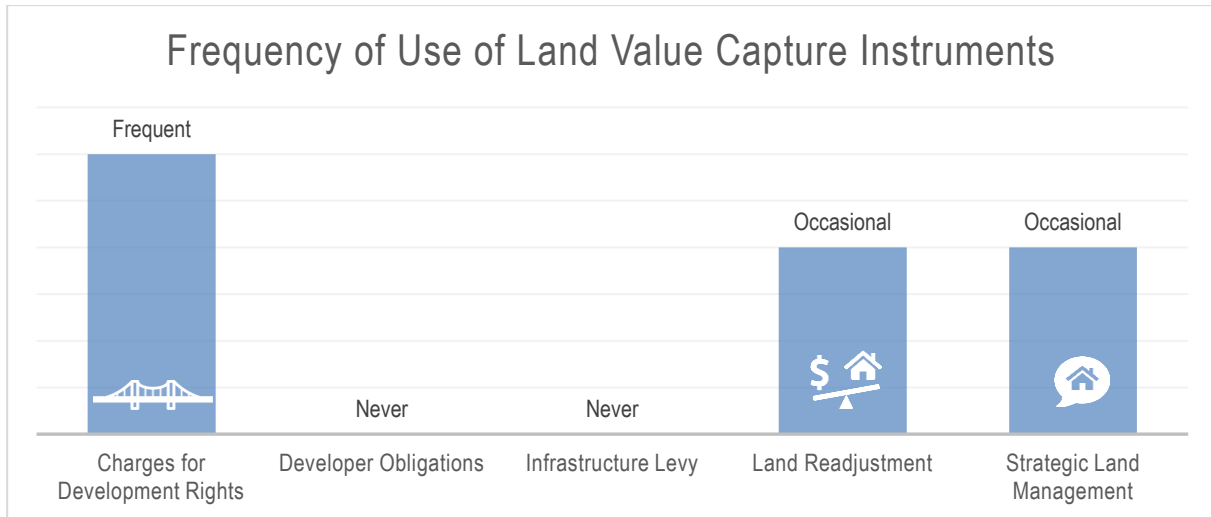


Pakistan



Several land value capture instruments are used. Local governments and independent public agencies frequently levy charges in the events of rezoning and repurposing of urban land. Strategic land management is not common, given that the government does not hold significant amounts of public land to lease and that financing for land acquisition is scarce. There is no legal framework for infrastructure levy or developer obligations.

Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Charges for development rights	<i>Conversion Fee</i>	None	Local governments and independent public agencies	Frequent
Land readjustment	None specific.	None	Provinces, independent public agencies and private developers	Occasional
Strategic land management	None specific.	Section 4 of Land Acquisition Act (1894)	National government, provinces, districts and independent public agencies	Occasional



Enabling framework

Pakistan is a federal republic with two tiers of subnational government: provinces and local governments. Each province establishes their local government system, with devolution of political, administrative and financial responsibilities (CLGF, 2018). Local governments, on their turn, are structured into two or three tiers, among district councils, urban councils and rural councils (CLGF, 2018).

The principle of social function of property establishes that private property may be subject to reasonable restrictions imposed by law in the public interest (Article 23 of the Constitution). There are no national or provincial urban policies (CLGF, 2018). The main national law of land value capture is the *Land Acquisition Act* (1960), which regards strategic land management. Provincial legislations regulate charges for development rights.

Provinces are responsible for creating the framework of land value capture. Since the 1960s, they have urban development authority legislations. Land value capture is more relevant in the provinces of Punjab and Sindh. In the other two provinces, Balochistan and Khyber Pakhtunkhwa, the instruments are yet to develop to the same extent. Nonetheless, land acquisition practices are similar across all four provinces.



Charges for development rights

Charges for development rights are frequently levied in the event of rezoning and repurposing of urban land. There is some level of variation across provinces. Local governments and independent public agencies levy this charge after they receive approval from the provincial government to do so. They collect the revenues, which become part of their general budget. The charge, to be paid in cash, is calculated as a share of the commercial value of land.

In the city of Lahore, the second largest in the country, the fee is charged when a developer requests approval for new development on land whose use has changed (Article 23 of LDA Land Use Regulations 2020). Those who wish to use the land in accordance with the reclassification must pay a conversion fee. The fee must be paid in cash, as a share of the intended land use value. For instance, if agricultural, peri-urban or residential land is reclassified as commercial or industrial, the developer must pay a fee worth 20% of the value of the commercial or industrial land.

The fee must be paid before or at the time the development receives approval. The payment may be one-time, with a discount, or in installments. Philanthropic, charitable and non-profit organisations can be exempt from payment if they intend to use land for educational, healthcare or institutional purposes.

Some provinces lack the adequate legal framework to enable local governments to levy charges for development rights. Large cities apply the instrument more frequently, as the demand for building at higher density or for more productive uses is larger. Even then, fluctuations in land and real estate markets may negatively affect demand. While these cities typically have adequate and up-to-date land use regulations, this is not the case for all cities in the country.

Pakistan



Land readjustment

Provinces, public corporations and developers often carry out land readjustment projects for the purposes of farmland consolidation and urban expansion for which they convert rural to urban land. The legal provisions for farmland consolidation date back to the late 19th century. For urban areas, land readjustment has been practiced in the current form since the 1960s. Development authorities, which are public corporations in charge of spatial planning at the local level, create the legal provisions.

Public authorities or private developers can initiate land readjustment projects in urban areas. The projects start when the local planning authority declares which land is suitable for land readjustment. The declaration may be issued upon request of private developers or without any prior request. Afterwards, landowners will voluntarily adhere to the project, offering undeveloped land to be readjusted.

If the project is of public interest, the participation of resisting landowners may be enforced through land expropriations. Expropriations may be carried out both by public and private entities, and landowners are entitled to a compensation based on the market rate of the original use of plots. Land is always expropriated when necessary. Still, landowners often dispute the compensation price in judicial claims that last decades.

A share of around 20% of the readjusted plots is reserved for public improvements, such as public roads, utilities, schools, parks and green space – from which landowners will benefit. Moreover, some of the newly created plots are reserved for future sales, to generate revenues for the government. There is no formula to calculate how many plots should be reserved, and the revenues vary. In housing projects in the city of Lahore, for instance, 6% of project costs have been recovered through the sale of plots.

After readjustment, landowners receive a plot with a value proportional to their original holdings. They typically retain 10 to 20% of the original land area for commercial plots and 25% of the area for residential plots. The land returned after public development is much more valuable than the original land. Depending on the project, landowners may be reallocated to different plots within the readjustment area or receive a residential or commercial unit instead of their original plot. If they prefer, they may exchange the plots for cash compensation.

The implementation of land readjustment projects faces obstacles. Public entities often lack administrative capacities to conduct, manage and oversee land readjustment projects. Landowners sometimes appeal against the decision to readjust their plots, engendering administrative and judicial disputes that make the process lengthier and more costly. Tenants and informal residents are another affected group that resists land readjustment projects, fearing the absence of resettlement alternatives.



Strategic land management

The national government, provinces and districts, as well as urban development public corporations, resort to strategic land management operations in order to control urban growth and promote planned development. The country makes moderate use of strategic land management operations and land leasing.

Land is acquired in a concentrated manner through expropriation, with due market-value compensation, or through purchases at discounted prices, in return for granting private landowners a stake in subsequent development. In many



Pakistan

| 4

cases, public urban development authorities acquire small tracts of land and follow up with housing development within a few years up to a decade.

The government may freeze land prices at a certain level before the announcement of a public investment or rezoning and buy the land at that price. The government may also retain land for some time before selling it, in expectation of a future increase in land prices.

After land acquisition, the government typically rezones and redevelops it, alone or in partnership with private developers. Development includes basic preparation and servicing and the provision of public utilities, administrative facilities and affordable and social housing units, which leads to land value gains.

To retain the land valorisation, the government can transfer land to another public entity or sell it at the private market. If sold to the highest bidder, the main purpose is to generate revenues. If sold using other criteria, a specific purpose is sought, such as to address infrastructure needs.

Public land may be leased to generate public revenues and to provide land for real estate development. Each province enacts a Land Lease Policy, which establishes types and characteristics of leases. Within the limit of 40 years, lease length is determined on a case-by-case basis, in accordance with the intended uses. Large development projects have longer leasehold contracts than small projects. Similarly, charitable projects contracts tend to be longer than those of commercial projects or farming.

Some provinces do not have the adequate legal framework for public land leasing. The other challenges to strategic land management are the lack of financing for land acquisition, the lack of administrative capacities and the lack of coordination between the relevant public entities.