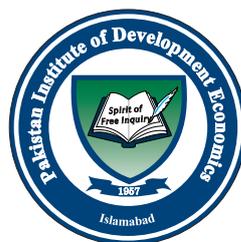


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**Flawed Urban Development
Policies in Pakistan**

Nadeem Ul Haque

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Policies in Pakistan**

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Pakistan Institute of Development Economics, Islamabad

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1. INTRODUCTION

History and civilisation move in cities. All major scientific, social, political, economic and technological innovations have happened in human agglomerations known as cities. Great civilisations and empires have been developed around cities. It is not accidental that the dominant empire of any time had the most important, creative and fascinating cities of the time. World is urban, and economic growth and urbanisation are inextricably linked. There is a whole new approach to understand growth and development, which tells us that “a city, economically, is like the nucleus of an atom” and there is a need to understand how development can be enhanced through construction and operations of city [Jacobs (1969); Jacobs (1984) ; Lucas (1988)].

Recognition of cities as the centre of production has gained significance since the Industrial Revolution. With the development of new technologies and service industries, the structure of the city has become increasingly diversified and complex. Cities now often reflect the prosperity of modern life, and the difference between rich and the poor countries often lies in the productivity of their cities.

2. LITERATURE REVIEW

Policy is “Slave of Some Defunct Economist”

“Cities” still remain a subject that the developing world fails to understand despite the fact that Robert Lucas’s Nobel Prize was largely based on it. Without going into the epistemology of development, which too is interesting but perhaps could be the subject of a different paper, let us try to understand development thinking and how it impacts Pakistan.

Development economics is a young subject that has evolved with mounting evidence consisting largely of crises in poor countries and the gnawing persistence of poverty and other deprivation indicators. We can count roughly 5 turning points in development thinking [see, Yusuf (2009)].

- **Factor accumulation, Infrastructure Development, and Birth of Foreign Aid.** The world was seen as a 2 sector model [Lewis (1954); Todaro (1970)] and a big push [Gerschenkron (1962)], which was required to move away from reliance on agriculture to industry. An aid establishment was created to first provide Capital and investment and then develop policy frameworks based on central planning and import substitution through a new breed of development professionals trained in the west.
- **Basic Needs and Poverty:** After only 2 decades of this model disillusionment set in and the World Bank started articulating a basic

needs approach targeted towards the needs of the poor. Disillusionment with growth had set in and poverty was directly being targeted.

- **Structural Adjustment:** In the eighties, the old central planning states and their plethora of market interventions had led to large accumulations of debt, which brought IMF into the forefront of development policy. Macro stabilisation, rightsizing the state and liberalisation were the themes of this era.
- **Institutions and Governance:** Research following Lucas (1988) showed the importance of institutions and governance, not only in determining growth and welfare but also for fostering technology which increasingly has been shown to be the determinant of growth. However at the policy level this area is still not fully accepted since few donors understand the deeper implications of this.
- **MDGs and the New Microeconomics:** Development is now seen as social safety nets and the achievement of key social indicators (health, education, etc). The goals are national, so is the measurement, and it is considered that the job of policy makers is to deliver these benefits to people where they are.

In this evolution of development economics, the 2 sector model persisted for much of the post war period. Recently World Bank has woken up to Jobs and urbanisation [The World Bank (2012)] and urbanisation [The World Bank (2012)] as issues that should be addressed but it is still too early to see these being translated into policy. Meanwhile policy now is preoccupied with the MDGs and poverty reduction most of which translate into benefits and welfare delivery to a rural population.

Where is Pakistan in all this? Pakistan still has not completed its structural adjustment and has just commenced its 17th Fund Program for economic stabilisation. Pakistan's economic growth policy remains stuck in the phase of "factor accumulation, infrastructure development and aid". All governments as well as any discourse on economic development seem to look for more aid to develop more infrastructure, mainly roads. The chimera of industrial development through subsidies and protection is still the goal of policy. Agriculture too is subsidised with many projects for irrigation and farm to market roads taking up development funding.

Several myths prevail in the economic discourse, which shape these policies. It is widely believed that Pakistan is a rural country with 70 percent of the population living in rural areas and engaged in agricultural activities. The proponents of this argument then seek to draw resources, subsidies, welfare and infrastructure toward the rural areas, which more often than not are small towns.¹

¹ Population census has become politically contentious since it determines political constituencies and the distribution of revenues. While a census has to be done every decade according to the constitution, politics always holds it up. The last census was done in 1998.

Preoccupied with structural reform based on a fiscal retrenchment (austerity) and meeting the demands of the donor community on MDGs, Pakistan government has not yet even considered developing a growth policy or develop institutions and governance that might be capable of delivering on any aspect of reform or development. Austerity policies alongside increasing demands on the government have denuded capacity everywhere. The country now has no funding for research or for social policy interventions. Consequently, thinking of ministers and senior policymakers continues to be “guided by academic scribblers” of the first era of development except for the bouts of austerity mandated by the Fund.²

In 2011, Planning Commission got approval for a Framework for Economic Growth (FEG) from all the highest forums in the country. FEG was prepared with wide consultation and was aligned with latest international research. It identified the key constraints to growth and the reforms that would be required to generate growth in productivity, innovation and entrepreneurship [Hausmann and Rodrik (2002)]. Growth could be enhanced and accelerated to 8 percent per annum if key institutional changes could be made (see Box 1).

Given the limited capacity in the country, and the preoccupation of policy with austerity and seeking aid, FEG was discarded even though it was approved. As happens with all policy in Pakistan, it was finally officially discarded with a change in government.

3. WHERE ARE THE TOWER CRANES?

Research on urban issues is scarce in Pakistan, more so in the context of cities. Process of urbanisation, and to some degree service delivery, are the only areas where researchers have shown some interest, while cities as an entity have eluded their attention. Little research throws light on cities’ functionality, patterns, zoning, optimum size, architecture, globalisation, governance, or the developing phenomenon of urban sprawl in Pakistan.³

FEG had made a claim that Pakistan is more urbanised than the policy narrative is willing to accept. This has now been substantiated by Reza Ali

²Keynes’ famous statement is very germane to Pakistan thinking. *“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.”*

³As vice Chancellor of The Pakistan Institute of Development Economics (PIDE), I had initiated a Cities Research Program with a conference in Karachi, entitled, Cities: the Engine of Growth on November. Later as Deputy Chairman of the Planning Commission, we enshrined urban development as one of the 3 centerpieces of the Framework of Economic Growth which though approved by the National Economic Council and the Parliament was never completely understood by most people especially the development practitioners and their masters- the aid establishment.

(2013). Using satellite imaging he has identified agglomeration and come to the conclusion that 70 percent of Pakistan's population live in areas that are dense enough to be called urban or urbanising.⁴ In short Pakistan is an urban country where the policy narrative refuses to accept this reality.

Despite the FEG, there is no urban policy in Pakistan and the growth potential of cities is totally stifled. Despite the rapid urbanisation, a combination of dirigiste urban regulation and import substitution policies keeps the construction and real estate development sector completely underdeveloped. This is so obvious and any visitor to one of Pakistan's cities is struck by the question that I raised many years ago "where are the tower cranes?" Most cities, where development is taking place rapidly (e.g. Dubai, Shanghai, Taipei Djakarta) the skyline is full of tower cranes. In Lahore, there are apparently 11 tower cranes out of which only 5 are involved in construction while 3 are involved in demolition. In all of Pakistan there are only a handful of projects of sufficient size and height to demand tower cranes.

As argued above there is considerable inertia in development thinking in Pakistan and institutions that does not allow the country to learn from the global knowledge pool (research capacity). In early years of independence, the "garden city" approach to urban planning was adopted—Gulberg and Islamabad are ideal examples of this. This was a low slung suburban development pattern with an excessive weight given to housing. This approach has continued unabated to date.

This approach has led to Pakistani cities developing as large suburban sprawls.

Without a change in paradigm, construction remains a small family business and the few large construction companies that exist are merely government contractors for large infrastructure development companies. Only a handful of the membership of the Association of Builders and Developers have a balance sheet of over \$ 100 million. Most of them are into land development. Builders of serious quality and size are few and far between. For historical, cultural and geographical reasons, Karachi is somewhat more liberal in terms of its view of construction than the rest of the country. But by international standards activity in Karachi too is less than it should be. Very few construction companies are listed on the stock exchange or have national or regional outreach.

Pakistan's youth bulge is much discussed forcing the government to occasionally announce youth packages. Much is made of education and skill training. Interesting enough, skill training is given in anticipation of migration. Demographic data shows that youths (<30) are about 90 million. Roughly 3 million kids will enter the labor market every year. Pakistan must pull out all the stops for increasing growth and developing employment opportunities. FEG

⁴ Terms in this area are hard to understand. Often suburbs are classified as rural, peri-urban or urbanising.

made this point emphatically noting that Dubai invested 27 times more per acre than Pakistan in construction because they have a better framework for building.

Despite the possibilities of growth and employment, policymakers remain fixated on the 2 sector model (pushing agriculture and manufacturing) and development projects financed by aid—the narrative of the past.

4. DYSFUNCTIONAL CITIES

4.1. Suburbia without Downtowns

The focus on low rise garden city, suburban development has incentivised a sprawl, while also neglecting downtown development. All Pakistani cities appear to have no downtowns or city centres--dense areas of mixed use concentrate residential, office, commercial and entertainment within an almost walkable district. All cities were showing a clear downtown development up until the sixties before the Garden city paradigm took root. This fits in nicely with the development paradigm of pushing for industry through subsidies and developing infrastructure through aid and benefitting the poor through government welfare programs. City planners tell you quite clearly that cities are primarily residential units and have framed rules for such cities (see Table 1).

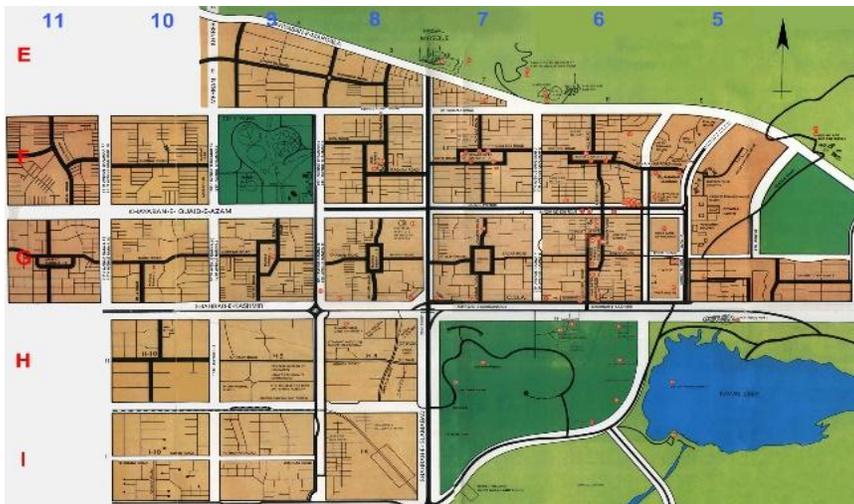
Table 1

Punjab Land Subdivision Rules 2010

| Rules for developing new housing colonies in Lahore. | | |
|--|---|------------|
| Percentage of land for | Till 2010 | After 2010 |
| Housing with Single Family Dwelling Units | 60 | 54 |
| Parks | 7 | 7 |
| Commercial including Shopping, Office, Entertainment Leisure, Hoteling etc. | 2 | 5 |
| Public Schools, Public Buildings, Libraries etc. | 2 | 5-10 |
| Graveyards | 2 | 2 |
| Roads | 25 | 25 |
| Miscellaneous | 2 | 2 |
| Other Guidelines | <ul style="list-style-type: none"> • Maximum Plot size should be 1000 yards • Approach road should be 60 feet and Internal road should be of 40 feet • One 10 marla plot for solid waste management for every 1000 plots • Grid Station for Wapda (If Wapda requires) • 20 percent of plots up to five marlas (for low income) • Location of tube well (if WASA requires) | |

Early in the country's history, it was decided that industrial estates would be made outside or on the outskirts of cities regardless of distance from workers houses. Services—retail, entertainment, leisure etc—were and still are not regarded as productive in the policymaker's paradigm. Hence our cities are designed primarily for housing with minimal space for other activities. The land development guidelines in box 1 show that for shopping, entertainment, office, flats, and hotels only 2 percent land was allowed for until 2010. Now we have 5 percent of development for all these purposes. Till 2010, only 2 percent of the development schemes were aimed at the betterment of citizens' lives through the provision of public goods like schools, community centres, libraries and public spaces, the same amount as is put aside for the dead and their graveyards. There was an awakening in 2010 and now it seems that we have 10-25 percent of the schemes for such purposes.

Fig. 1. Islamabad Map



Islamabad, which has been developed as a capital city for the last 50 years illustrates well the planning paradigm. Note the block like garden structure with giant parks and small neighbourhood shopping centres. By design the city has no downtown, limited commercial space, and provides mainly for a garden living. The pattern of development is linear making daily trips long and hard. The suburban style master plan has mainly provided for the single family homes. The result is that the spread out development makes public transport provision almost impossible. Moreover, land and dwelling units are in such short supply that even rich people find it hard to buy a place in Islamabad. Because of these factors, Islamabad planning has effectively excluded poor and the lower middle class who commute from neighbouring cities.

The Islamabad pattern of development has been copied everywhere in city development. Most city development has been in the form of housing colonies. Lahore guidelines are shown in Table 1. Defence Housing Authority (DHA), which is one of the largest land development agencies in Pakistan has been following the Islamabad garden city approach. It is an extensive suburb of Lahore with almost 1/3 of the area of metropolitan Lahore. It is probably about 15 percent of Karachi metropolitan area. But its low slung suburban model houses only about 150,000 people in Lahore. Interestingly DHA planning paradigm has produced a community that is well supplied in religious institutions but limited community and entertainment space.⁵ It has 26 mosques, 1 cinema, 3 clubs, 1 library, and schools.⁶

4.2. Limited Space for Urban Activities

The suburban, garden city approach to planning has been fixated on a low rise, custom made housing development model. Given the functions that a city should provide, Pakistan's large cities fall short on providing for several functions. An unintended consequence of this city-planning approach has been the persisting excess demands in several areas. It is easy to see the excess demand when you see that the housing stock is being haphazardly and informally being converted to several uses, such as schools, hotels, offices, gyms, restaurants etc. This is not rebuilding of the cities. This is the sacking of the cities. A few points are worth noting in this regard.

- Beaconhouse, the largest private school system in the country is operating 65 per cent of its schools in residential properties without playgrounds and other purpose built facilities.
- Despite the leadership announcing plans for private sector led-growth, the city planning guidelines for many years have not provided for serious office blocks to be built. Some big houses have taken up residential properties and converted them to purpose built upscale offices. Most businesses still operate out of house conversions. In some places like Gulberg Lahore and Blue Area Islamabad, some buildings have been built but the quality, management framework and approaches are not viewed as attractive by businesses.

⁵ Contrary to Jane Jacobs (1969), the Islamabad/DHA paradigm allows for large parks but with the proviso that you can only visit those for playing or recreation fully clothed. In other words jogging or playing a game in shorts is not allowed.

⁶ The upshot of this planning paradigm is that city resources are very unequally distributed. According to Hassan (1983, 2012) who noted that how the investments in a city are made mainly in urban areas. Looking at the maps of most of the big cities, one can see that the large housing estates take up most of the prime land. Cantonments, which have now become prime residential estates have come virtually into city centres. Roads, clubs and other amenities, which take up city space are all for the elite.

- The most significant fact is that with a growing and large population with a huge unmet demand for housing, it is surprising to see the single family home fixation. Even for housing for the poor, Punjab has recently developed a housing development plan that is 25 miles from the centre of Lahore on the basis of ownership of small plots. In this way conversion of irrigated arable land into housing colonies is accelerating. This policy framework encourages peri-urban development.
- Cinemas have actually decreased in every Pakistani city since independence despite the fact that city sizes have grown enormously. Partly Islamisation did not help the cinema industry but the rules of property development reinforced the trend against cinemas.
- Restaurants are mostly in home conversions.
- Perhaps the biggest deficiency is that of public and community infrastructure. Community centres, libraries, play grounds are in extreme short supply. Urban development has not really considered the provision of these community and societal requirements in earnest.
- Interestingly, large five star hotel development took off in the 60s but since then there are only a handful of big hotels that have come up.
- Shopping malls have not been allowed until recently. Even now a city of 14 million people Karachi has only 1 shopping mall of international quality and Lahore with 10 million has none.
- City management focused on suburban development turned away from downtown development. As a result, the old central district where various activities—cinemas, restaurants, offices, businesses—had clustered is no longer an attractive destination.

4.3. Cities for Cars

Apart from housing, city management is also obsessed with cars. They are continually widening roads, building flyovers, stifling commerce to clear the way for cars and carving up city space to make sure that cars have a smooth flow. In the Annual development plans, allocations for roads are higher than education and most other heads (see Table 2). Despite the fact that the world is beginning to make the use of the car in inner city more expensive for more people and energy-friendly community, planners in Pakistan are doing everything possible to make the city more car friendly.

Planners in Pakistan remain grounded in yesterday's model and are pushing the suburban dream around the car. Flyovers and wide avenues are continuously being developed at the cost of community and business cohesion. Such development has also driven the bicycle out of most large cities. The objective function seems to be to minimise time in the car over long distances even if there is no business at the other end.

Table 2

Allocations from Annual Development Plans 2013 -14

| Sector | Punjab | Sindh | Federal |
|-------------------|--------|-------|---------|
| Roads | 12.45 | 9.35 | 9.17 |
| Education | 10.37 | 7.46 | 4.17 |
| Urban Development | 5.39 | 5.41 | N/A |

The suburban sprawls make the average travel to work longer and longer. The Lahore Bus Road Transport that has been started has an average trip of 15 kilometres. Islamabad, the wagon routes have an average trip of 22 kilometres. Karachi is considerably higher.

4.4. Energy Intensive and Environmentally Unfriendly

The pattern of living that was adopted 60 years ago and remains in place even today has increased the energy bill. Today Pakistan spends 7 per cent of GDP on the import of oil. While Pakistan ranks low on most development indicators (see Table 3) in oil imports it ranks number 29. The National conservation strategy had pointed out in 1992 that the emissions from cars were increasing pollution in Pakistan's cities. The sprawl has accelerated since that report as has the policy of protecting domestic assembly of cars with obsolete technology, which to date uses leaded gasoline. It is no wonder that Karachi ranks among the most polluted cities and Lahore and Islamabad are climbing the rankings.

Table 3

Pakistan is Energy Intensive

| Sector | Rank | Source | Year |
|------------------------------|-----------|---|-------------------------------------|
| Human Development Index | 146th/177 | United Nations Development Programme's Human Development Report | 2006 est. |
| Quality-of-life Index | 93rd/111 | Economist Intelligence Unit | 2005 est. |
| Literacy Rate | 159th/177 | List of countries by literacy rate | 2009 est. |
| Population | 7th/221 | CIA World Factbook | Total: 193,238,868 (July 2013 est.) |
| Population Density | 58th/241 | Economist Intelligence Unit | List of countries and |
| Index of Economic Freedom | 121/177 | The Wall Street Journal and the Heritage Foundation | 2013 est. |
| GDP (Nominal) per Capita | 135/182 | International Monetary Fund | 2006 est. |
| GDP (Nominal) | 45/181 | International Monetary Fund | 2006 est. |
| GDP (PPP) | 28/229 | CIA World factbook | 2012 est. |
| GDP (PPP) per Capita | 178/229 | CIA World factbook | 2012 est. |
| Global Competitiveness Index | 124/144 | World Economic Forum | 2012-2013 |
| Ease of Doing Business Index | 107/185 | World Bank | 2013 |
| Oil imports | 35/209 | CIA World factbook | 2009 est. |

Not only is the sprawled suburbia favoured by policy, there are no energy standards for building. Most houses and buildings are simple concrete structure built with little care for energy conservation. Building materials for energy conservation such as insulation, double glazed windows etc. are expensive and difficult to obtain. The import regime does not particularly encourage these energy efficient inputs.

For a country that is experiencing extensive energy difficulties, it is surprising that there has been no real discussion of the city lifestyle and energy.

5. WHY SHOULD URBAN DEVELOPMENT BE AT THE HEART OF PAKISTAN'S GROWTH POLICY?

The Framework for Economic Growth (FEG) of the Planning Commission (which the government adopted just as easily it discarded) suggested that urban renewal be at the heart of Pakistan's growth revival. Much research and consultation established that urban renewal was urgently needed for several reasons.

- (1) As pointed out above there is large unmet demand for all urban activities. The market will quickly identify and respond to supply this need. Estimates of Pakistan's informal economy and diaspora investment potential suggest that financing for such investment will be readily available. Such activity will also bring in the foreign investor.
- (2) Construction activity, which will pick up with a urban renewal strategy will not only employ the youth bulge that we are passing through, it will also revive several other industries given its backward and forward linkages. The employment and growth impacts that have been calculated are large. (see box 1).
- (3) Evidence has mounted up from many countries that the crucible of growth, development and modernity is the city [Glaeser (2011)]. Good things such as entrepreneurship, innovation, market development, idea development, learning, risk management, skill development all happen in dense cities not suburban sprawls.
- (4) People gather in cities not to live in a rural setting but to take advantage of proximity, which enhances learning and productivity. History shows that people flocked to merchant cities that often operated on rules that facilitated trade.⁷

⁷ There is a lot of interest among the international community to push for India-Pakistan trade. It is the contention of the FEG that urban development based on commercial development would generate this trade.

BOX 1**FEG Reform with a High Payoff**

Continuing colonial policy, the government gives housing as part of compensation in city centers to officials. This practice has put the government into the real estate business and has starved cities of prime land for development.

The PC developed a reform proposal in keeping with the FEG that was based on modern principles. Compensation should only be monetary and linked to private sector market determined levels. All perks would then be eliminated.

With this reform, the government in Islamabad would be able to make available for serious construction some 864 acres of prime Islamabad property (which is currently housing for the bureaucracy)

The proposal was to assemble the land into large parcels for mixed use complex development. Zoning building laws would be changed to accommodate such construction.

Even with a generous allocation (about 50 percent) for common areas and amenities, about 423 of the 864 acres would be available for complex modern development.

With generous height and use rules, it was estimated by the best experts available that this could result in an investment potential of Rs 6 to 10 trillion. This is equivalent to about USD 60 to 100 billion or 30 to 50 percent of our GDP.

For further details see <http://development20.blogspot.com/2013/07/monetisation-how-valuable-is-your.html>

- (5) Even in the west, inner city is being revived, regulation and zoning is being relaxed to allow density, high-rise and mixed use, which is considered to be the cocktail for developing networks and interactions that are necessary for creativity, innovation and entrepreneurship.
- (6) In such cities, cars are not at a premium; walking and bicycling are facilitated. Such cities are environmentally friendly. Wide avenues, flyovers and giant parking lots are not people friendly, they slow down interaction and network development. Hence they are discouraged.
- (7) Public and community spaces improve productivity and behaviour. But these are more than mere sanitation, roads and simple functional buildings. As Fukuyama in 2011 noted, Medellin's violence was curbed through the development of mass transit (metro) system, beautiful and civilized public spaces and buildings. Mistrust in the government declines with this show of public good provision and human interactions are improved.

6. URBAN DEVELOPMENT HELD HOSTAGE

City zoning needs to be deregulated to allow for the kind of city that is conducive to jobs and growth. FEG argued for density, high rise, mixed use and walkability. To build these cities, we will have to move out of the earlier suburban model and allow some creative destruction of single family homes. Densification will have to happen in prime areas where outmoded regulations are holding development back.

Our analysis during the preparation of the FEG showed that in the current governance arrangement this reform is going to be hard for many reasons.

First, there is no local government and even the tentative steps that were taken in the past, the federal and provincial systems resisted the reform and finally killed it.

Second, city administration is fragmented. Karachi for example has 5 cantonments and 3 administrative districts with no metropolitan body to coordinate, all of which operate more or less independently. Lahore has one cantonment and 2 overlapping administrative districts. Most big cities have a cantonment comprising of a large part of prime space.

Third, in the absence of local government and a coherent administrative structure, the federal civil service runs cities with little or no local participation. Pakistan has a strong centralised system, the backbone of which is the civil service. The cadre of this civil service fills the local government positions at the beginning of career, moves to the province mid-career and ends the career at senior levels. The entire government structure reports to the senior federal levels who sit on top of the cadre. All hiring is on a unified pay scale and most positions are answerable to the senior federal officials. Most local government reforms happen leaving this system unchanged and hence likely to fail. City government operates at a junior level, too junior to determine an independent course. In any case most of the city supervisors are not local and have no local ownership and often are not in that position long enough to belong there.

Fourth, for historical reasons, a large part of the compensation of government officials—civilian, military, judges and ministers—is in kind, prime housing and gifts of land in new developments. As shown in Box 3, the opportunity cost of these houses is large. Large parts of the cities that are most amenable to real estate development are not coming to market because of this obsolete practise. Without adequate compensation incumbents have no incentive to change the situation. The government is always in the middle of a fiscal contraction to even consider this proposal. With the motive to save billions of rupees, the government is losing investment potential of trillions.

Fifth, the Islamabad/DHA model where land is developed by the public sector and given as reward to officials has inhibited the development of competitive real estate development markets. DHA and CDA remain the largest land development companies in the country. Since all the powerful decision

makers get wealthy through this land allotment system, the drive to suburbanise is reinforced at the cost of city centre development.

This analysis outlines the thought process behind the growth framework. Civil service reform is a critical reform, which will not only improve government productivity, it will also unleash the power of cities. As the example of Islamabad illustrates if perks are monetised as part of the civil service reform to better align performance and incentives and if the land that is released is allowed to build density, it will open up huge investment opportunities. This reform will also be very inclusive opening out large number of employment opportunities as well as providing housing for a large number of the middle classes and possibly some of the poor.

7. SPILL OVERS OF REFORM

An important unintended consequence of the barren suburban model that has been in place for decades has been the drying out of culture, public space, and commerce among others. Through cities configured for merchants and aimed at encouraging of networks, learning and arts, have been enlightening and opportunity-providing.

Policy remained focused on the 2 sector model, providing physical infrastructure through foreign aid. What was forgotten were the community and the city space that would encourage innovation, modernity, entrepreneurship and enlightenment. Town squares, community centres, public spaces, corner shops, playgrounds have all been zoned out in the thrust to make room for cars and elite housing.

Youth, who are in a majority are looking for community and mentoring. In the current design of the city, the only community centres that are in abundant supply are the mosques and only mentor is the moulvi in the mosque. While religion is important and certainly kids should go to the mosque, there must be a balance between community public spaces and religious places for a more balanced and rounded development. Thriving commercial cities have through history nurtured productive and creative youth.

The reform that the FEG outlined is therefore beneficial to the country in more than one way. It could be instrumental in balancing out extremism.

8. CONCLUSION

Pushed by donors, attempts have been made to put in place master plans for major cities. Some like Lahore had been attempted several times, the last one was completed in 2008. Because of the factors outlined above there is little if any ownership. These plans are not liked nor are they even remotely considered for serious implementation.

Similarly donors have pushed for projects to help city finance and to improve city hardware, roads sanitation etc. Projects come and go but

employment, productivity and social indicators do not show much improvement. The contention of this paper and the FEG before it is that we must understand the role of cities and the constraints that are holding back reform.

The government should stop chasing financing and seriously consider reform as a means of releasing the capital that has been shackled by obsolete visions and systems. The reform recommended here will generate investment, employment, opportunity, innovation and revenue. It has the potential of addressing Pakistan's chronic fiscal problem.

Policy has to move out of the sixties and stop thinking hardware and financing. We have seen that developing the software of society—deregulating city space, building coherent visionary city management, modernising and professionalising the civil service—require little capital but put the country on a dynamic new growth path.

Following North (1990) and Romer (1990) we are seeking the key institutional changes that will allow behavioural changes for better outcomes. These are illustrated very simply in the logo of the FEG.

Fig. 2. Key Institutional Changes



For change we need a reform programme that will address the following 4 areas.

- (1) Develop quality governance through re-engineering the civil service for professionalism, competition and merit and substantial decentralisation.
- (2) Deregulate markets for more competition, entry, innovation, entrepreneurship and openness

- (3) Deregulate cities in keeping with the new thinking outlined here. Building autonomous coherent local governments along with the release of the land that is currently hostage, which will unleash a virtuous cycle of construction, innovation, community and entrepreneurship.
- (4) Move away from suburbia where cars are given priority over people and allow cities for people and community. Such cities will incentivise moderation and enlightenment.

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