and agriculture, minorities affairs, zakat and usher, population welfare, youth affairs, local government, social welfare, special education, culture tourism, livestock, dairy development etc are by the devolution process handed-over to the provinces. Such enhancement in authorities and autonomy of the provinces has increased the employment opportunities for the provincial people. Resultantly, the poverty will overcome and the living standard of the people will raise. In past, under the military and controlled democracy almost all above mentioned ministers came under the jurisdiction of the Central government. Now the provincial and district people are promoted and preferred in these sectors. The importance of education increased for them now.

3- Now the people who are resided at provincial and district areas have a right to elect their leaders of their own choice through free and democratic process of the local election. As under the 18th Amendment, first time the local government elections are allowed. Before this, the people do have no platform where they could bring problems, they have no autonomy and authority to make progress in different sectors like education, construction, health, sports etc.

4- The transparency, interdependence and democracy is made among different institutions of the government for instance the Judges will be appointed on the recommendations of the Judicial commission and these recommendations will be approved or rejected by the parliamentary committee. Likewise the Judicial commission, the Chief election commissioner will be appointed on the mutual consent of the Prime Minister and the leader of the house. Hence all the institutions whether they are working at Central level, there transparency and democracy are affecting the performance, democracy and transparency of the provincial and local institutions because almost all institutions of the State are interdependent on each other. For instance, if Judiciary is free at Center then naturally its other small branches at the provincial level will work accordingly to that.

5- Under the 18th amendment, first time the provinces have got an opportunity to generate their electricity resources, make progress in education sector, in health sector, enhance its capabilities in science and technological field, make progress and success in sports etc. However the provinces and districts are the unites that consisted of a large population and area as well, and on whole these units collectively making the map of Pakistan. So as a federal state, it is essential to address the problems and challenges of the provincial and district basic fields such as education, health, sports etc. and to empower them with autonomy and independence.

6- Moreover the powers of the provincial units are increased to handle the issues such as opium, drugs, medicines, Infections and Contagious diseases, mental illness, environment pollution, ecology, population planning and social welfare, welfare of labor, trade unions, labor exchanges, employment information, safety measures for labor in mines, factories and oil fields, unemployment insurance, transfer of property, actionable wrongs, arms, fire-arms and ammunition, newspapers, books and printing press etc. These powers are not only make these units independent but making them more progressive, prosperous and democratic. These powers has increased the employment opportunities.

7- The autonomy and democratization and devolution of the powers of the provinces will hopefully weaken the ill and dark factors of the provinces such as feudalism, tribe system etc.

8- The restoration of the Commissioner bureaucratic system has brought the organized, rules and regulation system and a system that provides less chances of corruption. But it do not provides democratic right and duty to the local level people to participate in a political democratic system.

Problems and Challenges

1- The North West Province (NWFP) was renamed as Khyber Pakhtunkhaw on ethnic basis that gave an air to other ethnic groups to raise their voices for separate provinces for instances the people of Hazara division and Bahawalpur division are demanding separate provinces. A few political parties includes Mota hida Quami Movement are often raising the slogan for Karachi as a separate province but yet now such slogans are political based and temporary.

2- The federal government did not keep the subjects of education with herself as education is an important perspective of one's nation that lay down the foundation for the future of the next generation. So due to this reason, the education syllabus should be same in all the federal units.
3- Baluchistan that is the land of a rich history, oil and gas resources contains strategic and economic importance for Pakistan. For many decades, she is kept deprived from basic and fundamental rights includes education and development in different fields including social, political and educational. There are different reasons this deprivation, first is the ignorance of the Central government, second is the feudal lords of Baluchistan who always fight and run to take heavy royalty on gas and oil resources from the Central government and considering this royalty as their primary right but they did never spend this on the development of the poor people of their tribes, third is the ignorant tribal system that do not allowing Bloch for education and development otherwise the tribal heads would not be able to lead their tribal rule with educated and broad minded people.

Most important now is the present deteriorating security situation in which National and radical political parties that also playing role of insurgents groups, different radical insurgent groups with the foreign support are demanding an separate or independent state. The reason behind the separation demand is to great extent the deprivation from the basic rights but the self-interests are also involved of the feudal lords that provides them personal advantages.

The 18th amendment is a great blessing for Baluchistan and the Bloch people that provides them the political freedom, new rights and duties, and opportunity to raise their voice on different plate forms for their rights. But along with this, Baluchistan is deprived from the sufficient share in oil and gas resources. In 2013, she was given 600MW electricity while her demand was 1500 MW. Moreover from the three fundamental rights under the 18th amendment, Balochistan is deprived includes the right of free trial, the right of information and most importantly the right of education.

Balochistan is a backward and rural area that holds a large area with having less population and the population is scattered that resides in far away areas that makes difficult for them to reach to educational institutions and to advantage of other provided facilities includes hospitals etc. So the federal and the provincial governments should provide proper facilities, support and nearby opportunities for education and other fundamental rights.

Suggestions

1- Though in Balochistan the national and foreign insurgent elements are very active and this making worse the security situation. In these circumstances, the Central government should increase the stake of Balochistan in the fields accordingly to their demands in order to reduce the gap and to overcome the poor security situation.

2- The Central government should make the situation, opportunities, encourage and facilitate the poor people of the villages and of backward feudal areas for education.

3- Education is the most fundamental and primary element that makes the minds, believes and thoughts of the new generation. So as under the 18th amendment, as a sign of democracy each province has a right to manage the educational merits and syllabus. But for the sake of national unity and patriotic generation, the five provinces should sit together and make their educational policies with consensus or should with mutual consent give this right to the Central government.

4- At the local level, in the Comissionriate system if there is less local political representation but the system is functioning according to rules that making transparency. The local government system under the local ordinance bill of 2001, gave the vote casting right to people but not transparency and gave more opportunities to the political parties representatives for corruption etc. So currently these are only the political parties and their political agents who on the name democratic values and for their own interests giving air to their demands for bringing back the local government under the local ordinance bill of 2001.

Conclusion

In Pakistan the local government system is comparatively to India, Bangladesh and Sri Lanka more democratic, independent and autonomous. Likewise Pakistan, these three states remained in the subjugation of the British government. Due to that after their independence they were deeply affected and adopted the pattern of British local government system. In India the word "state" is used for the provinces, municipal corporation for the Urban areas, municipal councils for smaller urban areas and panchayats for the areas that are transiting from a rural into an urban area. There are no local body elections held. The government officials are working at municipal council level and their powers are restricted to deliver services to the sub-urban and rural areas includes garbage collection, maintenance of streets and street lighting, water supply, parks and gardens etc. The local government's structure, pattern, powers of Bangladesh and Sri-Lanka is almost same like India as it is consisted of two tiers namely Urban local governments and municipalities. In these states, the local body powers were restricted to provide park, gardens and water supply, street lights, garbage collection etc.

While at the provincial level, Pakistan has recently through 18th Amendment given structural and financial rights and duties to the provinces but lacking to give reasonable democratic and independent system in place of local bureaucratic commissioner system. The big problem behind introducing the old local system is multi-ethnic, feudal and tribe rich culture, more politicize trends in which a poor man works as a spare tool and his rights are violated. So such system need reforms as

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the reforms are made in 18th Amendment for the Central and the provincial governments by keeping both levels under accountability and checks and balance system.

Now on party basis the elections are contested. The familiar people are elected as chairman of village or an area. Under the local government ordinance bill 2001, the elections were non-party based and the elected people who were without having any check and balance were widening the gaps among ethnic and political divisions and preferring to work for their supporters and extending corruption. Now a competent political party member who will be neutral and familiar to that particular area can become chairman who will be bound to work under the set rules and regulations, accountability and checks and balance system that will be declared by the government.

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ELITISM – AN IMPEDIMENT IN THE WAY OF DE FACTO DECENTRALIZATION OR LOCAL REPRESENTATION OF POWER IN SOUTH ASIA: A CASE STUDY OF PAKISTAN AND INDIA

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Abstract: Decentralization seeks to enable local people to have a voice in decision making and governance issues which directly affect them. The very logic of decentralization of power is undermined when local level political structure and power relationship is neither democratic nor responsive. South Asian countries like Pakistan, Bangladesh, and India, whose political systems are still in a transitional process, traditional authority structure is often dominated by local elites. These local elites capture the resources and monopolize the decision making process to protect their vested interests at the cost of the interests of common masses. They do not reflect the true aspirations, needs, demands and grievances of local people. Local people, being poor and marginalized, are unable to challenge the prevailing traditional power structure. This phenomenon is the real impediment in the way of effective local representation of power intended by any decentralization programme. The focus of my study is to determine how traditional power setup dominated by ‘local elite’ keeps people far off from the fruits of decentralization of power in Pakistan and India. This study will conclude and hence recommend that success of decentralization of power depends upon, the sufficient mobilization and empowerment of people at grassroots level so that they can challenge the local elite power structure so as to make the system more inclusive. Mechanisms of accountability and transparency form another pre-requisite of successful implementation of any program intended to bring about decentralization of power.

Keywords: Elitism, decentralization, local representation, Pakistan, India

Introduction

Transformation of power from center to provinces or to sub national bodies has become trends in world politics. Countries experiencing transitional processes are embarking on programmes of decentralization of power intensively, to improve government performance. There are multiple complex inter-related themes, pushing these countries toward downward transformation of power. Firstly, it is an ideological shift in which central governments are confronted with legitimacy challenges. They are criticized for producing a system of governance that undercut the performance and positive outcomes of national administrative and economic setup, and execution of effective public policy. Secondly, widespread propagation of this political agenda that decentralization of power to provinces and sub national groups, and the introduction of locally elected bodies will produce systems of governance that have better capacity and ability to address the needs of poor and politically marginalized groups in society. Thirdly, it is fear of disintegration that forced national elites to introduce decentralization of power in order to maintain their legitimacy. In addition to that, wave of economic liberalization and political regionalism stimulated local identities to demand autonomy and downward transfer of power.

Political decentralization incorporates; empowerment of common and poor people at local level, who have been traditionally marginalized, and generation of downward accountability to voters by introducing of election at local or at sub national level. Proponents of decentralization contend that decentralization improved government performance by changing decade’s olds - deeply embedded relationship and network of centralized rule. There are certain performance-related indicators such as basic service delivery, accountability, transparency and level of government corruption that measures improvement in governance. Proponents view that performance of government is improved by ‘bringing government closer to people’. On one side it enhances the compatibility of interests between officials and on the other side increases ability of citizens to monitor their official performance.

Therefore, decentralization reforms are being introduced in developing countries to medicate the poor performance of overly centralized governments in the areas of local economic development and basic service delivery. In addition to that it is seen that these reforms would satisfy the citizens discontentment over the demerits of democracy by making their access easy to governance and decision making process. Ethnically divided states adopted decentralization to dampen communal conflict as well. It is not a one shot deal but a beginning of comprehensive process of organizational and institutional change. Assertions in favor of decentralization hold that central governments don’t have sufficient ‘time and place knowledge’. So their designed policies and programmes do not comply with the people’s real need and preferences. Decentralization is implied to create institutions that are more amenable to local needs and preferences and conducive to empower marginal groups.

Mainly decentralization is an offshoot of democracy that requires peoples either to have a voice in decision making and resolving governance issues or power to question the governmental decisions that are not in line of their needs and

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interests. So the decentralization of power is only means to fulfill the requirement of democracy that is ensuring wide spearhead participation of people, by trickling down power at grassroots level. The purpose of democratic decentralization is to improve service delivery, resource management and local development by local representatives. Local representation in decision making process is encouraged because local decision makers are better informed with local needs being physically close to the people. Hence they are likely to better decipher and respond their people's aspirations. Local population gave them mandate according to their ability of service deliverance. The democratic decentralization makes decision makers systematically accountable to their people. Its logic is generally inclusive and public. * it is predicated on proximity and democratic processes reducing transaction costs , producing better accountability of decision makers to the population, enabling them to better integrate across local needs and to match decision and resources to local needs and aspirations."  

Most of Decentralization reforms imply to change and restructure the network of relationships between voters (citizens) and their politicians (local officials or agents). Whether in the form of giving citizens a greater stake in their political system by enhancing their power to select their agents or granting autonomy to local officials in policy making from the central government. The rationale of these reforms is to improve government performance by producing more stronger and vibrant democracy. Reforms alter the principal-agent relationship at local level and provide leverage to citizens over their agents. Agents are made responsible to their principals (citizens) in the areas of basic service delivery.

Decentralization and Agency Loss

Generally agency theory is applied to understand the nature of altered relationship between citizens and their local officials as a result of decentralization reforms. Relationship of citizen to their local official is termed as a principal-agent-relationship. The core issue of concern in this relationship is of ‘agency loss.’ Agency loss is common metric to measure that how much agents’ acts differ from their principal’s interests. Arthur Lupia defined it as ‘the difference between the consequences of delegation for the principal and the best possible consequence.’ When the agent acts entirely consistent with the principal’s interests, agency loss remain zero. It begins to increase, when agents’ actions deviate from principal’s interests. When the agents’ actions becomes against the principal’s interests and prove bad for them, agency loss goes to its apex. Lupia then explains how variation occurs in these losses across principal-agent relationships. ‘Agency loss is minimized when two statements are true. The first statement is that the principal and agent share common interests ….. The second statement is that the principal is knowledgeable about the consequences of the agent’s activities.’ Democratic decentralization reforms restructure the principal-agent relationship in this way that gives citizens more opportunity to know about the consequences of agents activities, hence, minimizing agency loss. Minimum agency loss can only ensure successful running of democratic decentralization reforms as it frames conditions that are conducive and essential for positive decentralization outcomes.

Democratic Decentralization reforms suffered same setback in developing countries that other democratic reforms have met in past because of absence of conditions that maintain minimum agency loss. Democratic values and behaviors have not penetrated deep in their societies. Agents’ actions oftenly do not match with the interests of principal’s. Principals are also unaware about the activities and consequences of activities of their agents, thus generating high agency losses. High agency losses perturbed the working of democratic decentralization reforms.

There are certain widely recognized conditions that effectively minimize the agency loss and improve quality of local governments. Agent selection process and agent oversight are key among them. These conditions do not necessarily prevent the abdication of working of decentralization reforms but are expected to improve governance quality. Condition of agent selection encompasses the orientation of candidate selection process in a manner that draw candidate from the community itself, rather than from a national political parties’ pool of candidates or traditional landed elites. Citizen must have sufficient information about the degree of compatibility of their interests with the competing candidates or agents’ preferences for local office. Media or campaign process can provide plenty of information to public regarding candidates’ inclinations and aptitude. Availability of adequate information to citizens regarding the preferences and inclination of agents is cardinal to minimize agency loss.

Decentralization Reinforcing and Legitimizing Authoritarian Rule of Sub National or Local Elites in Undemocratic Countries

Studies on decentralization depict that downward transformation of power in undemocratic societies like India and Pakistan neither have improved performance nor accountability of local governments. One of negative outcome of decentralization is reinforcement of authoritarian rule of sub national and local elites. The decentralization in the absence of effective democratization of state and society in developing countries resulted in a kind of ‘decentralized despotism’. Many of those who have gained benefit from decentralization in India and Pakistan are local notables and they derived power either from spiritual and hereditary authority or land tenure relations. It sometime gives chance to customary or religious leaders in some localities to reinforce their position. Their approach to governance has been more despotic then democratic hence they
hinder the positive outcomes of decentralization. Decentralization without democratization made easier for ruling elite and notables to shield their exclusive control over local politics.

The purpose of this study is to showcase one of important impediments that decentralization encountered in developing countries particularly in India and Pakistan. Case study of India and Pakistan provides how dominance of elites prevented the positive outcomes of democratization and transformation of power in these countries. By focusing attention on how local governments are monopolized and maneuvered by local elites in developing countries in the wake of decentralization; I aim to no mean justifying for recentralization.

A simple snapshot of selection of candidates’ process at local or provincial level in developing countries reflects that the decentralization, in the countries lack democratic values, actually reinforces authoritarian rule at the local level. Craig Johnson stated ‘agrarian institutions may be structured in a way that prevents poor people from participating’ in politics. Common people cannot bear out ‘the costs of political action’. It ‘deters them from pursuing or sustaining coherent political movements’. Lower level of citizens’ participation levels field for local elites to capture the political power and public resources. Dominance of local elite at sub national level undermines the logic of decentralization. Since the transfer of fiscal and administrative power to local agents would be unlikely to produce the expected positive outcomes because of continuous disengagement of citizens in local political system.

Elections do give opportunity to local elites to legitimize and institutionalize their position. It distorts the effectiveness of election, as elections do not succeed to indicate community interests. They do not come up to the expectations underlying democratic decentralization strategy. Local elites’ interests do not match with the interests of community or principal. They use their power for promotion of personal interests that are entirely against the interests of citizens. They capture the resources and monopolize the decision making process to protect their vested interests at the cost of the interests of common masses. They do not reflect the true aspirations, needs, demands and grievances of local people. Local people, being poor and marginalized, are unable to challenge the prevailing traditional power structure. Incompatibility of local elites’ interests, who are now local officials, with the community interests generates high agency loss, perturbing severely efforts of decentralization.

Thus, most preeminent and noticeable issue that hinders the successful working of decentralization in India and Pakistan is an apparent tension between formal and informal process of decentralization. Formal process of decentralization is a process in which state documents a plan of legal terms and conditions that devolve downward power within its boundaries. Informal process of decentralization incorporates a process of breaking down decade’s old imbedded pattern of power, rooted in certain classes, groups or genders. Critical assessment of decentralization depicts that informal process of change in power pattern is more significant then formal process. In India and Pakistan, central governments introduced numerous decentralization schemes but subordinate and marginalized group cannot benefit from decentralization due to Lack of change in informal institutions and traditional power pattern.

India has had much more entrenched system of local governments then Pakistan. India ingrained local government, called Panchayati Raj, in the constitution by passing 73rd and 74th amendment respectively in 1993 and1994. But despite making local governments in the part of constitution and introducing comprehensive reforms, they function poorly. These reforms brought transformation of power at local level and gave people wider participation in the election of their officials. The democratic process, such as election, has helped the locals to break the dominance of one caste in politics but it is confined to some villages and even the breakup of dominance of one particular group in politics cannot empower marginalized groups. It just shifted from one corrupt elite group to another. Hence reforms inherited with one major flaw and that is their inability to make officials accountable to their people and little empowerment of marginalized groups. Genuine decentralization would not occur until and unless citizens develop belief that they can affect the government policy making and decision making process. As James scott mentions ‘poorer people are rarely empowered in the long run by governments which claim to see all on their behalf.’

Case in Pakistan has been different then India to some extent. Decentralization of power in Pakistan is implied the transformation of power from center to provinces. It has its own complex debate. Absences of consensus over division of power between centre and provinces remain a key source of conflict between federal and provincial government. Even this conflict ignited fire to the extent, which convulsed territorial integration of the state. Autocratic regimes at centre were more prone toward centralization. Tendency of centralization incited ethnic and regional strives in provinces. It propelled government to introduce 18th amendment that transferred broad range of powers to provinces.

It is noteworthy that Local government has not been incorporated still in the Pakistan constitution. Each central government had been introducing different scheme of local governments according to their own motivation and inspirations. Most of the time military regimes instituted system of local governance in Pakistan. The decentralization of power programme designed by military regimes did not aim to bring democracy and power at grassroots level but opted as a tool to perpetuate their autocratic regimes. They increased people’s participation in election of local or national bodies but leave elites authoritarian regimes pretty much free to do as they pleased. For instance, Ayub Khan’s system of ‘basic democracies’ and...
later on Musharraf’s plan of ‘devolution of power’ ensured maximum participation of people in local bodies election but did not encourage the growth of political demands. People have never been permitted to affect public policy. They are granted powerless participation in political system. These programme always had some loopholes which keep intact the elite enclave of domination politics at local and central level.

These reforms introduced neo-patrimonial pattern at local and provincial level that based on patronage and personalities. Councilors usually come from the poor background but the apex level officials like nazims and naib nazim only came from landed elite or influential political backgrounds. Military regimes protected local political leaders and maneuvered their support to legitimize their regimes. Hence the congruence of military establishments’ and local political elites’ interests halted the true democratization of political system in Pakistan. Local elites keep focus on pleasing national party leaders and vice versa, that undercut the very essence of decentralization as well.10 These local political officials stay ready to join hand with both autocratic and democratic regimes at national level. They remain safe and are more likely to undermine legitimacy of these democratic reforms.

Hence, despite introducing sufficient decentralization schemes the factors that may minimize agency loss remain absent in both societies. Downward transformation of power can neither generate accountability of local officials nor empower the marginalized groups because of absence of change in informal pattern of power and of multiple other reasons. These are following striking problems that hamper the change of informal process of decentralization and are approximately similar in both Indian and Pakistan society.

Dominance of subject culture in the structural arrangements of politics at local and sub national level keep intact the hegemony of local elite in politics. Almond and Verba defined ‘subject culture’; a culture in which ‘few govern and many expected to be governed’. Each individual inclined to accept his hereditary position in traditional hierarchy. Children of governors and rulers are more likely to govern, while the children of governed presuppose that they would likely to be governed by others. ‘The socialization process, expressed through religious institutions, the educational system, the legal system, and the family inculcated habits of compliance in some and the will to govern in others.’11 Even the acts of ‘revolution’ or ‘rebellion’ only replace one group of ruling elite with another. ‘Revolution’ or ‘change’ never create an opportunity of bringing common masses into governing classes or never develop such procedure whereby citizen may have greater voice in decision making process.

Institutionalized socialization process strengthens non participant culture in Indian and Pakistani society. It keeps aloof even those citizens from politics, who have improved their position in social hierarchy in the wake of urbanization and modernization. Now these citizens comprise a large part of these societies. Increases in education and income have changed their social position but do not turn their political attitude and behavior. Because they think that their political participation cannot make difference in political system. It would remain corrupt ever. Widespread realization of this perception promotes feelings of distrust and increase the disengagement of citizen from local politics. So their disengagement from political system as an active participant keeps intact the dominance of local elite in political power. Agency loss remain high because these societies despite achieving goal of modernization to some extent can neither change traditional power structure nor bring accountability in their political system.

Authoritarian rule of local elites at sub national level persists not because of powerlessness of national governments in curbing monopoly of local elites but because of dependence of national authorities over authoritarian local elites in terms of ensuring their support in national election. Local elites have control over sufficient voting blocs that becomes critical in national election.12 Hence national political parties are forced to avoid introducing such measures that can eradicate dominance of local elite in politics and can ensure active participation of citizens.

Establishment of democratic electoral processes at sub national level was a way to erode the influences of feudal lords or hereditary Sardars over politics. It intended to enhance the political participation of common masses in selection of their local officials. But local landowners and aristocrats maneuvered the electoral process in a manner that it thwarted common citizens’ encroachment into active politics. Their decades old monopoly over politics facilitated them to wield economic control and utilize community resources for personal gains. They strongly resist against those reforms, that likely to redistribut land assets and resources.

There is another problem with Pakistan and India, that sometimes demands from below for local accountability of government officials emerges but do not succeed because the economy of both states dependent upon the indirect taxes levied by central governments. The more the state draws its revenues through ‘indirect taxes’ then direct, the more it consider itself unaccountable to its taxpayers. Hence the demands for accountability remain week. Lack of accountability encourages local politicians to deviate from the community interests and advance the interests of their own, of immediate relatives and associates.13 The deviation of elected officials from community interest and citizen’s inability to make them accountable to their community maintain high agency loss. High agency loss can never make decentralization successful in Indian and Pakistani society.
These are challenges that democratic decentralization is confronted at sub national and rural level in Indian and Pakistani society. Governments’ reforms yield no benefits for citizens. Decentralization cannot empower local people and encourage democracy without initiating such measures that fulfilling it requisites. Public is oftenly disappointed with the decentralization reforms when it does not come up to their expectations. Studies document Public views toward decentralization which reveal that they have developed unrealistic expectations and conflation of goals with decentralization. They don’t apprehend the pre requisites of decentralization that are indispensible for its successful working. These are following some credentials that are necessary to boom democratic decentralization in India and Pakistan.

**Deeper economic Transformations to Embolden Traditionally Subordinate Groups and Community Empowerment**

Subordinate groups which include lower castes, agricultural and industrial laborers cannot get benefit from decentralization until their economic disparity prevails. Poor people refrain from active political participation because they do consider that they would not have real chance to influence political process. Their perception is grounded in their own experiences about the function of political system that precluded them to represent their interests. Political landscape, maneuvered by wealthy elite, only manifests elites’ political demands. Economic transformation which improves the economic position of subordinate and marginal groups in social strata is indispensible to motivate them for political participation. It not only makes possible their vertical mobility but make them independent from traditional dominant groups and classes over politics. Consequently it improves their political power and potential relative to that of dominant groups’ interests. Improvements in social position of marginalized groups pave the way for change in informal process of decentralization. It helps them to eradicate power, which rooted in certain classes, groups and families for decades, hampering and depriving them for their political rights. Changes in informal institution underpin political engagement of marginalized group and serve the very logic for which governments initiated decentralization programme.

**Enhancement of Accountability Mechanism**

Accountability implies the power of citizens to hold public officials accountable for their arbitrary actions that disregard the community interests. It is defined as a relationship in which one party is obliged to answer other party regarding its actions and decisions that affect the other party. Decentralization aims to bring downward accountability which is stipulated with citizens’ power of holding their officials accountable. Citizens must have an ability of making an appropriate check over public officials and access to the benefits provided by these officials. ‘Higher-level’ echelons within government can foster culture of accountability in a number of ways at local level. They can provide important ‘counter elite’ measures to public so as to make local bodies more democratic and inclusive, and incentives which allow culture of accountability at local level to take root. Lupia identified downward accountability as one of essential condition to maintain minimum agency loss because the fear of accountability on the part of local officials prevents them to prefer their personal interests. Hence, generates compatibility of interests between citizens and agents. This ensures successful working of decentralization.

**Disrupting the Malaise of Citizens Disengagement**

The second most important condition for minimizing agency loss is for principles or citizens being knowledgeable about the activities and preferences of agents (local officials). It is not possible without active ‘civic engagement’ and ‘participation’ in a wide range of political and non-political organizations. Meenakshisundaram asserted that local accountability is vastly dependent on the existence of ‘mass participation’ at the local level. Decentralization works when citizen actively engaged in political activities and ensure that their elected officials effectively represent their interests. The dilemma of Indian and Pakistani society is that a wide spectrum of Citizens have mobilized vertically their position in social strata but they remain as disengaged from political activities as they were in past. Their better social position did not prompt them to breakdown the traditional power hierarchy. Citizen disengagement keeps intact monopoly of local elite in power politics.

Citizen’s activeness in politics makes officials responsive to their needs. It makes them to mount effective lobby and encourage collective action by transmitting awareness about their constitutional rights and political opportunities. The positive outcomes of decentralization rest upon the degree of citizens’ participation. Citizen’s political participation by voting, campaigning, attending meetings, running for office, lobbying representatives, etc only can bring agency loss to acceptable level that is preeminent consideration for working of decentralization in India and Pakistan.

**Competitive Political Party System**

The nature of political party system is also a paramount consideration in the progress of political decentralization. The prevalence of authoritarian political culture and despotic tendencies in national political parties in India and Pakistan perturbed informal process of democratization in political system. Crook and Manor’s study of decentralization in South Asia and West Africa suggests that competitive political parties and a widely distributed free press can minimize the challenges that
culture of accountability confronted in these societies. He further argues that multiple party democracies on one side help to organize opposing forces and on the other side stimulate criticism and debate.\textsuperscript{16} USAID study of democratic decentralization, also identify strong and competitive political parties as one of seven mechanisms that make decentralization potentially viable.\textsuperscript{17} Healthy competition in political parties only can maintain pluralism and autonomy at local level. The polarization between parties on economic and social issues induces a higher electoral turnout and participation. Voters are highly motivated to avoid the undesired outcome, as some political parties pursue programmes that are committed to social redistribution. They discourage the propriety interests of landed elite and promote empowerment of politically marginal groups and poor.

Conclusion

Undemocratic nature of political culture at local level, in Indian and Pakistani society, perturbed the successful working of decentralization and precludes its positive outcomes at grass root level. Decentralization programme intended to transform fiscal and administrative power at local level confronted a phenomenon, commonly referred to as ‘elite capture’ in both societies. Elite control over politics in traditional pattern of power made them to promote their own preferred interests at the cost of community. Dominance of subject culture in the structural arrangements of politics at local intact, institutionalization of non participant culture, the malaise of disengagement from politics in educated class and reluctance of national governments in curbing monopoly of local elite in politics keep intact the existence of authoritarian enclaves of local elite at local levels and create terrific intricacies for the design of decentralization.

This study concludes that Success of decentralization of power depends upon the, sufficient mobilization and empowerment of people at grassroots level. Deeper economic transformation, enhancement of accountability mechanism, increasing citizen’s participation in politics and competitive political system may increase citizens’ active engagement in politics, hence, breaking down the traditional elites’ monopoly on power structure and making system more inclusive and responsive

Reference


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9 S. Corbridge et al., Seeing the State: Governance and Governmentality in India, Contemporary South Asia (Cambridge University Press, 2005),262-3.


13 P. Oldenburg, India, Pakistan, and Democracy: Solving the Puzzle of Divergent Paths (Taylor & Francis, 2010),111.


MORTGAGE FINANCE IN THE HOUSING SECTOR OF PUNJAB AND URBAN LAND RECORDS

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Abstract: Punjab has a population of 95.9 million people (Federal Bureau of Statistics, 2012) and the gap in the housing market is widening - one room is available for 3.04 persons and one housing unit for 6.9 persons (Census, 1998). As a significant portion of the urban population lives in poverty and most of the gap in the housing market is due to the low income segment that finds it difficult to gain access to affordable housing. Housing is essential because apart from being a basic human need, the housing industry is considered to be the “Mother of industries” as it directly or indirectly linked with 40-50 different industries. One of the reasons for the housing shortage is that banks/Development Financial Institutions (DFIs) provide mortgage finance only to upper middle and high income groups in major cities of the Punjab. The ratio of housing debt to GDP in Pakistan is 1% while China has 15%, Malaysia 26%, India 7% and European Union 42%. The Urban Unit has studied the reasons for very low housing debt to GDP ratio in Pakistan which are inefficient land titling system, lengthy foreclosure proceedings and competing and more attractive lending avenues for the banking industry. Over time, banks’ exposure to housing finance has been enhanced to 24% of consumer finance. This paper specifically analyzes the role of having a sound system of urban land records and titling system, as one of the key factors in mortgage finance.

Keywords: Urban land records, slums, land titling, foreclosure, property rights

Introduction

Well-functioning urban land and housing markets are critical success factors for achieving robust economic growth. This paper provides an overview of urban land and housing market performance in Punjab, Pakistan. It argues that Punjab’s present housing markets are not performing effectively. In fact, there exists a range of impediments to efficient urban land and housing market performance: excessive public land ownership, inadequate infrastructure services, weak property rights, counterproductive urban planning policies and regulations, costly subdivision and construction regulations, limited financing for property development and acquisition, rent controls, and distortive taxation mechanisms. In Pakistan and most other developing countries, housing finance reaches only the upper-income population groups; and the main challenge is to expand access to the middle and low income groups. An accurate land records system is essential for a well-functioning economy as it authenticates ownership and reduces the scope of legal disputes.

Ineffective urban land-use planning and development controls are impeding urban development, while inefficient land titling and registration systems hamper real estate development. Systems of local resource mobilization and taxation do not generate sufficient revenues to fund key urban infrastructure. There are several critical negative consequences of poor urban land market performance, namely high land and housing prices, large and expanding katchiabadi developments, poorly located industrial estates and inadequate urban infrastructure.

Objectives of the study: The prime objective of this study is to highlight the conditions pertaining to urban housing in developing nations, particularly Pakistan. This study also aims to highlight the link between the dismal state of mortgage finance in the housing system and the poor and inefficient land records system. Furthermore, this research offers viable policy recommendations to address the current issues to a large extent. This study envisions improvement in mortgage finance through a sound system of an automated urban land records and titling system in Punjab.

Issues: There is an acute shortage of a regularized housing system for the urban poor. Factors contributing to this end include the rapid increase of land prices over the past decade; poor legal infrastructure; deficient financial systems; lack of long-term funding at fixed rates; limited developer finance; and problematic access to housing finance for low-income groups. Moreover, duplicative nature of land records makes land rights uncertain, negatively impacts economic development, and threatens the vulnerable and the poor whose rights remain virtually unprotected. In this regard, an automated land records management system will ensure that all land records are officially registered and there is a transparent land titling system, even for the smallest of land holdings.

Scope of Study: This study depicts the overall situation in countries across the world with regards to urban housing shortage and mortgage finance in the housing sector, and particularly focuses on Punjab, Pakistan.

Methodology

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The methodology of this paper entails reviewing census reports, case studies, technical papers authored by national and international individuals/entities. Moreover, published research articles and newsletters were also consulted and information from websites of relevant departments has been referred. Secondary data on statistics pertaining to cost and duration of registration, population projections, housing shortage, population living in slums, etc has been collected. Furthermore, information regarding Punjab Lands Records Management and Information Systems Project (PLRMIS), a project that the Urban Unit is actively playing the leading role in the project, has been used.

**Housing Shortage and Land Administration – Existing Scenario**

Pakistan has a land administration system inherited from the British, involving rules and regulations regarding sale, purchase and use of land resources mainly linked to the collection of land tax. The present land legislation – which is constituted mainly of the Land Revenue Act (1967) and the Registration Act (1908) – does not provide a State certificate of title to land under the guidance of a public authority. The records of rights and other documents based on the land records, by virtue of provisions in land laws, are presumed to be accurate. However, these entries only provide presumptive status of rights under land laws. Many court rulings have also maintained that entries in the land records are contestable, that the revenue records are not documents of title, and that it is permissible to challenge the entries for determining the title to land.

The institutional set-up of the land recording system of Punjab Province is also very opaque, involving many different agencies. The main ones are the Board of Revenue (BOR), the Excise and Taxation Department (ETD), and the development authorities. However, there is not a single agency maintaining updated land records for all of Punjab, and the coordination in record keeping functions being carried out by the various agencies is limited. Within this complicated institutional structure, the BOR is the most important agency for land administration as it is the main body geared to collect land revenue for the Government. Moreover, over the years, revenue collection role has become secondary to the BOR’s role of being the custodian of the records of rights to land.

The Board of Revenue’s land record maintenance takes place through an intricate system, which involves several levels of administration; the district, Tehsil, Kanungo circle, and Patwar circle. At the lowest administrative level of the records system – the Patwar Circle – are Patwaris. In Punjab, about 8,000 Patwaris maintain land records pertaining to 20 million land owners. The Patwaris keep their records in a cloth bag called a basta. They are the custodians of records pertaining to private as well as government lands. The transfer of land is initiated at the level of the Patwari, but affected by his superiors at the Kanungo and Tehsil levels.

**Housing shortage required investment:** Pakistan falls in the category of regions of high shortage of housing as illustrated in the following map value of affordable housing shortage measured in US$ (in billions) is depicted. Pakistan’s affordable housing shortage has a value of US$ 7 billion, which is a substantially large amount.

*Figure-1: Worldwide Housing Shortage (US$ in billions)*


**Person per room density in Punjab:** In 1998 person per room density in Pakistan was 3.13 which became 3.5 in 2011 and it is much higher than other developing countries.
Housing shortage: In urban Pakistan, for 2009 alone, projected effective demand amounts to 470,000 housing units, at a total construction cost of $5.6 billion, or a requirement of $2.0 billion (1.26 percent of Pakistan’s GDP) in financing.

In 2011 there was a shortage of 1.2 million housing units in Pakistan which is higher than Turkey 0.9million, Russia 0.7million, Iraq 1million, Philippines 1million and Saudi Arabia0.5million housing units.

Housing Debt to GDP (percent): South Asian countries have low levels of mortgage debt outstanding (ranging from 0.1 percent to 7.0 percent), relative to all other regions globally (World Bank, 2008a). In Pakistan there are 22 Commercial Banks, 5 Islamic Banks, 2 DFIs, 2 MFBs and 7 Islamic Banking Branches are involved in housing finance but Pakistan has only 1% debt to equity ratio which is very low.
Significance of Urban Housing: The housing sector contributes to economic growth, social uplift and employment generation. It deepens, broadens and stabilizes the financial sector. It accounts for 75-90% of household wealth in emerging market countries. In South Asia, 40-50 industries are directly linked with housing construction. Around 9% of the labour force worldwide is employed in construction and related sectors. Housing investment accounts for 15-35% of aggregate investment and housing expenditure accounts for 15-40% of monthly household expenditure worldwide. Mortgage debt is about 30% of GDP worldwide and only 3.42% in South Asia.

Population living in Slums: In Pakistan 27.5 million people live in slums which is quite high and proper housing facilities are required to address this issue. The number of people living in slums in a number of countries is depicted below:

**Figure-5: Population living in slums (in millions)**

![Population living in slums](image)

Source: UN-Habitat urban indicators 2007

Slums in Asia: In absolute numbers, Asia has the largest share of the world’s slum population. Some sub-regions within Asia are faring worse than others. Eastern and Southern Asia harbour 80 per cent of the slum dwellers in the region, with Southern Asia hosting nearly half the region’s slum population.

**Figure-6: Slums in Asia**

![Slums in Asia](image)

Source: UN-HABITAT, Global Urban Observatory, 2005

Improve in slums: Pakistan showed minimum improvement in slums as compared to other Asian county which is a clear indication that people of Pakistan are in great need of housing facilities and proper housing unit. These statistics depict the need of greater housing supply in Pakistan which can be achieved through effective land records and titling system as that will increase the chances of people availing mortgage finance in the housing sector.
Household size: Pakistan has an average household size of 6.8 which is higher than Sri Lanka 3.8, Chile 3.4, Brazil 3.8, Indonesia 4, Bangladesh 4.8, Turkey 5, India 5.3 and Nepal 5.4 (World Development Indicators, World Bank 2012). The following figure depicts the average household size in various countries:

![Figure-8: Household Size](image)

Source: UN-Habitat Data Base, 2010

Pakistan: Property rights index: A subcomponent of the Index of Economic Freedom is the property rights index which measures the degree to which countries’ laws protect private property rights, and the degree to which the government enforces those laws. Pakistan has an index of 30 which indicates weak property rights.

![Figure-9: Property Rights Index](image)

Source: World Development Indicators, World Bank 2012

Scores are from 0 to 100. Higher scores are more desirable, i.e. property rights are better protected

Key Problems in the Land Records System

As evident from the statistics, the existing situation of urban housing is dismal. There are several problems that currently prevail in the mortgage finance and land records system in Pakistan including high cost and long durations to register property, poor capacity of the registration/titling professionals and an inefficient land records system. These issues are discussed in detail as follows:

Cost and Time to register Property: The process of establishing landownership, land registration, and titling remains problematic in developing countries. The structure of land administration and land record systems contains weaknesses and dysfunctional elements. Inefficiency in the process of property registration and title transfer matter because these factors can create bottlenecks in the housing finance system and can substantially increase the costs of a housing transaction. Registration of real property rights affects secured housing finance at almost every step. It enables the creditor to determine that the borrower owns the property and has the right to pledge it. This makes it possible to identify any third party rights to the property that might interfere with enforcement of the mortgage right. Speed, low cost, and simplicity are
fundamental to an efficient system for registering property and mortgages and for transferring titles, and security of land rights is the most important prerequisite for robust housing markets.

Registering property can be challenging, and transferring title is often fraught with difficulties because laws and supporting regulations are complicated and outdated and frequently lack the support of an effective legal framework. The main concerns include the inability to establish clear titles to property and the high costs of registering liens. In addition, poor recordkeeping, with paper records being the norm, often leads to errors or opportunities for corruption that undermine the security of ownership. A large proportion of transactions is not recorded because of the costs involved in property registration procedures.

In Pakistan, registering property requires six procedures, takes 50 days, and costs 7.2 percent of the property value (World Bank 2008). Figure-10 highlights some of the bottlenecks and costs associated with property registration in the region. As evident from the figure, in Organization for Economic Co-operation and Development countries, property registration costs 4 percent of the property value and takes 25 days; but in Pakistan, India, and Bangladesh, costs and duration are more than double the amount and the time required in most countries (World Bank 2008).

Even within a country, it is not uncommon for property registration processes to vary from region to region. The number of institutions and registration procedures required to execute property transactions in Pakistan also needs to be reduced. Multiple institutions and procedural differences across and within states create market distortions and inefficiencies in the property development market. The distortions result in improper registrations and a culture favoring informal property transactions—an obstacle to effective liens and asset securitization.

_Land Titling:_ Without a regime ensuring security of landownership, banks are unwilling to lend in the housing sector; and other private enterprises, such as developers, are reluctant to engage in the housing business. Titling is even more complicated in the case of new developments where property sales are made before construction is completed (World Bank 2008). The land titling system in Pakistan is rendered ineffective by several problems, including the lack of a sole land allotment authority, poor coordination among different recordkeeping agencies, divergent recordkeeping systems and methods in different departments, and manual documentation without safety and security of records. Both the lack of transparency and prevalent incentives to take bribes lead to avoidance of official land registration.

_Poor Capacity of Registration/Titling Professionals:_ Poor capacity of registration and titling professionals or specialists impedes the improvement of mortgage market infrastructure. Few personnel have the necessary skills, capacity, and training to carry out procedures related to land titling and registration. Even when trained professionals are available, they do not have the necessary infrastructure to do the job well.

_Foreclosure:_ Lenders need adequate information on prospective borrowers to make informed decisions, and ensuring that creditors are protected in the event of nonpayment is an important factor in the functionality of a mortgage market (even more so when housing loans carry longer terms). Without these key features, mortgage lending can be extremely risky and mortgage markets may be thin or nonexistent. Credit information on borrowers and mortgage foreclosure laws and processes are essential to the availability of housing finance products.
An inefficient foreclosure law that translates into delays and outcome uncertainty increases lender costs for offering mortgages. When lenders adjust for these costs, the outcomes may be higher interest rates, larger down payments, or credit rationing. These costly outcomes for borrowers can be avoided, in part, with more efficient foreclosure processes that balance the rights of borrowers and creditors. Faster foreclosure processes can mean greater certainty in realizing collateral rights, and therefore may lower the risks of lost value for the creditor. More rapid foreclosure also means lower costs and thus greater proceeds from the sale of a home. Enhanced proceeds benefit not only the creditor and the debtor, but also the government through greater tax revenues. In many developing countries, foreclosure is stigmatized as an inhumane procedure that puts defaulting homeowners on the street. In this regard, developed rental markets might address such concerns.

Figure 11: Time for Notification and Enforcement

Source: World Bank, 2010

Need of Land Record Management: Punjab has a total area of 205,345 square kilometers, and is the most populated province of Pakistan with 80.5 million inhabitants (55.6% of Pakistan’s total population). Unfortunately, the overall dispersed and duplicative nature of its land records makes land rights uncertain, negatively impacts economic development, and threatens the vulnerable and the poor whose rights remain virtually unprotected. Improving land administration and consequently the functioning of land markets in Pakistan is therefore a priority concern, linked to the broader area of governance and administration at both the central and local levels which is compulsory for mortgage finance in housing sector. Land transactions are relatively high cost (containing a high proportion of informal costs), and disputes about authenticity of land rights are caused, among other reasons, by the inefficient and dispersed land records system. As a result, land markets are thin and land prices are in excess of the discounted value of potential agricultural earnings from land. The low mobility of land contributes to perpetuating the highly unequal distribution of land and, thus, livelihood opportunities.

Table 1 provides population counts for major cities of Punjab for 1981, 1998 and 2005, as well as projections of populations to 2030, based on national and provincial trends. It illustrates the significant historical rates of urban population growth in the main cities and other urban areas of the province and provides estimates of projected population to 2030 based on Ministry of Planning projections. The total population of the Punjab’s five largest cities will increase from 13 million in 2005 to 31 million by 2030, implying that the population will increase by 730,000 annually. Lahore will have the largest share of the increase, with 344,000 persons per year. This rapid urban growth poses unprecedented challenges for urban land and housing markets and the government’s capacity to provide adequate infrastructure to support growth.

Table 1: Population Trends and Projections, 1981-2005 and 2030 (in ’000s)

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<td>5,144</td>
<td>6,131</td>
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<td>Faisalabad</td>
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<td>2,009</td>
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<td>1,660</td>
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<tr>
<td>Multan</td>
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<td>1,197</td>
<td>1,418</td>
<td>3,408</td>
<td>80</td>
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<tr>
<td>Gujranwala</td>
<td>601</td>
<td>1,226</td>
<td>1,442</td>
<td>3,466</td>
<td>81</td>
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<td>Total of 5</td>
<td>6,185</td>
<td>10,986</td>
<td>12,998</td>
<td>31,243</td>
<td>730</td>
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<tr>
<td>Other Urban</td>
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<td>11,874</td>
<td>17,788</td>
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<tr>
<td>Punjab Total</td>
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<td>22,860</td>
<td>30,786</td>
<td>74,000</td>
<td>1,729</td>
</tr>
</tbody>
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* Based on the Provincial population growth rate of 3.57 percent per year

Source: Ministry of Planning Vision 2030, Government of Punjab Planning and Development Board
Punjab’s share of urban population is anticipated to increase from 37 to 60 percent between 2001 and 2030. In terms of absolute increase, between 2001 and 2030 the Punjab’s urban population is likely to increase from 28 million to 74 million, which translates into an average increase of over 1 million people per year (This estimate is based on the “step-down” method of sub-national population projection. It assumes that the Punjab’s total population will remain at 57 percent of the nation and that its urbanization rate will match the national level).

In Punjab, high transaction costs and difficulties associated with the land records system continue to impose significant harm on land owners and prospective land owners, (particularly the poor, who have small holdings and less access to information or resources), making them vulnerable to the predatory behavior of middlemen, and lowering the liquidity of family assets composed in whole or in part of land. As land is also a form of capital, current obstacles for documenting and enforcing land rights have the effect of lowering income from those assets through means such as rent, cultivation, sale, or access to other factors (e.g. credit). Well-defined land rights are essential for productive development and factor market functioning and will address the current issues to a large extent. In addition, clear land rights have far-reaching implications for social cohesion and governance, acting as an important catalyst in stabilizing communities, empowering individuals and reducing social exclusion.

Making land rights secure, reducing the potential for disputes and enabling an improved investment climate are urgent tasks for the BOR and have been prioritized at the highest levels of the GoPunjab for the entire Province. Over the long-term, the Government intends to move to an effective system of land records management which will link text and spatial data effectively and will make rights in land more secure. This will entail significant institutional, legal and policy changes, as well as investment in human resource development, information systems, and improvement in the available data bases on land. As a key first phase in this long-term program, the Government is focusing on modernization of the land records system. While the proposed program aims at having a rural-urban focus due to the nature of the issues to be addressed, the development of an urban component would be gradual due to the current complex and dispersed institutional setting.

Role of the Urban Unit

The Board of Revenue, GoPunjab is implementing the Punjab Lands Records Management and Information Systems Project (PLRMIS) with the financial assistance of the World Bank. Spatial Data Pilot Project is an important component of PLRMIS which is being executed by the Urban Unit. In a recent report of the World Bank Implementation Support Mission, the Urban Unit’s role was highly appreciated in the following words: “The depth and professional level of the Geographic Information System pilot efforts demonstrated by the Urban Unit have been found to be matching the world’s best practices. An especially valuable outcome of the pilot is building a mobile scanning capacity that will allow available musawee (local maps) of all districts to be scanned and geo referenced by the end of the year. Pilot linkage of the digitized musawee with Land Records Management and Information System (LRMIS) for Lodhran Tehsil and exposing data over the web is a proven demonstration of high professional capacity of the Urban Unit.”

The initial phase of the program, which is covered by the proposed LRMIS (Land Records Management Information System) Project, will focus on the land records system of the BOR by putting in place a reliable, efficient, and transparent system for maintaining those records and providing access to those records for the population. Also during the first phase, linkages will be tested and proven between the land records system and the system of registration of deeds, and piloting of digitization of spatial records will be carried out. As such, the first phase will introduce some key initial changes in the regulatory and institutional framework, and set the stage for the roll-out of more substantial changes in the next phase. The first phase of the government strategy ensures availability of services at the Tehsil level and the details are as follows:

Tehsil level, easing access to the population

In urban areas the weaknesses in the registration of land rights are the result of fragmented institutional responsibilities, poor reliability of spatial data, little accountability and cumbersome processes. To address these issues, the GoPunjab has embarked upon a number of actions aimed at improving the existing structure of property documentation, automation of the deed system and simplification and standardization of mortgage documents. The GoPunjab also intends to incorporate the ongoing modernization of the deeds registration system (sub-registrar’s offices) with modernization of the land revenue records system. While computerization will be an important technical element of the strategy for the programme, the focus needs to be squarely on improved service delivery to the population. More important than automation will be the changes in business processes and associated changes in the legal and regulatory framework, human resource development of staff responsible for service delivery, and public outreach programs to stakeholders and the general population.

Benefits of housing finance: Housing and housing finance builds assets and livelihoods, and thus contributes toward poverty reduction. Moreover, a housing finance system could provide benefits to the economy beyond development of a housing market and as it could contribute to employment and growth. For example, sound property registration system would enable entrepreneurs to use their property as collateral for business loans.
Housing finance plays a critical role in the development process by supporting strong housing markets, while strengthening the financial sector and contributing to overall economic growth. With strong housing and housing finance markets come many economic and social benefits, such as greater consumer savings, more social and labor mobility, and increased investment.

In addition, well-established housing markets support job creation in construction and manufacturing, and they improve living conditions and basic infrastructure. When mortgage financing is available, the market for housing grows, and a larger share of the population can become homeowners.

Benefits of the Guaranteed Title reform

Clearly providing security of title through accurate records, improved registration and guaranteeing title, are significant reforms on land. These forms will have a financial impact, an impact on governance and a social impact. The details are discussed as follows:

**Financial impact:** The access to credit through land and property assets is being studied. This is particularly useful for the urban poor, who currently cannot use their property as collateral to access credit, due to lack of certainty of tenure rights. Guaranteed title will unlock the potential of land to generate capital. While those with small holdings of the poor might not individually attract credit from formal financial institutions, sources of revenue to the state and local governments - direct and indirect – will increase substantially - property tax collection, stamp duty for registration, building licenses, company and individual taxes with employment generation in an improved land development and construction sector. A portion of the increased revenue can be allocated fund the development of housing for the poor.

An important aspect to note is that robust records and secure title bring informal land and property holdings into the formal system. The resultant benefits accrue to the property holders, improved sources of revenue to the local and state governments, and efficiency in social programmes of government.

**Governance impact:** Urban planning and management will be immeasurably improved with reliable data of the individual cadastre that will provide the smallest building block on which layers of data can be built. Data at the property level will be the building block for multiple uses - accurate assessment of land market valuation by street, updated voter lists, enforcement of zoning laws, etc. Tax and utilities collection will be better administered and result in a minimum level of loopholes. Infrastructure projects will be completed at a faster pace with clarity regards to title, and development policies such as Transfer of Development Rights will have an enabling environment.

**Social impact:** There will be accurate data on property and land and hence a great reduction in litigations and encroachments will also decrease. Government records of land assets that are currently in shambles will be vastly improved. This in turn will make land available for social development and infrastructure. This will result in greater value of property assets, easier access to credit, and increasing number of transactions. Transactions on land will become simpler, more cost-effective, quicker, and will be more accurate and secure.

Conclusion

Pakistan is a populous developing country which is facing immense pressure of the housing shortage due to urban-rural migration and rapid population growth. Due to these circumstances, 27.5 million people in Pakistan are living in slums (UN-Habitat Urban Indicators, 2007). In light of the prevailing conditions, an effective land records management system is the need of the time so that people can avail mortgage finance facilities in the housing sector. One of the prime impediments in gaining access to housing finance is the lack of an effective land records system. In this regard, the Punjab Land Records Management Information System (PLRMIS) provides an efficient solution to create transparency in land registration, facilitate the land titling process and in turn enable more people to get mortgage finance.

Recommendations

The key conclusion of the study is that increasing urbanization and economic development are imposing ever greater pressures on the urban housing and land markets in Punjab. This section outlines a range of recommendations for improving urban land and housing market performance:

**Strengthen property rights and improve efficiency of land titling and registration:** Banks/DFIs should focus on mortgage finance in housing sector of Punjab through easy and time saving procedures. Property registration authorities should focus on closing loopholes in the property registration, including elimination of legal protection of unrecorded transactions; reorganizing property registration system to ensure effective protection of property rights.

**Improvement of urban planning and zoning to encourage wide-ranging economic development of cities and more affordable housing production:** Urban master plans and zoning ordinances need to be reviewed to better align urban
land supply with market demands. Plans should be improved based on more careful and rigorous exploration of future development trends. Assessed through market research rather than perceived “need” based on demographic trends.

**Development of urban information base and make deeper understanding of urban land and property market dynamics:** The modification package must be guided by complete and accurate information on the patterns of urban land development, land prices, land supply, number of housing units built. Economic and demographic surveys and studies are needed to make predictions of upcoming urban growth and resulting land market prerequisites.

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