

**DEVISING A WAY OUT FOR THE TENANTS OF
ISLAMABAD'S EXTRA-LEGAL HOUSING
SOCIETIES VIS-A-VIS MARKET/STATE FAILURE**



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CERTIFICATE

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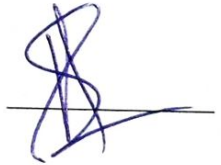
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At any time if my statement is found to be incorrect even after my Graduation the university has the right to withdraw my MPhil degree.

Date: June 19, 2023



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Dedication

I dedicate this dissertation to my father Farman Ali Khan and to my mother Sarwat Hafeez for their unconditional support and prayers.

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ABSTRACT

Housing societies construction is an important component of economic development. This study examines the multifaceted challenges confronted by both builders and residents within the context of extra-legal housing societies in Islamabad, Pakistan. It addresses the role of Capital Development Authority's (CDA) in the context of market and state failures, demonstrating the complex interplay of regulatory burden, bureaucratic delays, information asymmetry and sludge that underlie the proliferation of these extra-legal housing entities—neither entirely legal nor explicitly illegal, marked by a lack of necessary paperwork and the No Objection Certificates (NOCs) that the CDA requires for full legitimacy. Our research employs a mixed-method approach, incorporating both qualitative and quantitative data collection techniques, including validated questionnaires, surveys, and face-to-face interviews. With the goal of promoting sustainable urban development and prioritizing the well-being of consumers this analysis offers possible solutions like strengthening the capacity of the Capital Development Authority (CDA), establishing a specialized unit, ensuring compliance with initial plans, digitizing procedures, implementing a single-window system, and addressing non-compliance tendencies.

Keywords: Housing Societies, Extra-Legal, Regulatory burden, Information Asymmetry, Sludge, Market failure, State failure.

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Chapter 1

Introduction

1.1. Background

Throughout human civilization, housing has been a fundamental requirement, initially based on familial and societal needs. Early dwellings were communal spaces, constructed using natural materials from the surrounding environment. As settled communities and agriculture emerged, housing became more structured, giving rise to cities with infrastructure, specialized economies, and centralized governance. Over time, advancements in technology and materials transformed our understanding of living spaces. Today, housing continues to be a vital aspect of human civilization, offering shelter, security, and a sense of community worldwide (Hussein, 2022).

Rapid urbanization and population growth have led to an exponential increase in housing demand in developing countries (*Urban Development.*, 2022). However, the supply of housing has struggled to keep pace, resulting in a severe shortage of shelter, especially for low-income families. To address this crisis, many cities have turned to vertical growth, constructing high-rise buildings to accommodate the rising population. This strategy has proven effective in boosting population densities without sacrificing urban space. Nevertheless, in developing countries like Pakistan, cities such as Islamabad have not embraced vertical growth as rapidly, creating an opportunity for private investors to exploit excessive regulations and promote urban sprawl (Nadeem Ul Haque, 2022). Consequently, unauthorized housing societies are emerging outside city limits, straining existing infrastructure and contributing to environmental degradation (Hassan et al., 2021).

Pakistan's rural-to-urban migration has strained urban housing and infrastructure, resulting in overcrowding and informal settlements (*Illegal Housing and Construction in Pakistan*, 2020). The scarcity of affordable housing has fueled the growth of extra-legal housing societies, particularly in Islamabad, built without proper planning, approvals, or essential amenities (Hassan et al., 2021). Extra-legal housing societies have become a prevalent and rapidly growing trend in Pakistan, offering affordable housing options to urban dwellers who cannot afford properties within the main cities (Hussein, 2022). The cultural significance of home ownership, coupled with a lack of

confidence in government agencies and regulatory entities, drives individuals to invest in these societies to avoid high costs, corruption, and bureaucratic hurdles associated with legal housing developments. Despite regulations and approval processes overseen by Local Development Authorities and other regulatory bodies, these housing societies have gained significant traction and economic influence in Pakistan (Hussein, 2022).

Table 1.2.1: Types of Hosing Societies

Criteria	Illegal Housing Society	Extra-Legal Housing Society	Legal Housing Society
Legality	Completely illegal	Operate in legal grey area	Fully legal
Authorization	Lack proper permission	May have partial permission	Authorized by government
Land Ownership	Occupied illegally	May have ambiguous ownership	Legally owned or leased
Infrastructure	Lack basic amenities	May have basic amenities	Properly developed
Safety Standards	Often lacking	May have some safety measures	Follow safety regulations
Consequences	Risk demolition	Risk eviction	No legal consequences

Source: Field Data

The mushrooming (refers to the rapid and uncontrolled growth or proliferation of extra-legal societies. It suggests that these housing societies are sprouting up or expanding at a fast pace, often without proper regulatory oversight, leading to issues related to land use, property rights, and compliance) with legal standards of extra-legal housing societies in Pakistan can be attributed to various factors, including information asymmetry, excessive regulations, affordability issues, and bureaucratic complexities (Hussein, 2022). Limited availability of affordable housing options and high land prices in city centers have driven people to seek quality residences and a better standard of living in these societies (Nadeem Ul Haque, 2022). Private developers often offer improved utilities and facilities, attracting buyers. However, the legal ambiguity of these societies exposes tenants to risks, necessitating the need for affordable, accessible, and legal housing solutions that prioritize safety and quality standards, ensuring the well-being and dignity of individuals. The rationale for undertaking this study lies in Pakistan's unique socio-economic landscape, characterized by a rapidly increasing urban population, inadequate housing options, which leads to

the emergence of extra-legal housing societies. By examining this multifaceted problem within Pakistan, this study aims to gain insights into the specific challenges and opportunities it presents, offering potential solutions that can inform urban development policies and strategies in the country.

Excessive regulatory burden and high compliance costs contribute to the growth of extra-legal housing societies in Pakistan. The complex and time-consuming process of obtaining formal approvals for new housing projects leads developers to resort to building societies on illegally acquired land (Hassan et al., 2021). The regulatory burden also affects tenants who face substandard living conditions and limited access to basic utilities and services. Insufficient resources and capacity within government agencies responsible for granting approvals further exacerbate delays and frustrations, prompting developers to operate informally.

Extra-legal housing societies have sprung up in Islamabad due to over-regulation and administrative sludge. Sludge, defined as excessive frictions that impede goal achievement and hinder individuals' wishes, creates complexity and burden in processes (Sunstein, 2022). It affects interactions between consumers and public or private institutions, resulting in reduced transaction frequency, resource wastage, and higher opportunity costs. Sludge perpetuates inequality as it requires resources that individuals with fewer resources find harder to access (Nadeem Ul Haque, 2022). Moreover, sludge imposes psychological costs, including frustration, humiliation, and stigma (Moynihan et al., 2016). Furthermore, sludge can be exploited for rent-seeking, restricting economic activity (Nadeem Ul Haque, 2022).

Excessive regulation and bureaucratic sludge in the Capital Development Authority (CDA) have led to the proliferation of unregistered housing societies in Islamabad. The lengthy and cumbersome procedures for obtaining a No-Objection Certificate (NOC) from the CDA, along with bureaucratic delays and roadblocks, result in information asymmetry and consumer losses. Over the past 25 years, not a single completion certificate has been issued by the CDA, causing significant delays for individuals who have invested their life savings in these housing societies. Only 10% of housing societies in Islamabad are approved, with a large proportion (69%) not even approaching the CDA for approvals. This highlights the severity of the issue and the systemic challenges faced by the CDA. The sludge in the NOC and approval processes imposes costs on the economy and creates burdensome delays for consumers. Resolving this issue is crucial to protect

the interests of consumers who have already invested in unregistered housing societies. (Hassan et al., 2021) ; Hussein, 2022).

1.2. Statement of the Problem

The costs that the regulatory framework places on firms increase when there are many regulatory entities involved. This "regulatory burden" consists of expenses for compliance and administration, deterrents, and other elements that may have a negative impact on corporate productivity. In the context of housing societies, these burdens result in information asymmetries and sludge, which generate excessive or pointless frictions and hinder people's ability to complete tasks. Due to these factors, operating in the grey area becomes a very appealing option, resulting in the creation of an extra-legal sector, especially in the housing market. This study's primary focus is on the regulatory burden, sludge, and asymmetric information's mediating effects on the rapid expansion of these extra-legal housing societies in Islamabad. It will draw attention to the red tape involved in obtaining all necessary NOC for a lawful housing society and identify areas where the sludge can be reduced either by shortening the process or by finding any other best alternative. All these factors give rise to a problem that, consumers who had already invested (the potential investors are also our consumers) in these unregistered housing societies are at a great loss. What role the regulatory authorities are playing? What is the way out for these consumers? How the regulatory burden and sludge can be reduced? And what are the best possible alternatives?

1.3. Objectives and Research Questions

1.3.1. Objective of the study

This study aims to examine the following objectives:

- To analyze in detail the factors (information asymmetry, regulatory burden, sludge) that lead to mushrooming of extra-legal housing societies and how these societies provide an alternative in context of market failure.
- To analyze what can be the way out for consumers (potential investors)? What other alternatives do we have to stop the growth of these extra-legal and illegal housing societies?

1.3.2. Research Questions

The primary focus of this research is to examine the mediating role of asymmetric information, sludge, and regulatory burden on the mushroom growth of extra-legal housing societies.

- What role do key factors such as information asymmetry, regulatory burden, and sludge play in the emergence and mushrooming of extra-legal housing societies, and how do these factors individually and collectively influence the formation and growth of such societies?
- How do extra-legal housing societies function as alternatives within the context of housing market failures, and what advantages do they provide to the consumers?
- What are the potential strategies and solutions that can be formulated to empower consumers in effectively addressing extra-legal and illegal housing societies, with the objective of mitigating their growth and prevalence?

1.3.3. Significance of the study

This study has significant importance for multiple stakeholders in the housing society and regulatory sectors, including the Capital Development Authority (CDA). The provided research offers a comprehensive examination of the many aspects that contribute to the widespread growth of extra-legal housing societies, presenting useful perspectives on the fundamental reasons behind this phenomenon. Furthermore, this study examines the bureaucratic obstacles that arise during the approval procedures of housing societies, aiming to shed light on the reasons behind the failure of some societies to register with relevant regulatory authorities. Ultimately, this research seeks to enhance the service delivery provided by the CDA. Moreover, the study provides workable approaches for mitigating regulatory constraints and improving approval procedures, so enhancing the efficiency and efficacy of the governing body. By advocating for centralized, accessible information on the CDA's website, it aims to minimize the time and financial resources required for the public to obtain essential information, fostering more efficient interactions with the CDA. This study pinpoints the sources of the information gap between the regulatory body and the general public.

1.4. Rationale of choosing the locale

Choosing Islamabad as the locale to address the issue of extra-legal housing societies and their tenants is because of the city's unique characteristics. Furthermore, with 146 illegal and extra-legal housing societies in Islamabad alone (Hassan et al., 2021), the issue is particularly pressing and requires immediate attention. By analyzing the situation in Islamabad, we can get an insight into the difficulties incurred by these extra-legal housing societies in other cities in Pakistan and develop effective strategies to address the problem of extra-legal housing societies.

1.5. Organization of the thesis

The thesis is organized into ten chapters that thoroughly investigate the problems associated with extra-legal housing societies in Islamabad. Chapter 1 provides an introduction to the research, including the background, statement of the problem, objectives, research questions, scope, and significance of the study. Chapter 2 presents a literature review. Chapter 3 details the research methodology. Chapter 4 reviews existing regulations. Chapter 5 explores challenges related to land acquisition as well as legal and regulatory challenges. Chapter 6 focuses on financing and funding aspects. Chapter 7 discusses stakeholder management, regulatory compliance hurdles, and excessive regulatory burden imposed by the Capital Development Authority (CDA). Chapter 8 and Chapter 9 delve into the prerequisites, construction, maintenance, and impact of sludge in housing societies, highlighting the steps and time required to obtain the final NOC from the CDA. Lastly, Chapter 10 proposes a way forward suggesting solutions and recommendations. The thesis concludes with a comprehensive reference list.

Chapter 2

Literature Review

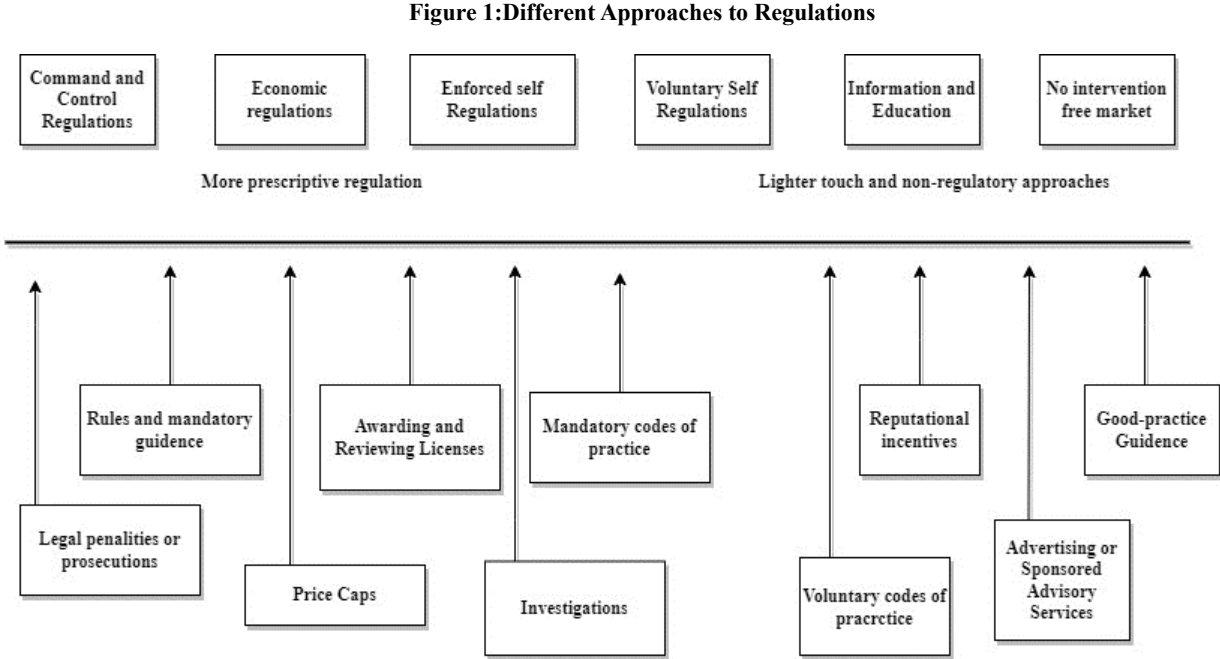
The review of literature aims to outline the link between the regulatory burdens and the real estate market by researching the concept of sludge and asymmetric information in the context of housing societies.

2.2. Understanding Regulations

Hernando De Soto's book "The Mystery of Capital" claims that it is very difficult to sell any asset in the market whose economic and social elements are not entrenched in a formal property system. Without a formal property process and the prevalence of mystery of missing information, how can the enormous amounts of assets that are traded in a modern market economy be controlled? Without such a system, it would be extremely difficult to evaluate the fundamentals of any asset trade, as one involving a piece of real estate (De Soto, 2000). Regulatory agencies have a significant role to play in influencing access to information, formal property rights and, at the same time, can lessen market uncertainty to promote a transparent business climate (Ionascu et al., 2019). More efficient and effective regulation may result from effective delivery, such as lower costs, greater quality, or enhanced environmental standards (National Audit Office, 2021).

On the flip side, governments implement rules, regulations and taxes on a national level for a number of reasons, but their overarching goal is to benefit society as a whole through advancing and balancing economic and social objectives (Bickerdyke & Lattimore, 1997). Kitching, Hart, & Wilson, defined regulation as a set of laws that are approved by the state and put into effect. These laws can take the form of statutes or other legal documents, and they have the authority to direct or forbid the behavior of people (individuals and organizations). Regulation makes some things feasible, like compliance, but it doesn't necessarily guarantee these things will happen or that agents will experience these impacts in a certain way. In determining whether and how to regulate, policymakers and regulators evaluate the cost of regulation in relation to the benefits it offers. Compliance with regulations increases the cost of doing business for service providers. However, fair regulation maximizes advantages while reducing compliance expenses and unforeseen consequences. It is important to gain a meaningful understanding of the opinions and behavior of citizens to ensure that regulations are effective in

practice (National Audit Office, 2021). Figure below sets out examples of different approaches to regulation:



Source: National Audit Office Analysis

On the other hand, excessive regulation can have significantly/different impacts on individuals, businesses, and the economy as a whole. According to a study by Williams and Martinez-Vazquez (2017), high levels of regulatory burden can result in businesses operating outside of the formal economy, where they are not subject to excessive regulations. This can lead to reduced tax revenue for the government and increased risks for consumers, as informal businesses may not comply with health and safety regulations. In addition, excessive regulation can create barriers to entry for new businesses, limiting competition and economic growth (Bickerdyke & Lattimore, 1997). On the other hand, inadequate regulation can result in negative externalities, such as environmental pollution and public health risks (Krupp, 2004). Therefore, there is a need to strike a balance between regulation that ensures the protection of public health and safety and regulations that stifle innovation and economic growth.

In addition to the regulatory burden on businesses, the administrative burden on citizens can also have negative consequences. A third sort of regulation, known as administrative regulation, regulates how governments gather, manage, and distribute funds and resources (Bickerdyke &

Lattimore, 1997). (Moynihan et al., 2016) argue that administrative burden creates a financial and time cost for citizens when interacting with government agencies, such as filling out forms, waiting in long lines, and navigating complex procedures. This burden is often disproportionately borne by the least advantaged members of society, who may lack the resources and knowledge to navigate the system efficiently (Moynihan et al., 2016).

Furthermore, administrative regulations can have unintended consequences for government programs and services. A study by Howard and Liebman (2008) found that administrative regulations intended to prevent fraud and abuse in government programs, can also create barriers for eligible individuals to access these programs. The study argues that administrative regulations can be too complex and burdensome for both government agencies and citizens and calls for a more streamlined approach to program administration.

Excessive regulation can have significant costs and negative impacts on individuals and businesses, as well as on the economy as a whole. Through a review of the literature, several components of excessive regulation have been identified. Compliance cost, monetary cost, and time cost are all associated with the financial and administrative burdens of complying with regulations. High stress levels are also a common consequence of excessive regulation, with individuals and businesses struggling to keep up with complex and ever-changing requirements. In addition, excessive regulation can lead to reduced innovation, act as a barrier to entry for new businesses, have unintended consequences, and result in reduced productivity and investment. These components underscore the importance of balancing the need for regulation with its potential negative consequences in order to ensure that regulations are effective, efficient, and equitable. Table below shows the component of excessive regulations and their description.

Table 2.2.1: Components of Excessive Regulations

Excessive Regulation Components	Description
Compliance cost	The expenses incurred by businesses or individuals to meet regulatory requirements, such as hiring additional staff or implementing new technology.
Monetary cost	The financial burden of complying with regulations,

	including fees, fines, and penalties.
Time cost	The amount of time and effort required to comply with regulations, such as filling out forms, attending meetings, or undergoing inspections.
High stress level	The psychological impact of excessive regulation, such as anxiety, frustration, and burnout, on individuals and businesses.
Reduced innovation	Excessive regulations can stifle innovation and creativity by limiting experimentation and imposing rigid requirements.
Barrier to entry	Excessive regulations can create barriers to entry for new businesses, limiting competition and economic growth.
Unintended consequences	Excessive regulations can have unintended consequences, such as driving economic activity underground or creating new forms of crime.
Reduced productivity	Excessive regulations can lead to reduced productivity by diverting resources away from core business activities and towards compliance.
Reduced investment	Excessive regulations can deter investment by creating uncertainty and increasing risk for businesses.

Source: Compiled from studies cited in literature Review.

2.3. Sludge and Regulatory Burdens

Excessive regulation has the opposite impact on business operating in the formal economy, because it not only prevents the free flow of information and rights, leading to knowledge asymmetries, but also makes the economy mired in a deadly cycle of sludge. Social scientists use the term sludge for excessive or unjustified frictions that make it difficult for people to achieve what they want to or to do as they wish (Sunstein, 2021). Sludge or unnecessary frictions includes, complicated application forms, duplicative paperwork, waiting in queues to get a task done, time consumed in seeking registrations, license, certificates, and other permits (RLCOs), securing attestations/verifications (Nadeem Ul Haque, 2022).

One of the key ways in which unnecessary frictions arise is through regulatory burden. Regulations can be costly to comply with, particularly for small and medium-sized enterprises (SMEs).

According to a study by Esty and Winston (2009), regulatory burden can lead to reduced innovation, lower productivity, and decreased competitiveness. This can ultimately result in job losses and reduced economic growth.

Unnecessary frictions arise from institutional barrier along with and regulatory burden can significantly impact the economy and hinder growth. These costs arise when the regulatory environment is not conducive to business operations, and institutions impose unnecessary frictions on the market. According to a study by Grajzl and Murrell (2016), the cost of unnecessary frictions can be significant, as it leads to reduced economic activity and increased transaction costs.

According to a study by Chua et al. (2015), institutional barriers can include corruption, bureaucracy, and weak rule of law. These barriers can lead to increased transaction costs, as businesses must navigate a complex and opaque regulatory environment. This can be particularly challenging for foreign firms, which may not be familiar with the local regulatory environment.

Laws and regulations that can be enforced at lower costs are more likely to succeed, especially in countries with underdeveloped formal institutions (Li et al., 2020). People who lack certain resources (such as cognitive, financial, or educational resources) typically have to deal with more friction and red tape and have less ability to handle their demands (Moynihan et al., 2016). One of the key challenges of sludge is its impact on individuals who are trying to access services or complete tasks. In many cases, sludge can create unnecessary barriers to entry, making it more difficult for individuals to access important services or benefits. For example, a study by Drexel University found that sludge in the form of complex paperwork and bureaucratic delays made it difficult for low-income individuals to access food stamps, even when they were eligible (Holt & Jarosz, 2019). Similarly, research by the World Bank has shown that sludge in the form of excessive regulatory requirements can make it difficult for small businesses to access credit or operate in a competitive market (World Bank, 2019).

Customers, employees, students, and other people are frequently subjected to "sludge": excessive or unjustified frictions, such as paperwork burdens, that cost time or money, may make life challenging to navigate, may be frustrating, stigmatizing, or embarrassing, and may ultimately prevent people from accessing crucial goods, opportunities, and services (Sunstein, 2022). Lack of proper transfer of information and rights within a legal system force the city's newcomers leave the system and go "extralegal." Their only option is to live and function outside of the regular legal

system, protecting and mobilizing their assets through their own informal enforceable agreements (Hernando De Soto, 2000).

Sludge can also have significant implications for government. Sludge can reduce the efficiency and effectiveness of government programs and services, making it more difficult for governments to achieve their policy objectives. For example, a study by the Organization for Economic Co-operation and Development (OECD) found that sludge in the form of complex and fragmented regulatory frameworks made it difficult for governments to deliver effective environmental policies (OECD, 2019). Similarly, research by the World Bank has shown that sludge in the form of bureaucratic delays can reduce the efficiency of public procurement processes, leading to delays and cost overruns (World Bank, 2020).

Many countries, including Pakistan, are experiencing common problems with their regulatory systems, such as rapid growth in regulation. The real estate market in Pakistan makes a significant contribution to economic growth, showing expansion even if FDI declines or infrastructure funding is still sparse (Fraz, 2021). Pakistan's real estate market is yet to mature due to over regulations and sludge. Sludge have a negative effect that are far worse than what commercial and governmental entities expect (Sunstein, 2022). Real estate encompasses developed or undeveloped land, housing or commercial projects, such as retail stores, restaurants, hotels, and industrial projects, as well as multi-story buildings (either commercial or residential). The housing industry in Pakistan is highly fragmented and run by people and a large number of small and large private builders. Activity on both the personal and large-scale housing projects' level are anticipated to rise ((Khalid, 2021). (Bickerdyke & Lattimore, 1997) claims that, the burden of regulations could have a negative impact on productivity and hinder overall corporate success.

Box 1.1: Defining the regulatory burden on business

We define the regulatory burden as the costs imposed on businesses by the regulatory framework — which consists of legislative, regulatory and taxation measures. These costs or burdens include:

- the costs involved in meeting the substantive requirements of the regulatory framework;
- the administration and paperwork costs involved in complying with the regulatory framework;
- the costs arising from the disincentives, distortions and duplication attributable to the regulatory framework; and
- other costs (such as psychological stress) associated with compliance.

According to a study by Djankov et al. (2002), excessive bureaucracy and red tape can significantly impact the ease of doing business in a country. The study found that countries with higher levels of bureaucracy and regulation tended to have lower levels of economic growth and investment. Similarly, a study by World Bank (2021) found that regulatory barriers can increase the cost of starting and running a business, making it more difficult for entrepreneurs to enter the market.

Furthermore, regulatory compliance costs can also be a significant burden for businesses. A study by KPMG (2020) found that the cost of compliance with regulatory requirements has been increasing steadily over the past few years, particularly in industries such as financial services and healthcare. The study found that the cost of compliance can include expenses such as hiring additional staff, investing in compliance technology, and training employees.

In addition to the financial costs, there can also be intangible costs associated with unnecessary frictions by institutions and regulatory burden. For example, a study by O'Connell et al. (2014) found that regulatory burden can lead to reduced levels of job satisfaction and employee morale. This can ultimately impact the performance and productivity of businesses.

2.4. Extra- legal Housing societies

Illegal and extra-legal housing societies are a major concern in many countries, particularly in the developing world. These societies are often formed by unscrupulous developers who build housing units on land that is either illegally occupied or lacks proper permits and approvals from the government. Illegal housing provides shelter for as much as 86% of a city's population in the third world (Alnsour, 2011). Illegal housing societies have serious economic consequences for the residents. According to Awan et al. (2018), residents of these societies often pay inflated prices for their housing units, which are often of poor quality and lack basic amenities. In addition, because these communities are often located on land that is not legally owned by the developers, residents may be at risk of eviction and loss of their homes.

One of the reasons why illegal housing societies continue to thrive is the lack of affordable housing options for low-income families. According to Rahman and Hossain (2019), the demand for affordable housing in many developing countries far exceeds the supply, which creates a market for illegal developers to exploit. This situation is exacerbated by corruption within government institutions, which may allow illegal developers to operate with impunity.

In addition to the lack of affordable housing, there are also cultural factors that contribute to the formation of illegal housing societies. In some societies especially in Pakistan, there is a perception that owning a piece of land is a sign of success and status, which may lead people to purchase units in illegal housing societies without considering the consequences. According to Bano and Hussain (2017), there is a need for education and awareness campaigns to help people understand the risks associated with illegal housing societies and to encourage them to invest in legal, regulated housing options.

Another challenge associated with illegal housing societies is the difficulty in regulating and monitoring these communities. According to Khan et al. (2018), illegal housing societies are often difficult to identify and regulate, as they may operate under the radar and without proper documentation. This makes it difficult for authorities to ensure that basic safety standards are being met and that residents are not being exploited.

2.5. Overview of the illegal and extra-legal housing societies in Islamabad

In Pakistan's big cities, the great majority of housing societies are either unauthorized or do not have the required approval from respective authorities. Islamabad, too, facing the dilemma of illegal private housing societies out of total 204 housing societies in Islamabad 146 (69%) are illegal or extralegal (Hassan et al., 2021). According to current government statistics, 6,007 housing societies out of a total of 8,767 are not registered with the relevant organizations. More than 4,000 incidences of fraud and corruption have been reported involving 500 societies (*Illegal Housing and Construction in Pakistan*, 2020). These fraud cases include the misappropriation of funds, where developers or agents siphon off money intended for the development of a housing society. Another common fraud is the sale of fake or non-existent plots. Developers have sold plots that have already been sold to other buyers, and in many cases, they have sold plots in areas that are not actually designated for housing. The total value of these fraud cases exceeds Rs 300 billion. There are just 2,767 registered housing societies in the country, yet the real estate sector is estimated to be worth between 15 and 20 trillion rupees (News, 2020) (*Illegal Housing and Construction in Pakistan*, 2020). The problem of unapproved housing societies is not limited to Islamabad but is prevalent in many major cities across Pakistan. The situation has become so dire that end-users are now directly impacted by the legal status of these societies.

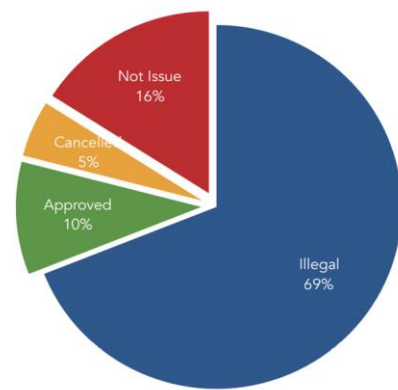
Islamabad is considered one of the most planned capitals in the world. No longer is a planned city,. Moreover, it is observed that “extra-illegal housing societies have multiplied to a significant number due to cumbersome and year-long regulatory authority procedures for issuance of LOP/NOC and then cancellation of the same on minor violations while missing bigger ones” (Standing Committee on Law and Justice, 2016: 7). All this wastes time and money, as well as depriving individuals of goods, opportunities, and services. Due to these factors, operating outside the law becomes a very appealing option, resulting in the creation of an extra-legal sector, especially in the housing market (News, 2020).

Housing Societies by Legal Status

	Status of Housing Society	Number
1	Valid NOC	22
	Approved LOP. NOC is yet to be obtained	24
2	Canceled NOC due to non-conformity with CDA rules. LOP is intact.	6
4	Canceled LOP	10
5	Both LOP and NOC canceled	2
6	Not approached CDA for LOP/NOC (Illegal).	140
		204

Source: [CDA](#)

Percentage distribution of All Housing Schemes in Islamabad (BY NOC)



Source: Data is taken from the CDA website.

Islamabad's extra-legal housing societies are a product of both market and state failure. The inability of the market to provide affordable housing for low-income families has led to the emergence of informal settlements, including extra-legal housing societies (Jalil, 2017). At the same time, the state has failed to regulate these settlements and provide basic services, which has perpetuated the cycle of poverty and informal housing (Khan, 2018).

One of the key drivers of the growth of extra-legal housing societies in Islamabad is the high cost of housing in the formal sector. According to Ali et al. (2019), the formal housing market in Islamabad is dominated by high-end developments that are unaffordable for low-income families. This has created a demand for affordable housing, which extra-legal housing societies have exploited. However, without proper regulation, these settlements often lack basic services such as water, sanitation, and electricity.

The failure of the state to regulate extra-legal housing societies is due in part to corruption and a lack of political will (Khan, 2018). According to Sadiq (2017), the municipal authorities responsible for regulating housing and land use in Islamabad often lack the resources and expertise to effectively monitor and enforce regulations. Moreover, some government officials have colluded with developers to facilitate the creation of extra-legal housing societies in exchange for bribes or other forms of compensation. This has allowed developers to operate with impunity, despite the risks posed to residents and the environment.

According to a study of PIDE, few of the reasons behind the high growth of extra-legal housing societies are the burden of regulation, societies indulge in over-selling of plots, Land-related litigation, Deviations from the approved layout plan, and land encroachment (Hassan et al., 2021).

The regulatory issue is that, after the private housing company registers with the Security exchange commission Pakistan (SECP), the Companies Ordinance of 1984 lacks any regulatory mechanism to oversee and control the private housing firm's operations (Shahid et al., 2020). The degree to which a particular level of burden is justifiable can be ascertained using an effective process that is based on a professional standard of burden assessment and an evidence-based methodology (Moynihan et al., 2016).

In the previous 25 years, not a single completion certificate has been given to a housing society by the CDA (Hassan et al., 2021). This demonstrates the seriousness of the situation, meaning that a person who invests their entire life savings in a building plot won't be able get in for at least 25 years.

According to anecdotal data, 80 percent of Pakistani developers fail to deliver services. Excessive paperwork, unnecessary NOCs to obtain, excessive hierarchy involved in approvals, centralized decision making, and rent seeking attempts - these are all frictions that make processes difficult to accomplish (Hussein, 2022). CDA estimates that there are 140 illegal housing societies within Islamabad alone.

Step 1: Submit Documents
Step 2: Prepare a Detailed Scheme Following the Land Use Pattern
Step 3: Pay Scrutiny Fee for Detailed Scheme
Step 4: Clearance of Land Documents
Step 5: Provisional Approval of Detailed Layout Plan
Step 6: Deposit Development Cost of Scheme or Mortgage 20% saleable area with CDA
Step 7: Publication of public Notice of Plots Mortgaged with CDA
Step 8: Issuance of NOC
Step 9: Issuance of Engineering Design
Step 10: Processing Fee for Engineering Design
Step 11: Commencement of Work
Step 12: Intimation of Work Schedule to the CDA
Step 13: Inspection by CDA Officer
Step 14: Payment of Inspection Notes by the CDA Officer
Step 15: Recording of Inspection Notes by the CDA Officer
Step 16: Inspection of Quality Works from CE Lab
Step 17: Release of Mortgage Plots
Step 18: Completion of Work on time or Default in Case of Non-compliance
Step 19: Connection of Services with CDA

Source: Revised Modalities and Procedures (2020)

Legal societies are at 10 percent of the total. The average time taken by CDA for NOC approval is two-and-a-half years (Hassan et al., 2021).

The sludge involved in residential construction permission from the capital development authority (CDA) summarized the three points i.e., the time, monetary cost, and stress involved in getting the permit. The sludge which is involved in obtaining the permission for a residential construction costs the economy around 0.63% of GDP along with a stress level of 4/5 (Nadeem Ul Haque, 2022). Sludge can harm society's most vulnerable individuals and frequently has costs that greatly outweigh benefits (Sunstein,2021). The majority of officials are problem creators rather than giving solutions to the problem because of the existing work culture. Processes that are cumbersome make things more difficult which opens the door to corruption. Many people, including the private housing societies feel obligated to pay bribes to have their applications processed faster or to beg that any government or state department be excused from the standard procedure (Hussein,2021). A sponsor has to follow 19 major steps/ permissions/NOC and a multitude of intermediate steps (29), adding to the excessive regulatory burden from the start to the completion of a housing scheme (Hassan et al., 2021). Regulation operates market opportunities if are easy to follow. However, regulatory burdens mold human behavior in opposite direction. Regulation produces performance effects even where these display no regular pattern (Kitching et al., 2015).

Table 1: Literature Review (Summary)

Table 2: Summary of Literature Review

Sr.No	Author	Description of the Study	Key Arguments	Results
1	(Hassan et al., 2021)	Analyzed the reasons behind the mushroom growth of extra-legal and extra-legal housing societies.	A sponsor has to follow 19 major steps/ permissions/NOC and a multitude of intermediate steps (29), adding to the excessive regulatory burden from the start to the completion of a housing scheme. Out of 204 housing societies in Islamabad 69% are legal or extra-legal.	The regulatory framework is extensive and gives vast powers to CDA to regulate development. Regulatory burden and permission regime. The lengthy and cumbersome procedures of CDA push sponsors away from seeking permission.
2	(Nadeem Ul Haque, 2022)	Computed the Sludge involved in the different processes of obtaining approvals from regulatory authorities by	Sludge Includes: Complicated application forms. Duplicative paperwork. Waiting in queues to get a task done. Time consumed in seeking registrations, licenses, certificates, and	The sludge involved in residential construction permission from the capital development authority (CDA) summarized the three points i.e., the time, monetary cost,

		computing the time consumed in the execution of the activity and the cost involved in executing it.	other permits (RLCOs). Securing attestations/verifications.	and stress involved in getting the permit. The sludge which is involved in obtaining the permission for a residential construction costs the economy around 0.63% of GDP along with a stress level of 4/5.
3	(Moynihan et al., 2016)	Analyzed the administration burden and their impacts on the consumers behavior.	They argue that administrative burden constitutes a cost that citizens must bear during interactions with government, but the costs of burden are disproportionately shouldered by the society's least advantaged.	The entire administrative burden is shaped by the combination of three cost types. First, learning costs. Second, compliance costs. Last but not least, psychological costs.
4	(Hernando De Soto, 2000)	Shows the impact of the missing property rights and missing information in the formation of an extra-legal sector.	Without a formal property process and the prevalence of mystery of missing information, it would be extremely difficult to evaluate the fundamentals of any asset trade, as one involving a piece of real estate	The lack of formal regulatory framework, city's newcomers leave the system and go "extralegal." Their only option is to live and function outside of the regular legal system, protecting and mobilizing their assets through their own informal enforceable agreements.
5	(Ionascu et al., 2019)	Analyzed that the transparency in real estate markets requires good governance, well established regulatory framework and the absence of corruption in growing and developing nations.		Regulatory agencies have a significant role to play in influencing access to information, formal property rights and, at the same time, can lessen market uncertainty to promote a transparent business climate
6	(Bickerdyke & Lattimore, 1997)	Evaluate the costs of over regulations on the businesses and firm and their behavior towards these regulations.	Governments implement rules, regulations and taxes on a national level for a number of reasons, but their overarching goal is to benefit society as a whole through advancing and balancing economic and social objectives	The burden of regulations could have a negative impact on productivity and hinder overall corporate success

7	(National Audit Office, 2021)	This manual is meant to be a helpful resource for decision-makers and regulators in charge of a particular market, industry, or regulatory issue.	In determining whether and how to regulate, policymakers and regulators evaluate the cost of regulation in relation to the benefits it offers. The Compliance with regulations increases the cost of doing business for service providers.	Regulations should be easy to follow and it is important to gain a meaningful understanding of the opinions and behavior of citizens to ensure that regulations are effective in practice
8	(Sunstein, 2022)	Catalogued the costs of sludge and to decide when and how to reduce it	Sludge can harm society's most vulnerable individuals and frequently has costs that greatly outweigh benefits.	Sludge have a negative effects that are far worse than what commercial and governmental entities expect.
9	(Kitching et al., 2015)	Analyzed how Regulation generates contradictory effects, enabling as well as constraining performance.	Regulation makes some things feasible, like compliance, but it doesn't necessarily guarantee these things will happen or that agents will experience these impacts in a certain way.	Regulations should be easy to follow otherwise they will become a constrain and people will prefer to get things done illegally.
10	(Hussein, 2022)	Analyzed the impact of sludge on housing societies and the behavior of stakeholders.	Sludge; frictions that are excessive or unnecessary and make it difficult for people to get things done. Operating outside the law becomes a very appealing option, resulting in the creation of an extra-legal sector, especially in the housing market	A transparent system can not only help in achieving the targeted outcome but also increase the confidence of investors.

The presence of extra-legal and illegal housing societies in Islamabad is a result of both market and government failure. The high cost of housing in the regulated market has created a demand for affordable housing, which illegal housing societies have exploited. However, the absence of proper regulations has led to the lack of essential services in these settlements. Government failure, including corruption and a lack of political will, has contributed to the inability to regulate these communities effectively. Moreover, the lengthy and cumbersome regulatory procedures for obtaining necessary approvals have given rise to an unauthorized housing market sector.

2.6. Shortcomings of Existing Literature

The existing literature on extra-legal housing societies in Islamabad and the associated regulatory burdens has certain shortcomings. First, there is a need for a more comprehensive understanding of

the socio-economic impacts of these societies on residents and the overall economy. Second, the role of corruption and bureaucratic inefficiencies in perpetuating the growth of these societies needs further exploration. Third, there is limited research on the psychological and social costs borne by individuals and businesses due to excessive regulation and sludge. Finally, the effectiveness of existing regulatory frameworks and their potential for improvement requires more in-depth analysis.

2.7. Contribution of the Study

This study aims to address the aforementioned shortcomings by providing a comprehensive analysis of the impact of extra-legal housing societies and regulatory burdens in Islamabad. It will examine the social, and psychological costs associated with these societies, as well as the underlying factors contributing to their growth. The study will also propose policy recommendations to streamline the regulatory process and enhance the effectiveness of regulations in the housing sector. By filling these gaps in the existing literature, this study seeks to contribute to a better understanding of the challenges posed by extra-legal housing societies and provide insights for policymakers and stakeholders to address this issue effectively.

2.8. Conclusion

The growth of illegal and extra-legal housing societies in Islamabad is a complex issue influenced by various factors. Hasan, Chaudhry, and Jalil's (Hassan et al., 2021) study highlights regulatory complexities and cumbersome processes of getting approvals. Haque, Qasim, and Khuwaja (Nadeem Ul Haque, 2022) used the concept of "sludge," in their study emphasizing how bureaucratic delays and convoluted paperwork intensify the issue, leading to temporal and financial costs as well as increased stress levels. This problem reflects a dual failure in market dynamics and government regulations. (Moynihan et al., 2016) stress that the administrative burden disproportionately affects the most disadvantaged. Hernando De Soto (2000) underscores the importance of formal property rights and information access, while (Ionascu et al., 2019) highlight effective governance's role in fostering transparency in real estate markets. Additionally, (Bickerdyke & Lattimore, 1997) reveal how excessive regulation can hinder productivity. The National Audit Office (2021) emphasizes user-friendly and effective regulations. The unauthorized housing sector's emergence is exacerbated by delays in permit issuance, leading to the

establishment of illegal and extra-legal housing societies. (Hussein, 2022) stresses the role of "sludge" in driving extra-legal activities. All these studies collectively underline the issues related to the housing sector providing a way for a comprehensive approach to address the challenges posed by extra-legal and illegal housing societies in Islamabad, fostering a more efficient and sustainable urban landscape.

Chapter 3

Research Methodology

3.1. Conceptual Framework

The purpose of the study is to identify the major elements (regulatory burden, asymmetric information and sludge) that have contributed to the expansion of extra-legal housing societies. These societies don't have official registration and other relevant documents with the appropriate institutions and operate outside the law. As a result, they frequently lack the necessary approval and permits, and as a result, their residents have a variety of difficulties, such as the lack of government-provided connections for necessities like power, water, and gas. They mainly rely on water tankers for water and on gas cylinders for gas.

The conceptual framework for this study starts by discussing the rules governing Pakistan's housing market. Regulations are designed to ensure the proper flow of information and property rights in order to promote a fair and effective market. However, in the current scenario, there is asymmetric information, which means that buyers and sellers do not have equal access to information. Apart from this information gap and inefficiency, excessive regulation has made the situation much worse. The inefficiency caused by over-regulation manifests in the form of sludge, which refers to the unnecessary friction caused by institutions when obtaining licenses, certificates, NOCs, and permits. Sludge in the housing market takes the shape of heavy paperwork, long wait times, and numerous trips to government offices in order to obtain approvals and permits. This can make it challenging.

Sludge in the housing market has significant implications. Delays, higher costs, and missed opportunities for economic progress might result from it. Additionally, it might result in corruption because people may use bribes and other unlawful ways to speed up the approval process. A sense of uncertainty and a lack of trust between market participants may result from the ongoing requirement for renewals and compliance checks, which may further impede the market's expansion and effectiveness.

The study aims to analyze the overall sludge and weak mechanism of information transfer to identify the various bureaucratic hurdles and obstacles that arise during the process of getting

approval for a housing society. By identifying the sources of sludge, the study intends to identify ways in which the regulatory burden can be eased and the process of getting approvals can be streamlined.

3.2. Graphical Illustration of the conceptual Framework

The development of the conceptual framework for this research is based on a thorough analysis of two significant pieces that together shed light on the complex issues presented by private housing societies in Islamabad. The first study, "A Traverse of Illegalities in the Private Housing Societies in Islamabad (Hassan et al., 2021)," highlights the complex challenges associated with the expansion of these societies. An essential aspect of this research is the examination of excessive regulation, with a specific focus on property rights and the transmission of information. Over-regulation in this context leads to asymmetric information and inadequate enforcement of property rights, perpetuating the challenges faced by both private housing societies and the broader urban landscape.

In addition to the above study, the second research, known as the "PIDE Sludge Audit (Nadeem Ul Haque, 2022) offers a different but interconnected method by measuring the sludge generated by activities inside the housing sector. The audit thoroughly examines the characteristics of sludge produced with the acquisition of licenses, permits, NOCs, and certificates, as well as in the procedures for approving construction, maintenance, and compliance. The phenomenon of sludge is seen in the form of repeated trips to institutions for the purpose of renewal, as well as the presence of bureaucratic bottlenecks.

The combination of findings from both of these studies contributes to the development of the conceptual framework for this research. The conceptual framework provides the foundation for a thorough examination of how the reduction of regulatory burdens and the simplification of procedures address the issue of sludge, as well as tackle the issues posed by asymmetric information and the enforcement of property rights.

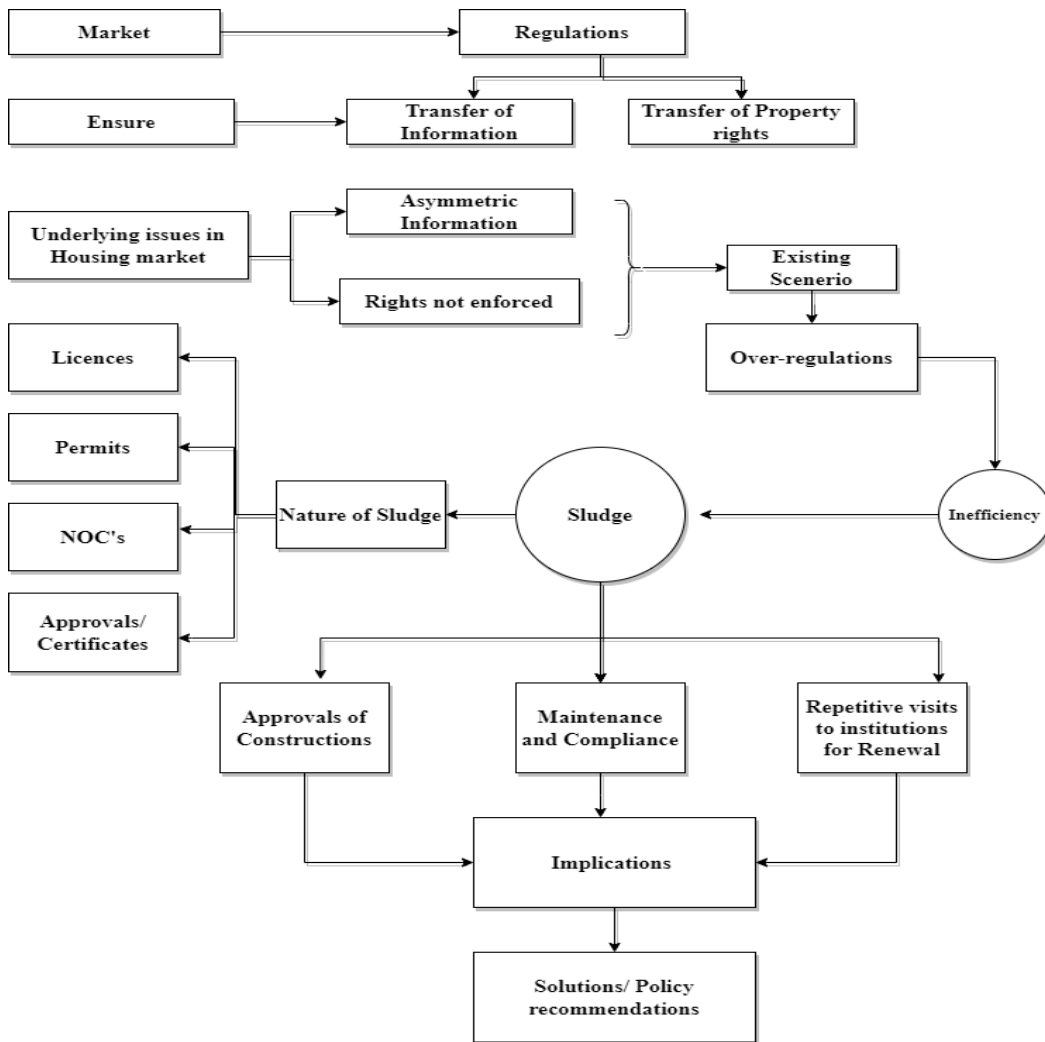


Figure 3: Conceptual Framework

3.3. Selection of Research Method: Qualitative and Quantitative Study

To achieve the study's objectives, a mixed method approach is being used, which involves the collection of both qualitative and quantitative data. The utilization of a mixed-method approach for this study is grounded in several compelling factors and empirical necessities. Firstly, the list of housing societies provided by the Capital Development Authority (CDA) which is one of the sources of our secondary data primarily distinguishes between legal and illegal societies; however, it does not comprehensively detail the complete array of documents and permissions obtained by these societies from relevant regulatory authorities. This absence of a comprehensive document listing makes it exceedingly challenging to differentiate between illegal and extra-legal housing societies based solely on the provided data by CDA.

Incorporating a mixed-method approach offers several statistical advantages. By combining the data from the CDA's list with qualitative data from interviews, surveys, or document analysis, gaps in the information can be filled, resulting in a more comprehensive and accurate portrayal of the issue. Secondly, the mixed-method approach enhances the understanding of the problem. It allows for a deeper exploration of the complexities, motivations, and challenges related to housing societies. Moreover, qualitative methods provide contextual insights that quantitative data alone may not capture, shedding light on the reasons behind the proliferation of extra-legal and illegal housing societies. The data is being collected through valid questionnaires, surveys, and face-to-face interviews from the relevant units of data collection. This approach enabled me to gain a comprehensive understanding of the phenomenon under study.

Convenience sampling techniques were employed to gather data from distinct groups. Convenience sampling was utilized to collect data from officials of regulatory authorities. The decision to use convenience sampling was driven by the practical constraints associated with reaching the entire population of officers. Given the difficulty in accessing all officials, convenience sampling allowed for the inclusion of those individuals who were readily available and willing to participate. This approach enabled me to gather insights and perspectives from a subset of officials, which could still provide valuable information for the study. Same sampling technique was employed to collect data from extra-legal housing societies and real estate agencies.

The research design for this study is descriptive and exploratory. The descriptive research design calculates the cost of sludge and regulatory burden. It helps to identify the reasons why some societies avoid getting the paperwork done. This is done by identifying bureaucratic hurdles and obstacles that arise during the process of getting approval for a housing society. The study is able to calculate the total cost of the regulatory burden involved in the entire process by identifying sources of sludge. This helps in identifying ways to streamline the process and reduce the burden. The exploratory research design identifies the relationship between the existence of extra-legal housing societies and asymmetric information, sludge, and regulatory burden. Together, these research designs provide valuable insights into the phenomenon under study and help to identify ways to address the challenges associated with extra-legal housing societies.

The data collected for the study involved Developers, Real Estate agents, Housing agencies personnel, CDA official, Housing societies officials, and Households in these extra-legal housing societies. Total 19 questionnaires has been filled from the respondents. Several obstacles arose

throughout the data gathering procedure. One important problem was people's unwillingness to complete the questionnaire. This might be due to a lack of time, lack of interest in participation, or worries about privacy and data security. Non-response bias may influence the representativeness of the obtained data since individuals who did not participate may have different traits or viewpoints than those who did participate in the study. Another issue that I encountered was a lack of answers from the developers. Due to obstacles such as lack of access to the officials of the CDA for gathering data was difficult. These difficulties have resulted in a reduced sample size, which has limited the findings.

Furthermore, there has been difficulty receiving replies from the CDA officials as well as from the developers. Due to their busy schedules, it may be difficult to involve employers in the data gathering process. A lack of replies from residents of these extra-legal housing societies results in inadequate information or missing viewpoints on the problems of these societies. Despite these obstacles, a descriptive analysis has been conducted on the acquired data. Overall, the study encountered data collecting issues such as people's hesitation to fill out the questionnaire, a lack of replies from agents, housing societies personnel and households.

Table 3.3.1: In-Depth Interview's Details

Categories	Number of Interviews (Planned)	Number of interviews (Actual)
Developers	15	12
Real Estate agents	08	06
Housing agencies personnel	08	06
CDA officials	05	04
Housing societies officials	10	07
Households in these extra-legal housing societies	06	06
Total	44	42

In-depth interviews are one-to-one interviews. This technique is extensively utilized to dive into the intricacy of the subject by appraising the insights and experiences of the relevant persons or experts. For this study at least 20 interviews were planned, and selection of the respondents was based on set criteria.

Table 3.3.2: Respondents' Criteria

Category	Respondents' Profiles
Developers	Have experience of more than 10 years in establishment of a housing society.
Real estate agents	Professionals involved in the real estate industry who facilitate the buying, selling, or renting of properties.
Housing societies personnel	Personnels who are responsible for the management, administration, and maintenance of the society-management which handles financial matters, and addressing residents' concerns within the society.
CDA officials	Dealing with the legal status and regulatory compliance of housing societies. Involved in reviewing, approving, or inspecting housing society projects.
Housing societies Officials	Responsible for the day-to-day operations and management of the society.
Household in these extra-legal housing societies	Residents living in housing societies that have not obtained legal status yet.

On the other hand, the exploratory research design helps to identify the relationship between the existence of extra-legal housing societies and various factors such as asymmetric information, sludge, and regulatory burden. This design helps to understand the interplay between these factors and how they contribute to the growth of extra-legal housing societies. For example, it may reveal that the higher the level of regulatory burden, the greater the likelihood of the emergence of extra-legal housing societies. It may also reveal that there is a positive correlation between the level of asymmetric information and the existence of extra-legal housing societies.

In conclusion, the use of a mixed-methods approach that combines both descriptive and exploratory research designs help to provide a comprehensive understanding of the challenges and factors contributing to the growth of extra-legal housing societies. The results of this study can be used by policy makers and government officials to develop appropriate interventions that can streamline the process of getting approval for housing societies, reduce the level of sludge and regulatory burden, and prevent the emergence of extra-legal housing societies.

Chapter 4

Review of the Existing Housing Regulations

4.1. History of Housing Regulations in Pakistan

The history of housing regulation of Pakistan dates back to 1947 when the country witnessed a migrant influx. The government had no choice but to settle the migrants by giving Karachi Cooperative Housing Society 1,200 acres of land. This marked the beginning of government intervention in the housing culture that would later be known as Plotistan¹. The urban communities were authorized by the civilian government, which eventually formalized them (Mehmood, 2021). After the 1970s, the mushrooming of cooperative housing societies and development authorities on public land began, and they are now firmly established in the governmental structures. Unfortunately, the plot culture in the public sector has already been deeply ingrained. The 1973 Constitution further put all uncertainties to rest. Government must offer housing and related facilities to all residents or "any specified class of citizens" in accordance with subclause 3 'e' 'ii' of Article 24 (Mehmood, 2021). Unfortunately, this legal authorization of property and housing indulgence on the part of the public sector has simply strengthened the already pervasive culture of perks and plots. In Pakistan, a large section of the populace finds it challenging to purchase their own plot of land on which to build a home (Hussein,2021). Instead, incredibly valuable land is given to a small number of people at exorbitantly low prices. No comprehensive assessment of the damage caused by providing land at subsidized rates has been made as yet. Or, to put it another way, Pakistan's capacity to generate wealth is now bound by the self-imposed constraints of the plots and perks culture (Bhatti, 2022).

When acquiring land from the locals to build a housing society, enforcement may be used periodically, or the money paid to them may be far less than the genuine market worth. The acquisition of land for development purposes is a common occurrence, especially in areas adjacent to cities (Awan, M. U., et al. (2018). In these cases, the government or private companies, also known as big players, often acquire land from local residents to build housing societies or other commercial structures. However, the process of land acquisition is not always transparent, and

¹ Plotistan – Subsidized Land Giveaways and Public Land Management in Pakistan

there have been instances where enforcement has been used to remove people from their homes without proper compensation to clear the land for the project. In some cases, the money paid to locals for their land is far less than its genuine market worth, leaving them with little choice but to accept the offer and move elsewhere.

For this regard mostly the District Collector (DC) rate (subsidized) has been used, which is significantly less than the market rate, is one way the government gains an unfair advantage in the acquisition of land for specific segments of citizens. The government is developing joint ventures as well, with private companies to construct government housing societies rather than maintaining the check and balance of the quality services provided, thus they divide the land among themselves through various means. Cooperative housing societies are much older as compared to the private housing societies (Hasan et al., 2021). For instance, government agencies are filled with "housing societies" made up for its own employees who have been effectively distributing up valuable land among themselves. Over time, cooperatives housing societies have become a popular approach to obtaining this subsidized favor (Bhatti, 2022). The main difference between private and corporative housing is that the cooperative housing societies acquire land for their employees based on subsidized rates whereas Private housing societies works on market rates. Private housing societies refrain from entering the market as a result of the subsidies provided to cooperative housing societies. Bahria Town is one of the best examples of private housing societies. The first showpiece housing project by Bahria Town is in Islamabad. On July 5, 2001, Bahria Town Islamabad received certification from the Capital Development Authority (CDA)².

4.2. Decoding the Housing Concept in Pakistan

Pakistan's housing concept is unique in three known characteristics.

- First, cooperative housing societies are not a concept in other nations. They have real estate development firms and real estate investment trusts. The idea of cooperative housing societies is unique to Pakistan.
- Second, compared to other nations, Pakistan has a plot culture. In other nations, if a person wants to park their real estate investment, they can do so by purchasing shares in Real Estate Trusts (RETs) and real estate investment companies that are publicly traded and

² <https://www.cda.gov.pk/housing/society.asp?varId=13>

receive dividends³. However, in Pakistan, the situation is quite the contrary, and people buy a plot in anticipation of future profits. Due in large part to government laws that have made land expensive and in short supply, investing in it continues to be Pakistan's primary obsession (Awan, M. U., et al. (2018). The origins of the culture of perks and plots can be found in the British colonial era, when a plot of land for agricultural use was offered as an inducement for a person's loyalty to the British crown at incredibly low and subsidized rates.

- In Pakistan, there are artificial price hikes. There is no financial window available to people for financing. In contrast to the rest of the world, there is limited mortgage financing in Pakistan that too is not mainstream.

4.3. Legal and Regulatory Imbroglios

In Pakistan, unregistered housing societies make up about 69% of the total (Hassan et al., 2021). The structure and policy created by the government to deal with this issue must be thorough and take into account the needs and concerns of every stakeholder involved, including residents, developers, and local authorities. Additionally, it should make sure that all legal and documentation requirements are followed, and that the regularization process is transparent and effective (Hassan et al., 2021).

Housing societies' registration is necessary for a number of reasons. It makes sure that society complies with all legal obligations, protects inhabitants' interests, and offers a framework for deliberate and sustainable development. Typically, registered societies must meet requirements pertaining to property acquisition, infrastructure development, the provision of fundamental facilities, and adherence to construction codes. But, there are a number of legal and regulatory challenges in acquiring all these approvals for regularization.

Administrative issues

Islamabad's extra-legal housing societies provide a number of administrative challenges notably when it comes to acquiring approvals and navigating red tape (Hassan et al., 2021). These difficulties

³ CBRE Group Inc-<https://www.cbre.us/>

Invitation Homes Inc- <https://www.invitationhomes.com/>

Hudson Pacific Properties Inc- <https://www.hudsonpacificproperties.com/>

Kennedy-Wilson Holdings Inc- <https://www.kennedywilson.com/>

AGNC Investment Corporation- <https://www.swfinstitute.org/profile/5afdd48837b3d91a52c57508>

American Towers Corporation- <https://www.swfinstitute.org/profile/5b70c0d0cec7e64ca858b7e9>

frequently result from a number of issues, such as bureaucratic inefficiencies, red tape, and the involvement of numerous organizations in the approval process. These problems cause considerable delays in these societies' development and add to the administrative sludge (Haque et al. 2020).

The lengthy and complicated procedure for getting approvals from several government agencies is the first major hurdle. The Capital Development Authority (CDA), the Islamabad Electric Supply Company (IESCO), the Water and Sanitation Agency (WASA), and the Environmental Protection Agency (EPA), among other agencies, must all grant clearances and no-objection certificates (NOCs) before housing societies can be developed. Each organization has its own set of guidelines, deadlines, and processes, which results in a time-consuming bureaucratic process (Haque et al. 2020).

Multiple institutions' involvement causes coordination issues and delays in the approval process. Coordination across institutions can be challenging because they all run independently of one another (Haque et al. 2020). For developers seeking approvals, inconsistent rules, conflicting duties, and a lack of communication across various organizations frequently cause protracted delays and uncertainty. The administrative inefficiencies brought on by this division of the bureaucracy make it difficult to complete housing projects on schedule (Hassan et al., 2021).

The abundance of red tape and bureaucratic obstacles is another major problem. Developers of extralegal housing societies frequently encounter a variety of procedural challenges, including onerous documentation requirements, drawn-out review procedures, and capricious demands from regulators. The problem is made worse by the existence of corrupt activities inside some government agencies (Hassan et al., 2021). Bribery and favoritism can affect the approval procedure, giving developers an unfair advantage and jeopardizing the system's openness and integrity (Haque et al. 2020).

The administrative difficulties are exacerbated by the absence of an efficient and open procedure for approvals. To guarantee effectiveness and fairness, clear norms and defined processes for requesting approvals are required. But there is no check and balance in this regard. The approval procedure can be considerably sped up by streamlining the procedure, minimizing paperwork, and implementing a single-window system where developers can submit their applications and monitor progress.

All stake holders involved in developing a housing society suffer negative effects as a result of delays brought on by red tape and administrative sludge (Haque et al. 2020). Due to lengthened

timescales and greater costs, construction activities are hampered, and developers suffer financial losses. Additionally, a lack of required approvals may result in legal problems, such as the demolition of buildings and government legal action. Due to the ambiguous legal situation and a lack of basic infrastructure, consumers and investors who place their trust and money in these societies suffers (Hussein, 2022).

To solve these administrative problems, the approval procedure must undergo extensive changes. Bureaucratic barriers can be reduced by putting into place initiatives including streamlining processes, creating a single online application portal, and improving accountability and openness within government organizations. To ensure a more effective and transparent system for approving housing developments in Islamabad, it is also essential to strengthen coordination among pertinent departments and enforce stringent laws against corruption and favoritism (Hassan et al., 2021).

Legal issues

One of the biggest issues facing extra-legal housing societies is illegal development. An illegal development in extra-legal housing societies frequently results in legal action being taken by the proper authorities. Without the necessary permits or licenses, buildings can get taken down, which would be a serious setback for the community's residents (Hassan et al., 2021). The management of society may also be vulnerable to fines, penalties, and reputational damage. It is crucial to abide by all applicable laws and obtain the necessary licenses and permissions in order to avoid such legal complications. Making sure that everyone in society has a safe and secure place to live is essential, as is avoiding any potential legal issues that could arise from noncompliance. Secondly, these Extra-legal housing societies mostly acquire land without proper documentation or legal ownership. This results in disputes and litigation with the original landowners or the government.

Taxation: The majority of these societies fail to pay the necessary taxes to the government, which results in legal action and penalties. The bulk of Islamabad's extralegal housing societies are not registered, which has resulted in an unsettling issue with tax compliance. Due to improper registration, these societies frequently fail to pay their tax responsibilities to the government. Indirect effects on the inhabitants of these societies result from the imposition of legal action, fines, and penalties (Hassan et al., 2021). These housing societies are unable to be acknowledged as legal bodies because of the lack of a formal registration system, which restricts their accountability and monitoring. Without appropriate registration, these societies avoid paying taxes, increasing the

financial strain on the government, and jeopardizing the development of Islamabad's infrastructure and the supply of basic services.

The effects of unregistered housing societies' failure to pay taxes transcend beyond the government and directly affect the residents. Legal action and sanctions levied on these societies have an indirect impact on the residents, which lowers the standard of living in these communities (Hassan et al., 2021). The government's ability to invest in public services like education, healthcare, and infrastructure, which are essential for citizens' well-being, is limited due to the absence of tax money from these housing societies. This circumstance may lead to poor living conditions, insufficient access to key services, and a lack of necessary infrastructure, which could pose problems for the general growth and viability of these societies.

Environmental Regulations: These housing societies may not be following environmental regulations, such as waste management and pollution control. This can lead to legal action being taken against society. Extra-legal housing societies in Islamabad also present a substantial obstacle by disregarding environmental laws, particularly those governing waste management and pollution control. These societies frequently fail to fulfill their obligations to adopt ecologically sustainable activities as a result of improper registration. Therefore, mostly legal action has been used to enforce adherence to environmental laws against these societies. The lack of a formal framework and oversight procedures makes it simpler for these cultures to ignore waste management guidelines, which has a negative impact on the environment and poses health risks for the locals.

The inhabitants and the surrounding areas are immediately impacted by the noncompliance with environmental standards in most of the extra-legal housing societies. Negative consequences on the environment and public health may emerge from ineffective waste management and pollution control. Poor waste management techniques can cause garbage accumulation, attracting pests and resulting in unhealthy circumstances. Pollutant discharges into the air, soil, or water can damage natural resources and endanger the health of locals and communities nearby. Legal action against these societies becomes necessary as a result to lessen the harmful effects of their non-compliance and to safeguard the environment and the welfare of the local populace. These societies carry on operating according to the same pattern even after paying the fines (Hassan et al., 2021).

4.4. The Inception of Housing Societies in Islamabad

Islamabad, which was once considered as one of the planned capitals, has now fallen to ignominy because of the development of a number of unstructured and unauthorized housing societies. Islamabad, a physically integrated but institutionally fragmented capital, is now unable to keep up with the growth of urbanization.

In order to deal with the planning of Islamabad, the Federal Government formed an Executive Board under Section 6 of the CDA Ordinance, 1960, which established the Capital Development Authority (CDA) - enacted on June 27, 1960. Zoning Regulation 1992 was formulated by CDA in accordance with the authority granted by sections 51 and 11 of the CDA Ordinance 1960. Islamabad has been divided into five Zones in accordance with the ICT (Zoning) Regulation, 1992⁴. The Private Sector (Cooperative Housing Societies, Limited Companies/Firms) has designated Zones 2 and 5 for Housing Projects. Housing Projects are now permitted in Zone-4 (Sub Zones B-1 and B-2) due to the reforms made to the ICT (Zoning) Regulation in 2010.

The CDA opted to include the private sector in developing a large region measuring in Zones 2, 4, and 5 of the ICT (Zoning) Regulation, 1992 due to a lack of resources. The method for registering a housing society is as follows:

- In accordance with the Cooperative Societies Act of 1925, cooperative societies must be registered with the Circle Registrar, ICT.
- Under the Companies Ordinance, 1984, every private owner or company must register with the Securities & Exchange Commission of Pakistan (SECP).
- The Charitable Endowment Act of 1890 and the Trust Act of 1882 should be used to register government departments, foundations, and trusts.

The purpose of housing projects was to build ICT in accordance with the master plan and 1992 ICT Zoning Regulation. But, the unstructured proliferation of housing societies is on the rise, despite the existence of numerous laws, which is a bad trend. To fulfill the people's expanding housing needs, regulated activity in the housing sector is crucial. These matters were being handled by the regional planning division of the CDA's planning wing and the directorate of housing societies. For the purpose of performing building control in private housing developments and other Private Lands, the Directorate of Building Control-2, CDA, has been established since August 2016.

⁴ *Special Audit Report on the Accounts of Housing Societies Directorate Capital Development Authority.*

In accordance with the ICT Zoning Regulation of 1992, Zones 2 and 5 in Islamabad were set aside for the construction of private housing. In accordance with the tight grid-iron pattern residential sectors envisaged for Zone 1, the private sector will be permitted to purchase land and develop residential projects there. However, in Zone 5, the private sector is free to develop any kind of housing plan using the newly acquired land. But the entire size of the land should not be less than 100 acres. The approval of the comprehensive layout plan in accordance with their established standards is the responsibility of CDA. In order to complete their housing development, the developer must build independent accesses, roadways, a water supply, and primary sewage treatment facilities.

The CDA outlined six steps for approving private housing projects in these Zones⁵. They are:

1. Preliminary Scrutiny Clearance
2. Permission for Advertising
3. Approval of the layout plan
4. Engineering Design Approval
5. Final No Objection Certificate (NOC) and
6. Completion of Road and Service Development Work

Moreover,

1. LOP: Stands for a plan that depicts the area's layout and includes information on each plot's size, number, and schedule as well as a land use analysis.

2-NOC: No Objection Certificate, granted by the authority to permit the scheme's sponsor to develop the plan in accordance with authorized engineering designs and LOP. If the sponsors do not finish at least 25% of the development works within three years of when the NOC was issued, the NOC's validity will immediately be considered to have been removed.

After the NOC has been issued, changes to the already approved layout plan may be submitted as part of a revised or extended layout plan for any scheme, as long as the stakeholders' and allottees' approval is recorded in the authority. A public notice must appear in two national daily newspapers.

The sponsors are required to finish the development work of the scheme within the time frame given as follows:

- Three years for a plan involving up to 100 acres.

⁵ Revised Modalities & Procedures (2020) framed under (ICT) Zoning Regulations, 1992

- Four years for a plan including a plot of land between 101 and 200 acres.
- Five-year plan for a project spanning 201 to 400 acres.
- Project lasting six years that covers more than 400 acres.

To determine whether any housing project is legal, the following CDA documents can be used:

1. A NOC letter that is properly numbered, dated, and signed by the relevant CDA Officer.
2. Public notice in national dailies describing the specific plots financed by CDA, on which the general public is encouraged not to sell or buy these financed plots.
3. The approved layout plan of the scheme with the signatures or stamps of the relevant CDA officers for which the NOC is issued.

The following regulatory gaps have been discovered throughout the assessment process, and they need to be fixed in order for the housing market to grow.

- There are colonial laws, which are all fairly similar to one another and haven't seen any significant changes since 1960
- Lacks a suitable method for the execution of laws.
- There are overlaps in the bylaws, which takes extra work and produces sludge.
- The management of public land records, the delivery of land transactions, and the provision of information services to the public are all inefficient and not professionally or technically managed, despite the ordinances' best efforts to cover every area. There is no law which ensures easy access to information.

Given below is a table summarizing the key by-laws⁶ for constructing a private housing society according to the Capital Development Authority (CDA)

Table 4.3.1: Key Bylaws

By-Law	Description
Site Selection	The site selection for the private housing society must be in accordance with the CDA's Master Plan and should be located within the designated zone for housing societies. The site should also have access to basic utilities such as water, gas, and electricity.
Layout Plan	The layout plan of the housing society must be approved by the CDA and should be in

⁶ <https://www.cda.gov.pk/documents/docs/PrivateHousingRegulations-Zone-2-4-5.pdf>

	compliance with the zoning regulations, building codes, and other relevant laws. The layout plan should show the location of all the residential and commercial plots, roads, parks, playgrounds, and other amenities.
Minimum Land Area	The minimum land area required for a private housing society is 200 Kanals (approx. 100 acres).
Road Network	The private housing society should have a well-defined road network with adequate road widths, culverts, bridges, and roundabouts. The roads should also be well-lit and have proper signage.
Public Amenities	The private housing society should have public amenities such as parks, playgrounds, schools, hospitals, and community centers. The developer is required to allocate a certain percentage of land for these amenities.
Utilities	The developer should provide basic utilities such as water supply, sewerage, gas, and electricity to the residents of the housing society. The developer is also responsible for the maintenance of these utilities.
Environmental Regulations	The private housing society should comply with environmental regulations such as the proper disposal of waste, protection of natural resources, and prevention of pollution.
Security Arrangements	The private housing society should have adequate security arrangements such as boundary walls, gates, guards, and surveillance cameras to ensure the safety of its residents.
Construction Standards	The construction of buildings in the private housing society should be in compliance with the building codes and other relevant laws. The developer should ensure that the buildings are safe, habitable, and meet the necessary standards.
Advertising and Marketing	The developer is required to obtain prior approval from the CDA before advertising and marketing the private housing society. The developer should not make false claims or misrepresentations in their advertising and marketing materials.
Land Ownership	The developer should have clear title to the land on which the private housing society is to be constructed. The CDA may require the developer to provide proof of ownership, such as a registered sale deed or a lease agreement.
Land Use	The private housing society should be used only for residential or mixed-use purposes, as specified in the layout plan approved by the CDA. The developer should not change the land use without prior approval from the CDA.
Financial Viability	The developer should demonstrate the financial viability of the project and provide a detailed financial plan for its completion. The CDA may require the developer to provide a bank guarantee or other financial security to ensure the completion of the

	project.
Completion Timeframe	The developer should provide a realistic timeframe for the completion of the project and should adhere to it. The CDA may impose penalties or take legal action against the developer if there are delays in completing the project.
Maintenance	The developer is responsible for the maintenance of the private housing society, including the roads, parks, public amenities, and other facilities. The developer should establish a maintenance fund and provide a plan for its management.
Complaints and Grievances	The developer should establish a system for receiving and addressing complaints and grievances from residents of the private housing society. The CDA may require the developer to appoint a designated officer for this purpose.
Transfer of Ownership	The developer should provide a mechanism for the transfer of ownership of plots or buildings

Given below is the table summarizing some of the key housing regulations⁷ by the CDA:

Table 4.3.2: Review of Key Regulations

Regulation Description	Summary
Building codes	Building codes, including zoning regulations, height restrictions, and setback requirements, ensure the safety and sustainability of construction projects. These regulations define the standards that buildings must meet to comply with the designated guidelines.
Plot sizes	The minimum plot size for residential construction in Islamabad is 1 kanal, which is equivalent to approximately 500 square yards. This regulation aims to maintain a certain level of spaciousness and uniformity in residential areas.
Building plans	Prior approval of building plans by the CDA is required before construction can commence. Building plans must adhere to the designated building codes and other regulatory guidelines to ensure compliance and adherence to safety and quality standards.
Utilities	Developers are responsible for providing essential utilities such as water, sewerage, and electricity connections to the properties they develop. This regulation ensures that residents have access to basic services and utilities required for a comfortable living

⁷ <https://www.cda.gov.pk/documents/docs/buildingRegulations2020.pdf>

	environment.
Green spaces	The allocation of land for parks, playgrounds, and green spaces is mandated by regulations. This requirement aims to enhance the livability of residential areas and provide residents with access to recreational spaces and a closer connection to nature.
Parking	Adequate provision of parking spaces for both residents and visitors is a regulatory requirement. This ensures that there is sufficient parking capacity to accommodate the vehicles associated with the development, minimizing parking-related issues and congestion.
Occupancy certificate	An occupancy certificate is issued by the CDA to confirm that a building meets all necessary regulations and standards and is safe for occupancy. This certification is granted after thorough inspections and compliance verification, ensuring the completion of essential requirements before occupants move in.

Chapter 5

Exploring Land Acquisition and Linked Dynamics

5.1. Land Acquisition

The manner and legal framework in Pakistan for acquiring land for the housing activity serve as the deciding factors in determining whether housing is provided as a basic human need or purely a pure business activity. Purchasing or acquiring land for the housing society is the first stage in establishing a housing society. It is a necessary condition regardless of the type of housing activity (cooperative housing society, private housing society, etc.). The Land Acquisition Act of 1894's preamble states that "Where it is expedient to amend the law for the acquisition of land needed for public purposes and for companies and for determining the amount of compensation to be made on account of such acquisition" (Gates, 1968), which reflects the fact that the law encourages land acquisition for carrying out the housing activity.

5.1.1. Socio-economic challenges

Purchasing land for a housing society has a significant socioeconomic impact on the local community in Islamabad. During the land purchase process, locals are frequently driven away, and they never receive enough money to make up for their loss. A common step in the land acquisition process is taking land away from local communities that have been utilizing it for farming and other forms of habitation for decades. One of the respondents said that:

"During the buying and selling of land, the locals sometimes take it easy and accept the given compensation amount and sometimes things go wrong".

This relocation may cause a variety of social and economic problems for the nearby areas, including job loss, social unrest, and an increase in poverty. Furthermore, paying out appropriate compensation can resolve these concerns, but doing so is challenging, especially in developing countries like Pakistan where corruption and bureaucratic red tape can make things considerably more challenging. Another respondent has said that:

“There is no transparency in our system that's why people hesitate”

5.1.2. Environmental Concerns

Significant environmental considerations accompany land acquisition for a housing society, including effects on the ecology, pollution, and waste disposal (Sallis, J. F., et al. 2016). Natural resources including water, soil, and forest cover could be depleted as a result of the growth of a housing society. Due to the area's limited water resources and the significant water needs of the development process. Similar to how soil quality and production can be affected by soil erosion and degradation brought on by excavation for construction projects. The growth of a housing society has a substantial impact on the forest cover as well. Removing land for construction can lead to deforestation and biodiversity loss. The most significant environmental issue Pakistani citizens are currently dealing with is urban pollution (Sallis, J. F., et al. 2016). One of the respondents said that “To gain something you have to lose something. If you want to build society, trees have to cut down to level the surface for construction”.

As the land acquisition for housing societies continues to expand rapidly, there is more pressure on the current infrastructure, including transportation, waste management, and energy resources (Mumtaz et al., 2020). Uncontrolled growth frequently results in haphazard urban design, a lack of essential amenities, and a failure to enforce environmental laws. As a result, air, water, and noise pollution in the city have increased to worrisome levels (Schwanen, T., et al. 2018). The growing number of automobiles, construction projects, and industrial operations related to housing societies send hazardous pollutants into the environment, harming the health and welfare of the populace. A respondent claim that:

“The farther your home is from the city, the more time you will have to spend on the road.”

A surge in air and water pollution is a result of the housing societies' rapid development. Construction involves the use of heavy machinery and trucks, which emit hazardous pollutants into the atmosphere (Schwanen, T., et al. 2018). Due to erroneous management, the waste generated by construction activities, including trash, building materials, and hazardous waste, pollutes the environment. Due to poor waste management, the negative effects of land acquisition on the ecosystem are increasing worse. By not having an adequate waste management strategy that

involves trash segregation, recycling, and proper disposal of hazardous waste, the building of these extra-legal housing societies are making things worse (Gurran et al., 2009).

5.1.3. Infrastructure issues

In Islamabad, purchasing land for a housing society presents a number of infrastructure and planning issues. Access to essential services, traffic and transportation, and land use planning are a few examples. These extra-legal housing societies barely have access to basic government utilities including connections to water, electricity, and gas. Infrastructure, including transmission lines, distribution networks, and pipelines, are necessary for the provision of these services. Due to a number of documentation challenges, these housing societies struggle to ensure that they have the requisite infrastructure in place to provide these services to their tenants. A tenant has responded that:

“We don't have government water and gas connections in our building, water tanks are used to fulfill the demand of water and cylinders are used for gas.”

Moreover, the growth of extra-legal housing societies contributes to worsened traffic congestion and transit problems. These societies are one of the main leading causes of urban sprawl. The majority of these housing societies are close to highways where public transportation like metro is not available. These cultures increase the number of vehicles on the road and the amount of traffic. Furthermore, these extra-legal housing societies lack an appropriate land use plan (LOP), which would include steps to safeguard green spaces and encourage sustainable land use. Mostly, these housing societies do not have the necessary drainage systems, or sewage systems in place to sustain the development of the housing society (Haque, 2015).

5.1.4. Legal and Regulatory Challenges

The submission of numerous paperwork, receiving NOCs, and approving the Layout Plan are all required steps in the registration of housing societies. 'Acquisition of Land' is the first step in the process of creating a housing plan. The private housing scheme's developer is required to submit a number of documents to the CDA in Islamabad, including three (3) copies of the site plan as specified, three (3) copies of the survey plan with khasra numbers, three (3) copies of the layout plan created by a consulting firm registered with PCATP (The Pakistan Council of Architects and Town Planners) and drawn as specified by CDA, attested copies of the fard, certified Shajra

proving true possession of the land, the Tehsildar's Non-Encumbrance Certificate (Hassan et al., 2021).

Firstly, land acquisition is a complex process, especially in a developing country like Pakistan, where various legal and regulatory challenges are present. Housing societies frequently become drastically slowed down throughout the land purchase process (Hassan et al., 2021). When a housing society opens in a certain location, the value of neighboring land increases right away. A developer has quoted that:

“When a society starts to be built, land also becomes expensive in its surrounding areas and to take advantage of the circumstance, the revenue department, local government members from the area where the housing society is being founded, and shady land dealers all enter the fray. They all adopt a mafia-like persona and demand certain conditions from the relevant housing developers. The developers of housing societies have no legal options to buy the land for the housing societies without bribing the revenue department officials and other individuals, i.e., the owners of the lands.”

According to the Land Acquisitions Act of 1894, if private housing companies or cooperative housing societies acquire land and the government determines a price that is lower than the market value, the landowners have a solution available under section 18 of the Act. This means they can challenge the decision and seek fair compensation.

A representative of a cooperative housing society has claimed that:

“If the government determines a price that is higher than the market value, the private housing company or cooperative housing society does not have any legal option to challenge the decision. They have to accept the higher price and cannot seek a reduction in the compensation amount. In simple terms, if the government undervalues the land, the landowners can protest, but if the government overvalues it, the private housing company or cooperative housing society cannot do anything about it and must pay the higher amount.”

In Islamabad, the capital city of Pakistan, one of the significant challenges for acquiring land for a housing society is obtaining No Objection Certificate (NOC) and Land Ownership Papers (LOP) from the concerned authorities. NOC is a crucial document needed for any construction or development project. The Capital Development Authority (CDA) is in charge of overseeing the city's development and issuing it. One common statement from number of developers during interviews was:

“We Developers are reluctant to register our societies because of these drawn-out processes and deadlines”.

Obtaining Land Ownership Papers (LOP) is the second most important step involved in acquiring land in Islamabad for a housing project. The LOP confirms who is the rightful owner of the property on which the housing society plans to build its project. The revenue division, which is in charge of keeping track of local land records, issues LOPs. All land transactions, including ownership, sale, acquisition, and transfer of property, are kept on file by the revenue department. An interesting statement given by one of the developers regarding LOP was that:

“Getting LOP from the relevant authority is itself a war between the developers and the regulatory authorities. Getting a LOP is a difficult task, especially if the ownership of the land is contested or there are many owners. To demonstrate the ownership of the land, the housing society has to present all required documentation, such as the sale deed, mutation, and register documents. The revenue department will then verify the documents and conduct a survey of the land to confirm the ownership, which takes a lot of time. Sometimes if there are any disputes or discrepancies, the application gets rejected, and sometimes it got rejected without any specific reason and the housing society will have to resolve the issue before reapplying.”

Obtaining NOC and LOP are critical legal and regulatory challenges for acquiring land in Islamabad for a housing society. These challenges are significantly delaying the construction process and increasing the cost of the project (Hassan et al., 2021). Therefore, it is essential for the housing society to ensure that they have all the necessary documents and meet all the legal and regulatory requirements before applying for NOC and LOP. This will not only expedite the process but also ensure the smooth and legal development of the housing society.

One of the representative of the CDA has said that

“A strong land acquisition procedure depends on the interaction between No Objection Certificates (NOCs), Letters of Permission (LOPs), and the land revenue department. The management and upkeep of the land revenue records, which contain data on ownership and use of the land, is the responsibility of the land revenue department. Developers must get NOCs and LOPs from the appropriate authorities before they purchase land, and the land revenue department frequently reviews and processes these documents. The proposed land use and development plans

are validated by these documents, which act as official licenses, assuring conformity with all applicable laws and standards.”

In addition to working with other government departments to issue NOCs and LOPs, the land revenue department is crucial in confirming the legitimacy and correctness of the land revenue data. This would aid in preventing the land's use from being abruptly changed from agricultural to commercial in order for housing society developers to demand exorbitant fees. The possibility of errors and manipulation can be greatly decreased by switching from manual operations to a computerized system (Hassan et al., 2021). When discussing the subject of sudden changes in the land's use, primarily from agricultural to commercial, which can result in housing society developers demanding expensive fees.

After identifying the land record system as a significant barrier, it should be noted that Pakistan, and largely India or the subcontinent, have separate documents for land possession and ownership. The outdated land titling system was last revised in 1956, making it essentially the same as the original one created in 1906⁸. Therefore, anyone can get a stay order from the court when that land is sold, even when the original owners of the land are six to seven generations removed.

The accuracy and dependability of the data can be significantly improved by establishing a computerized land revenue record system. Human errors, such as incorrect transcriptions of information or misinterpretations of data, are common in manual record-keeping. By automating the procedures of data entry and validation, computerization eliminates these hazards (Hassan et al., 2021). It is possible to build a system to impose data integrity checks, guaranteeing that the usage of the land is accurately documented and cannot be changed at will. Computerized records' error-proof nature helps guard against abrupt changes in land use intended to take advantage of developers (Haque et al. 2020).

The capacity to keep land records updated in real-time is one of computerization's major benefits. Traditional paper-based systems can experience delays in registering changes, resulting in inaccurate and out-of-date data. Any changes or transactions relating to land can be instantly reflected in the records with a computerized system (Haque et al. 2020). As a result, any attempt to change the land's use overnight would be instantly obvious and may be reported for further inquiry. The most recent data is available to developers, ensuring that they are informed of the land's

⁸ <https://cms.ndma.gov.pk/storage/app/public/publications/December2020/oeBNJ57eoaK7VbjALeIV.pdf>

intended use and are not tricked into paying exorbitant costs reducing the occurrence of asymmetric information to a significant level.

A computerized method for keeping track of land revenue must be transparent. Transparency can be promoted throughout the land acquisition process by making information easily accessible to authorized players, such as landowners, developers, and government representatives (Awan, M. U., et al. (2018). Before signing contracts, developers can check the records and confirm the land's declared usage. This degree of openness discourages dishonest behavior and asymmetric information because any attempts to tamper with the designation of the land would be obvious. It is possible to reduce the possibility of charging expensive fees as a result of abrupt changes in land use by making the system transparent and responsible.

Together, these steps build a more trustworthy and responsible system that protects against dishonest behavior and fosters fairness in the land purchase process. A developer has given a statement:

“If the Pakistani government is serious about providing housing for everyone, it must enhance its legal system to prevent land mafias from taking advantage of housing society developers. We are ready to submit the layout plan for the entire site, including the piece of land that needs to be purchased, when applying for approval for the housing scheme from the necessary development authorities if they can ease the process for us.”

Another developer said that:

“We encounter difficulty when we go ahead and buy the section of land, they had not initially purchased but that was specified in the master plan after receiving consent from the development authority”.

5.2. Understanding Planning and Development Process

5.2.1. Master Planning and Zoning

Master Planning and Zoning are crucial components in the development and management of any housing society, especially in the case of extra-legal housing societies in Islamabad. As per ICT

(Zoning) Regulation, 1992, Islamabad has been divided into Five Zones and the number of extra-legal and illegal societies are as under:

Zone	No. of Extra-legal/ illegal housing societies
Zone 1	20
Zone 2	7
Zone 3	7
Zone 4	83
Zone 5	29
Total	146

Source: CDA

There are several issues related to master planning and zoning as per the interviewers which must be considered in the context of extra-legal housing societies.

The disregard for legal and regulatory constraints is among the most important problems with master planning and zoning in extra-legal housing societies. A representative of a housing agency has said that:

“Due to the burdensome paperwork and onerous restrictions, the growth of extra-legal housing societies frequently occurs without getting the required permissions and approvals from the appropriate authorities. The developers and real estate brokers incur considerable losses as a result of the ensuing legal difficulties and eventual demolition of the buildings. However, still one can support the ongoing development of these illegal housing societies by paying fines to the regulatory authorities.”

Moreover, the lack of adherence to zoning regulations also causes issues related to infrastructure and amenities. A CDA representative has said that:

“Most of these extra-legal housing societies are often developed in areas without proper zoning regulations, resulting in inadequate infrastructure and limited access to amenities. They lack proper documentation and paperwork which causes them to have no connections of proper water

supply, gas supply and electricity from government side. This makes it challenging for the residents to live there and makes them at a lose because of the investment already done in these societies by their end”.

Only 22 NOCs in Zones 2, 4, and 5 have been given by CDA in the previous 30 years (Hussein, 2022). Only 6.8% of the total area in these zones is covered by these initiatives. 1.26 million kanals of land are being sold under the guise of housing societies while being illegally possessed, and 99% of these false housing societies are unfinished. In these illicit societies, people have lost their hard-earned money to the tune of PKR 5200 billion (AGP, 2017). In Zones 4 and 5, the minimum area for a housing project is not to be less than 400 kanals, and the minimum area for Zone 2 is not to be less than 800 kanals. The sheer fact that the CDA does not have jurisdiction over more than 90% of the land in the aforementioned zones says a lot about how effective the regulatory authorities are (Hussein, 2022).

Housing schemes objectives

The establishment of housing projects was intended to develop the Islamabad Capital Territory in accordance with the master plan, the ICT Zoning Regulation of 1992, and international standards: Any housing project's land use percentages may not exceed the following restrictions:

i.	Residential not more than 55%
ii.	Open/Green Spaces/Parks not less than 8%
iii.	Roads/Streets not less than 26%
iv.	Graveyards not less than 2%
v.	Commercial & Parking not more than 5%
vi.	Public buildings like school, mosque Dispensary, hospital, post office Community center, etc. not less than 4%
vii.	The width of the vehicular streets provided in the layout plan will not be less than 40 feet.
viii.	The minimum size of residential plot will be 130 square yards
ix.	In Zone-2, the layout plan of the scheme shall conform to standard sectoral layout plan of Islamabad
x.	The easement of nullah, etc. shall be clearly identified and preserved as open spaces.

Special Audit Report on the Accounts of Housing Societies Directorate Capital Development Authority.

In Islamabad, it is usual to discover housing societies that do not precisely abide by these rules. Islamabad's illegal or extralegal housing societies are frequently built without receiving the necessary licenses from the relevant authorities, like the Capital Development Authority (CDA). These societies have emerged as a result of the great demand for houses in the city, which prompts unauthorized encroachments on property or the construction of projects that are in violation of zoning laws.

A representative of CDA has claimed that:

“CDA has been taking steps to slow the expansion of illegal housing societies in its capacity as the regulatory authority in charge of Islamabad's planning and development. We are carrying out operations to destroy unauthorized constructions and bring legal action against the individuals responsible. In order to control and oversee the growth of permitted housing societies and guarantee adherence to the approved master plan and rules, the CDA has also established a Directorate of Estate Management”.

Despite these initiatives, the expansion of illegal housing societies continues to be difficult. The continuation of such developments is attributed to a number of factors, including the need for affordable housing, weak enforcement mechanisms, and the involvement of influential people or organizations. Before engaging in any housing project, possible homeowners and investors need to use prudence and perform adequate due diligence to ensure compliance with the law and prevent potential problems in the future.

Environmental hazards are also a result of master planning and zoning issues. A CDA person has claimed that:

“The majority of extralegal housing societies disregard environmental laws, which causes pollution, problems with trash disposal, and other environmental problems. Residents have started feeling concerned about their health as a result, and the developers and real estate agents faced serious legal and financial implications. However, they once more get by paying fines to the appropriate authorities.”

From the standpoint of a developer and a real estate agent, an agent has responded to this claim and said:

“In obtaining permissions and NOCs takes a year, which makes it challenging to follow the rules. For investors and developers, the red tape involved in obtaining the required licenses and NOCs is a huge burden. That’s why they feel less burdened in paying fines and carrying on with the existing system.”

In conclusion, master planning and zoning are crucial elements in the creation and administration of any housing society, particularly in the situation of Islamabad's extra-legal housing societies. Understanding and abiding by the applicable laws is essential for developers and real estate agents. They should also take action to alleviate the infrastructure, facilities, and environmental issues that extra-legal housing societies face. Developers and real estate professionals can do this to uphold their social and moral obligations to the community's people and the environment while also ensuring the housing society's long-term viability and success. However, it is also crucial for the government and relevant regulatory bodies to make the process simple for all parties involved and adhere to it.

5.2.2. Infrastructure Development

Complex and numerous difficulties surround the infrastructure development of an extra-legal housing society in Islamabad. The Capital Development Authority's and other pertinent authorities' roles are vital in this regard. But it's frequently challenging for developers to create a legal housing society because of heavy rules.

Lack of essential infrastructure is one of the biggest problems that developers go through while creating extra-legal housing communities. A staff member of a management team of a housing society has said that:

“It is difficult to offer tenants decent living circumstances when basic amenities like electricity, sewerage, and water supply connection by government are not there due to a lack of legal paperwork and licenses”.

In conclusion, there is a need for collaboration between developers, the Capital Development Authority, and other relevant organizations to address the complicated difficulties relating to the

infrastructure development of an extra-legal housing society in Islamabad. The main obstacles of making an extra-legal housing society legal are excessive restrictions and a lack of lack of communication and information dissemination among all stakeholders. To make affordable housing available to low-income people, the Capital Development Authority and other pertinent agencies must provide a clear and easy to follow legal framework, provide required infrastructure, and speed up the approval procedure. Additionally, adequate zoning and land-use planning are required to make sure that builders only construct houses in locations that are appropriate for residential use.

Chapter 6

Financing and Funding Insights

According to a Housing agencies personnel:

“Housing societies in Islamabad rely on various sources of financing, including internal funds, bank loans, and external investments. Internal funding involves contributions from society members and installment arrangements, while bank loans and private investments provide additional funding.”

Government and regulatory organizations also play a role in providing financial aid and fostering a favorable investment environment. However, extralegal housing societies face more challenges in obtaining financing due to their legal status, limiting their access to formal banking systems and financial institutions. They often resort to internal finance methods, but the informal nature of these arrangements can lead to financial uncertainty and difficulties in enforcing payments.

6.1. Procurement of Funds

Given Pakistan's complex legal and regulatory landscape, procurement of funds for an extra-legal housing society in Islamabad can be challenging. However, one of the initiative is done by NAPHDA (Naya Pakistan Housing and Development Authority) who set a criterion for Builders/Developers who will be eligible for availing Developer Financing under NAPHDA initiative who fulfill their target market criteria⁹. At the same time there are several ways in which developers can raise funds to finance such projects.

6.1.1. Bank financing:

The most popular way to raise money is through bank financing. To finance the project's construction, developers can request loans from commercial banks or other financial organizations. However, because of their legal status, many banks are reluctant to give loans for such projects, making this alternative difficult for extra-legal housing organizations. Finding the ideal financial

⁹ <https://naphda.gov.pk/naphda.gov.pk/docs>

institution is the first step in obtaining a bank loan. To identify the most advantageous alternative, During the interviews, participant mentioned that:

“We developers first investigate and compare the interest rates, loan terms, and other requirements of various banks. Additionally, it is crucial to verify that the bank is ready to support extralegal housing societies and has experience financing real estate projects. A loan application has to be submitted by the developer once a suitable bank has been identified. Detailed information regarding the project, such as its legal standing, construction schedule, and anticipated cash flow, ought to be included in the loan application. The loan amount, interest rate, and other terms will be decided upon when the bank assesses the loan application. The developer will have to offer loan security if the loan is authorized. Land or other assets owned by the developer, or a third-party guarantor may be used as collateral. In order to assure that the developer is personally liable for loan repayment in the event that the project is unsuccessful, the bank will additionally want a personal guarantee from the developer”.

The legal status of the project is one of the biggest obstacles to obtaining a bank loan for an extra-legal housing society. Due to the ambiguity surrounding such projects' legal status, banks frequently hesitate to offer loans for them. However, if the developer can offer legal advice or other proof that the project is likely to be regularized in the future, certain banks would be willing to make financing.

6.1.2. Private equity or venture capital:

Raising funds through private equity or venture capital is another option for extra-legal housing societies. One interviewee articulated that:

“These investors are attracted to real estate projects with high growth potential but often require a significant stake in the project and impose strict conditions”.

To attract private equity or venture capital investors, extra-legal housing societies tries to develop a compelling business plan that outlines the viability, scalability, and profitability of the project. Differentiating society from nearby sanctioned housing developments and understanding the target market and competition are important. Including financial forecasts and a realistic revenue model in the business plan is crucial. Furthermore, having a competent management team with relevant

experience and skills is essential to assure investors of successful project execution. Demonstrating a track record of achievements, overcoming obstacles, and having a solid network in the industry can build investor trust. Society should also have a thorough understanding of the applicable laws and regulations and ensure compliance. Once these components are in place, society can approach potential investors and present a comprehensive investment pitch that highlights the business plan and expected financial returns.

6.1.3. Crowdfunding:

One common theme that emerged from the interviews was Crowdfunding. A growing number of companies, especially those involved in real estate development, are using crowdfunding to obtain capital. As per the interviews conducted, through crowdfunding platforms, developers have access to a big pool of individual investors who are willing to make smaller investments in exchange for a portion of the project. This approach can be quite beneficial for extra-legal housing societies as it allows them access to a bigger pool of potential investors. Crowdfunding may be a desirable choice for extra-legal housing organizations for a number of reasons.

An interesting perspective shared by one of the interviewees was:

“First of all, it gives them access to a bigger pool of potential investors, including those who might be interested in supporting a project that is in line with their social or environmental ideals. Secondly, compared to conventional financing techniques like bank loans, crowdfunding is more adaptable and affordable approach to generate money. Compared to regular lenders, crowdfunding platforms often have lower fees and more flexible conditions. Thirdly, crowdfunding has the potential to be an effective marketing strategy for extra- housing societies. They increased awareness and support for their initiative, which may help to draw in more investors and possible partners, by sharing their narrative and vision with a large audience”.

It is crucial to remember that crowdfunding involves risks and limitations as well. Because crowdfunding sites are often less regulated than traditional financing options, there may be greater risk involved for investors and developers. Additionally, housing societies need to make sure that they abide by all applicable legal and regulatory obligations, such as the rules pertaining to crowdfunding and securities legislation.

6.1.4. Presales of housing units:

Pre-sales of the housing units are another way that developers might raise funds. Pre-sales are a great approach to determine the level of interest in the project while also giving the developer the money they need to finance construction. Pre-sales, however, can be difficult for extra-legal housing societies because investors are frequently wary of making investments in projects with a questionable legal standing. Developers frequently use pre-sales to acquire money for construction projects in the real estate industry. This is selling units in the development before work is finished in exchange for a deposit or down payment that will be used to pay for building costs.

In the words of one interviewee:

“Investors get cautious to fund a project that is partially lawful or does not have a clear title because this can raise questions about ownership and resale value. As a result, extra-legal housing societies might need to put in more effort to win over prospective purchasers by giving alluring pricing and incentives, being transparent about the project's legal status, and earning their confidence and trust”.

Alternative finance options, such leasehold agreements or collaborative ventures with reputable developers, may be another good option for extra-legal housing societies in order to give consumers additional security and stability. These agreements can give investors a more secure investment opportunity while also giving the community the money it needs to finance the project's development and construction.

It can be difficult to raise money for an housing society in Islamabad. Developers do, however, have a variety of options, such as bank finance, private equity, crowdsourcing, and pre-sales. Developers carefully consider their options and select the approach that best fits the requirements and legal status of their project. Before beginning construction, it is also crucial to make sure that the project's financial plan is viable and that the funding sources are in place either its for the legal society or for an extra-legal society.

A CDA official has claimed that:

“We have a culture of plot files instead of plotting culture here in Islamabad. "Plot files" represent documented pledges to purchase property but lack certification from local developmental authorities and a physical existence. These files have contributed to the proliferation of unauthorized housing societies due to the minimal upfront investment required for selling plot files. The issue arises because developers or real estate firms do not require an initial investment of millions for proper plotting when engaging in the buying and selling of plot files. Instead, they generate the necessary funds for plotting after selling these files. As a result, individuals or groups can purchase undeveloped land and based on the sale of plot files, establish housing societies without proper accountability.”

Given below the table provides a summary of the all the above-mentioned forms of procurement of funds along with the advantages and the limitations of each type.

Table 6: Forms of procurement of Funds for Housing Societies

Method	Advantages	Limitations
Bank Financing	<p>Access to substantial capital for large-scale projects.</p> <p>Lower rates compared to other funding options.</p> <p>Long-term repayment options for sustainable development.</p> <p>Enhances credibility and confidence among other investors.</p>	<p>Requires a solid financial track record and collateral.</p> <p>Stringent eligibility criteria and documentation requirements.</p> <p>Lengthy approval process and potential bureaucratic hurdles.</p> <p>May be reluctant in providing loans because of the legal status.</p>
Private Equity or venture Capital	<p>Potential for substantial investment and growth.</p> <p>Access to industry expertise and guidance.</p> <p>May offer additional value-added support beyond financing.</p>	<p>Requires giving up partial ownership and control of the project.</p> <p>High expectations for return on investment and exit strategies.</p> <p>Limited availability, especially for early-stage or unconventional projects.</p>

Crowdfunding	<p>Allows for a broad reach and engagement of potential investors.</p> <p>Can generate community support and involvement.</p> <p>Offers flexibility in setting funding goals and timelines.</p>	<p>Success relies on effective marketing and promotion efforts.</p> <p>May not a suitable for large-scale funding needs.</p> <p>Requires a compelling and persuasive campaign to attract investors.</p> <p>Potential regulatory and compliance considerations, depending on the jurisdiction.</p>
Pre-Sales of Housing Units	<p>Generates upfront revenue to finance construction.</p> <p>Demonstrates market demand and helps secure additional financing.</p>	<p>Reliance on attracting buyers before the project is completed.</p> <p>Market conditions and buyer interest can impact sales and project viability.</p> <p>Requires marketing and sales efforts to attract potential buyers.</p> <p>Potential legal considerations and obligations regarding pre-sale agreements.</p>

Source: Field data

6.2. Cost Management and Budgeting

Cost management and budgeting in extra-legal housing societies in Islamabad is challenging due to the complex legal and regulatory environment. The project's ambiguous legal status and the lengthy process of obtaining necessary approvals from regulatory authorities, such as the CDA, can increase costs and cause delays. Stringent guidelines imposed by authorities may also raise construction expenses. Limited access to conventional financing options further complicates cost management. To overcome these challenges, developers adopt a proactive approach by developing comprehensive cost estimates and budget plans that account for legal and regulatory requirements. Exploring alternative financing options, such as private equity, crowdfunding, or pre-sales, can provide additional funding sources. Close collaboration with regulatory bodies helps ensure compliance and timely approvals. By implementing these strategies, developers aim to control costs and successfully complete projects within budget.

6.3. Financial Accountability

One common theme that emerged from the interviews was:

“Financial accountability in extra-legal housing societies in Islamabad is a complex challenge due to the absence of a defined legal framework and regulatory monitoring. Operating outside the bounds of the law, these societies are at a higher risk of fraud, corruption, and financial mismanagement. To address these issues and promote financial responsibility, developers and relevant authorities must take proactive measures”.

One crucial step is to establish clear guidelines and policies for financial transactions and reporting. This includes setting up internal controls and audit procedures to ensure transparency and accuracy in financial dealings.

According to a real estate agent:

“Developers should implement systems that record and report all financial transactions, adhering to applicable rules and laws. An impartial auditing system, either through an internal department or a third-party auditing company, should be put in place to regularly review financial activities”.

Collaboration between developers and the Capital Development Authority (CDA) is vital for achieving financial accountability. The CDA and other relevant institutions should work closely with developers to establish a legislative framework and regulatory control for real estate development projects. By doing so, they can foster transparency, prevent financial malfeasance, and create a conducive environment for financial responsibility.

Open communication and transparency with stakeholders, such as investors, customers, and the general public, are crucial. Developers need to provide regular financial disclosures, making financial statements and audit reports accessible to stakeholders. This helps build trust and confidence in the project and demonstrates a commitment to accountability.

Compliance with tax laws and anti-money laundering regulations is another important aspect of financial accountability. Developers need to ensure accurate and up-to-date financial records, report

transactions to the relevant authorities, and conduct due diligence on all parties involved in financial transactions.

Monitoring and oversight of financial transactions should be a priority for the CDA and other relevant authorities. Regular audits and inspections can help identify any irregularities or potential financial risks. By actively monitoring financial activities and enforcing compliance, these authorities contribute to the overall financial responsibility of extra-legal housing societies.

6.4. Marketing and Sales

6.4.1 Market Analysis and Research by Developers

Any real estate development project, including Islamabad's extra-legal housing societies, must contain market analysis and research.

A personnel of a leading real estate agency stated that:

“In order to pinpoint trends, supply and demand elements that may have an impact on the project's success, developers and the appropriate authorities do in-depth market research and analysis.”

Finding the housing society's target market is the first stage in market analysis and research. This entails analyzing the target market's demographics to determine its age, income, family size, and other pertinent variables. In order to evaluate the target market's housing demands and the ideal housing unit sizes and amenities, developers should also undertake a demand analysis.

A supply study is also carried out by developers to determine the area's current housing supply and evaluate the level of competition. This entails recognizing the many kinds of housing units, as well as their sizes, features, and costs. Developers can use this information to find market opportunities and gaps, as well as to choose the right pricing and marketing tactics.

In the words of one interviewee:

“The larger political and economic components have a strong impact on the project's success are also taken into account. Analyzing the current condition of the economy, inflation, interest rates, and governmental real estate development strategies are all part of this”.

In order to identify the target market, evaluate demand and supply aspects, take into account economic and political factors, and conduct a feasibility analysis, developers and relevant authorities try to conduct in-depth market research and analysis. By doing this, they decide on the project intelligently and raise the likelihood of its success.

However, relevant authorities can sometimes pose hindrances to this process. Some of the hindrances caused by relevant authorities in market analysis and research include:

Table 6.4.1: Hindrances caused by Regulatory Authorities

Hindrance	Description	Possible Solutions
Lack of Data Availability	Relevant authorities may not have up-to-date data on the housing market, hindering thorough market analysis and research.	Encourage data sharing and collaboration between relevant authorities and developers. Invest in data collection and analysis infrastructure. Engage private market research firms to supplement data collection.
Delays in Approvals	Lengthy approval processes by relevant authorities can delay the start of market analysis and research activities.	Streamline approval procedures and establish clear timelines for decision-making. Improve coordination and communication channels between authorities and developers. Implement online submission and tracking systems for approval applications.
Regulations and Restrictions	Strict regulations and restrictions imposed by authorities limit	Engage in proactive dialogue with relevant authorities to understand regulations and seek possible exemptions or modifications. Hire legal experts to navigate complex regulatory

	developers' ability to conduct analysis and research.	frameworks. Advocate for regulatory reforms to support market analysis and research.
Political Instability	Political instability and policy changes can significantly impact the housing market, making market analysis challenging.	Stay informed about political developments and monitor potential policy shifts. Diversify project portfolios to mitigate risks associated with political instability. Develop contingency plans to adapt to changing policies.
Lack of Coordination	Lack of coordination between relevant authorities and developers leads to miscommunication and hampers analysis efforts.	Establish regular communication channels and meetings between authorities and developers. Encourage collaboration and information sharing through industry associations and forums. Engage in joint training programs to enhance understanding and coordination.

Source: Field Data

6.4.2. Branding and Advertising

A recurring statement among the participants was:

“Effective branding and advertising can help developers give their project a distinctive personality, attract the interest of potential clients, increase awareness among them, and increase sales and rental rates. To create a powerful brand identity for their housing society, developers created the target market-relevant brand name, logo, and slogan”.

Developers also put together a comprehensive marketing strategy that combines conventional and digital marketing channels. Examples of classic marketing strategies include print publications, outdoor advertising, radio adverts, and television commercials. Social networking, email

marketing, search engine optimization, and pay-per-click advertising are all examples of digital marketing channels.

A CDA representative said that:

“The CDA statute prohibits developers from advertising their housing societies until the plotting process is completed. This regulation ensures accountability, proper monitoring, and verification by authorities before attracting potential buyers to invest in housing societies.”

Developers employ events and promotions in addition to conventional and digital marketing channels to spark interest and awareness among potential customers. This involves holding open houses, giving tours of the property, and providing incentives like savings or free upgrades.

Additionally, developers make sure that their advertising is truthful, accurate, and conforms with applicable rules and regulations. But, mostly in cases of extra-legal housing societies mostly don’t provide all the relevant information. They have to maintain a consistent brand image and language across all marketing platforms. This increases the probability of sales or rents by helping to establish credibility and trust with potential customers. However, the relevant regulatory authorities create a number of issues in the branding and advertising of extra-legal housing societies. Some of these issues include:

Table 6.4.2: Hindrances in Branding and Advertising

Hindrance	Description
Restrictions on Advertising	Strict regulations on advertising for extra-legal housing societies, including limitations on language, images, and claims, hinder effective advertising campaigns.
Delays in Approvals	Lengthy approval processes by regulatory authorities delay the start of advertising campaigns and reduce their effectiveness.
Lack of Coordination	Lack of coordination between regulatory authorities and developers regarding branding and advertising causes miscommunication and approval delays.
Political Interference	Political interference and policy changes can impact advertising strategies, requiring modifications, and causing

	delays and additional costs.
Compliance Issues	Developers must ensure compliance with relevant laws and regulations, failure of which can result in fines and legal issues, impacting project success.

Source: Field data

6.5. Sales Strategy and Execution

Sales strategies for extra-legal housing societies can vary depending on the specific circumstances of the project and the developer's objectives. However, some common sales strategies for extra-legal housing societies include:

6.5.1. Off-Plan Sales

Off-plan sales refer to the sale of properties that have not yet been constructed. This is a common sales strategy for extra-legal housing societies, as it allows developers to generate sales before construction begins, which can help to finance the project. A real estate has given a statement that:

“Buyers are often attracted to off-plan sales due to the potential for capital appreciation and the ability to customize the property to their preferences.”

The capacity to generate sales and secure finance for the project before building begins makes this strategy very advantageous for developers. Off-plan transactions are alluring because they provide potential buyers opportunities. The possibility of capital appreciation is one alluring feature, since buyers can purchase properties at current market rates and possibly see an increase in their worth by the time construction is finished. This feature draws those who want to buy properties in sought-after locations as well as investors looking to profit from market movements.

6.5.2. Private Sales:

Extra-legal housing societies frequently use private sales as a sales approach, giving developers the chance to target certain people or groups that have expressed interest in the project or are thought of as potential buyers nearby. With the help of this strategy, developers can tailor their sales pitch to better suit the specific demands and preferences of potential customers. Developers can customize

their sales approach by engaging in one-on-one conversations and learning about the precise needs of potential purchasers. They can then highlight the unique benefits and characteristics of their extra-legal housing societies that appeal to the interests of the intended audience. As one respondent pointed out:

“By establishing a direct line of communication between developers and prospective purchasers, this personalized approach generates a sense of exclusivity and boosts customer satisfaction and trust”.

Additionally, private sales provide developers the chance to give thorough explanations, respond to any worries or inquiries, and offer unique solutions that satisfy each buyer's particular needs. This degree of individualized care improves the purchasing experience and enables developers to establish enduring bonds with their clientele. In the world of illegal housing societies, developers can increase the likelihood of successful sales and cultivate a devoted customer base by utilizing private sales as a sales strategy, engaging with their target market effectively, catering to individual preferences, and creating a sense of uniqueness and value.

6.5.3. Special Promotions and Incentives:

The sales approach for extra-legal housing societies heavily relies on incentives and special promotions as developers try to entice buyers with appealing attributes and added value. These discounts on the purchase price, free upgrades or furnishings, or the inclusion of particular amenities or services are just a few of the many different ways that these promotions can be offered. One common concept that emerged from the interviews was:

“By offering some exclusive deals, developers arouse a sense of urgency and exclusivity in potential customers, enticing them to seize the one-of-a-kind chances on offer. Discounts on the purchase price can be especially alluring because they give customers a financial incentive and the impression that they can save money”.

Furthermore, providing free upgrades or furniture raises the properties' perceived value and enables customers to picture a higher standard of luxury and customization in their brand-new residences. Furthermore, in order to improve the entire lifestyle experience of the society of extra-legal housing, developers may incorporate specific amenities or services as part of the advertising. These

can include, among other things, access to sporting goods stores, exercise centers, swimming pools, or concierge services. Overall, special incentives and promos work well as marketing tools for developers, piquing interest, and inspiring potential customers to act by emphasizing the distinctive advantages and benefits of owning a property.

6.5.4. Collaborations with Real Estate Agencies:

According to a CDA representative:

“When marketing and selling properties within extra-legal housing societies, developers often work in conjunction with real estate agencies.”

Developers can access their vast experience, resources, and networks by collaborating with respected, long-standing real estate firms, giving them access to a larger pool of prospective customers. Real estate agents are well-equipped to position and advertise homes inside the extra-legal housing societies because they have in-depth knowledge of the local market, industry trends, and buyer preferences. Developers have access to a bigger and more diverse audience by their established networks and databases of potential buyers, which raises the profile and exposure of the homes. Mostly real estate personnel have come up with the solution of digitization.

“Digitalization empowers housing society developers by providing easy access to information and resources. Online platforms can offer comprehensive instructions, checklists, and frequently asked questions (FAQs) that explain the required steps, approvals, and compliance needs. This readily available information equips developers with the knowledge needed to navigate the complex regulatory landscape more effectively. It reduces the information asymmetry that often exists, ensuring that developers have the information they need to make informed decisions and navigate the regulatory environment more efficiently”.

Additionally, working with real estate agents gives developers access to expert sales and marketing teams who focus on promoting and presenting properties. These teams have the knowledge and expertise needed to produce effective marketing materials, exhibit properties, and negotiate contracts on behalf of developers. Developers can improve the legitimacy and reputation of their

extra-legal housing societies by utilizing the knowledge and network of real estate agents, as purchasers are more likely to believe established companies and appreciate their suggestions. By working together, developers may concentrate on their main skills, such as project creation and construction, and leave the marketing and sales to professionals.

It's crucial to remember that the lack of required regulatory authority approvals may restrict marketing strategies for extra-legal housing societies. The legal status of the project and any hazards involved must be disclosed to prospective buyers by developers and real estate agencies. They must also follow all applicable laws and rules to prevent legal problems that can harm the project's success.

Chapter 7

Stakeholders Analysis

7.1. Stakeholder Management

Building and managing housing properties can be fairly challenging when one takes into account the demands of the people and groups who live in or support the property (Haque et al. 2020). In order to meet those demands, a range of techniques or actions may be used, reflecting an effort to determine who is articulating their interests and whether those interests apply to a specific housing property. Strategic planning procedures and day-to-day management are two examples of activities that can be used to engage individuals and groups (Næss, P., et al. (2012)). Successful project management requires effective stakeholder management, which is crucial when dealing with extra-legal housing societies. Effective stakeholder management is essential for maintaining good connections and guaranteeing the project's success because these societies frequently involve several stakeholders with opposing interests and goals.

By considering a stakeholder's interests, it is ensured that the needs and viewpoints of various people or groups are highlighted because they have a significant impact on organizations, and without their implicit or explicit support, an organization would cease to exist . Stakeholders in extra-legal housing societies can include the developer, investors, regulatory authorities, local residents, and potential buyers, among others. Each stakeholder has unique needs, concerns, and perspectives that must be considered throughout the project lifecycle.

Effective stakeholder management involves several key steps, including:

Table 7.1.1: Key Steps for Effective Stakeholders Management

Steps in Stakeholder Management	Description
Identification	Identify relevant stakeholders and understand their interests, expectations, and concerns.
	Conduct stakeholder analysis and engage in dialogue to gather feedback and insights.
Prioritization	Prioritize stakeholder needs and concerns based on their influence and importance to the project.
	Allocate resources and efforts accordingly to address the most critical stakeholders.

Communication	Establish clear and effective communication channels with stakeholders.
	Provide regular updates, feedback mechanisms, and opportunities for dialogue.
Conflict Resolution	Identify conflicts and disagreements among stakeholders.
	Address conflicts in a timely and constructive manner to maintain positive relationships.
Monitoring and Evaluation	Continuously monitor stakeholder management efforts.
	Evaluate the effectiveness of stakeholder engagement and ensure stakeholder needs are being met.

Source: Field data

Utilizing stakeholder input when making decisions about the management and development of housing society has a number of advantages. First, by proactively involving stakeholders, their involvement can greatly boost a community's chance of success by fostering trust and ensuring higher acceptance by the surrounding neighborhood. Second, their involvement can guarantee that a certain group's requirements are being satisfied. Third, different stakeholders may bring a variety of skills and knowledge to a given project or piece of real estate. There are a number of prospective stakeholders that may be able to assist in obtaining licenses and necessary approvals for resolving the legal status of extra-legal housing societies in Islamabad.

7.1.1. Community Engagement

In extra-legal housing societies, community involvement is an essential component of stakeholder management. According to a tenant of a extra-legal society:

“Real estate agents and developers play a key role in fostering relationships with the tenants and other stakeholders. However, because our society lacks the required regulatory permissions, and necessities like gas and water, these people help us in solving the issues”.

Community involvement is essential for real estate agencies and developers to form ties with locals and prospective purchasers and to foster trust. This may entail activities like organizing community gatherings, disseminating details about the project and its advancement, and responding to any questions or problems that may come up. However, the residents and the community members actively engage themselves in seeking all the approvals from the relevant regulatory agencies that can play or resolve the legal status of such societies. Here are some examples I get from my interviews sessions:

- **Residents and Housing Society Members:** Residents and Housing Society Members organize themselves and take an active role in addressing the problem as a group. To obtain approvals or address any legal issues, they sometime compile the required paperwork, assemble a deliberative group, and engage with the proper authorities. They also encourage other stakeholders to support the cause and increase community awareness of the problem.
- **Authorities from the local government:** Collaboration with these groups is essential. The local government, such as the Municipal Corporation or Development Authority, be contacted by residents, who then explain their case. They offer proof of service delivery, infrastructure development, and other aspects that support the operation of society. Developing a positive bond with local government representatives could speed up the regularization procedure.
- **Urban Planning and Development Authorities:** Housing societies must have approval from urban planning and development agencies. To learn the prerequisites for regularization, residents sometimes speak with certain agencies, like the Capital Development Authority (CDA) in Islamabad. They submit the required paperwork, follow rules, and attempt to meet the standards established by these organizations.
- **Legal consultants and experts:** Legal counsel and support from experts with experience in real estate and housing issues might be helpful. These professionals can advise locals on the essential actions to take, assist with the documentation process, and offer legal counsel if necessary. They can also offer information about any potential alternative dispute settlement procedures.
- **Elected Representatives:** Residents express their concerns to these representatives and ask for help navigating the formal procedures. Elected leaders starts their campaign for the regularization of the housing society by bringing up the issue in appropriate forums.
- **Civil Society Organizations:** Contacting civil society organizations that operate in the areas of advocacy, housing rights, or urban development are also useful. These organizations have to dealt with problems similar to those the housing society is facing, and they can offer advice, assistance, and resources to help.

According to a stakeholder in the study:

“Developers and real estate firms should be open and honest about the project's status as well as any potential hazards involved with funding an illegal housing society.”

Developers and real estate firms can generate trust and credibility by being open and truthful with potential customers and neighborhood residents. This will help them avoid future legal and reputational concerns.

7.1.2. Public Relations and Communication

In the market for extra-legal housing societies, effective stakeholder management is crucially dependent on public relations and communication. Given the lack of required regulatory clearances from regulatory agencies, it is imperative to keep stakeholders, including potential investors, fully aware of the potential risks involved with participating in such projects.

A statement given by CDA official:

“Take regulatory warnings and advice seriously in order to guarantee openness and adherence to regulatory norms. These cautions frequently draw attention to issues like insufficient infrastructure, zoning problems, or legal issues that could affect the investment's value and viability. Maintaining credibility and trust in contacts with potential investors is made easier by adhering to the guidelines and rules published by the relevant authorities.”

Proactive communication with stakeholders and the larger community is essential, in addition to regulatory compliance. Effective strategies to encourage engagement and sustain good relations include holding neighborhood meetings, giving regular project updates, and immediately resolving complaints. Even when faced with potential dangers or obstacles highlighted by regulatory warnings, transparent and open communication enables stakeholders to stay informed, express their opinions, and establish trust. One of the real estate agent said that:

“Digitalization of the process is one good option. It not only improves the planning and oversight of housing society development but also enhances transparency by providing stakeholders with clear, data-driven insights into the projects.”

As one respondent pointed out:

“Stakeholders should be more well-informed about the nature of extra-legal housing societies by putting a priority on effective communication and public relations. They can then assess the risks involved and make well-informed decisions as a result. Concerns can be handled by constant interaction and communication, reducing potential hazards, and assuring the projects' long-term success”.

“There should be a specialized unit in CDA for housing societies. The unit would be held responsible for addressing housing society-related issues. Its primary functions would include conducting regular inspections of housing societies to ensure compliance with regulations, confirming the status of construction projects, and identifying any potential violations or flaws. The unit would serve as a central point of contact for residents, providing information, advice, and assistance regarding the rules, rights, and obligations associated with living in a housing society.”

7.2. Regulatory Compliance: CDA’s Excessive Regulatory Burden

7.2.1. Approval and Clearance Processes

The process of obtaining approvals and clearances from CDA can be a challenging and time-consuming process for housing societies. The CDA has several departments responsible for granting approvals and clearances, such as the Planning and Design Department, Building Control Section, Environment Wing, and Fire Brigade. Each department has its own set of guidelines and requirements, and obtaining clearance from each of them can be a complex and lengthy process (Hassan et al., 2021).

Housing societies also face challenges related to delays in the approval process, which can result in increased costs and delays in project completion. Additionally, there may be cases where approvals are denied or revoked, requiring the society to make changes to its plans and designs, which can result in additional costs and delays.

The approval and clearance processes required by the Capital Development Authority (CDA) to declare a housing society legal can be complex and involve multiple steps. Here is a step-by-step guide to help developers navigate the process ((Haque et al. 2020):

- **Preliminary approval:** The developer must first obtain preliminary approval from the CDA for the proposed housing society. This involves submitting the necessary documents and plans, including a site plan, layout plan, and other relevant information.
- **Environmental assessment:** The developer must conduct an environmental assessment of the proposed site and submit a report to the CDA. This report should outline the potential environmental impacts of the project and any mitigation measures that will be put in place.
- **Infrastructure development:** The developer must ensure that all necessary infrastructure is developed, including roads, water supply, sewerage, and drainage systems. These must be developed in compliance with CDA regulations and standards.
- **Building plan approval:** Once the infrastructure is in place, the developer must obtain building plan approval from the CDA. This involves submitting detailed building plans and ensuring that the construction is in compliance with building codes and regulations.
- **Completion certificate:** Once the construction is complete, the developer must obtain a completion certificate from the CDA. This certificate verifies that the project has been completed in compliance with all necessary regulations and standards.
- **Provisional NOC:** The developer can then apply for a Provisional NOC (No Objection Certificate) from the CDA. This certificate allows the developer to sell plots and units within the housing society while awaiting final approval.
- **Final NOC:** Finally, the developer must obtain a Final NOC from the CDA to declare the housing society legal. This involves submitting all necessary documents and certificates, including the completion certificate and other relevant approvals.

Overall, the process of obtaining approval and clearance from the CDA to declare a housing society legal can be complex and time-consuming. However, some common solutions during interviews proposed by the stakeholders to the problem of securing necessary approvals were:

“Digitalization can be a game-changer in the context of extra-legal housing societies. By leveraging digital technologies, we can streamline the entire process, from permit applications to communication with regulatory agencies and stakeholders. Developers can submit their applications online, eliminating the need for physical paperwork and manual processing.”

“Additionally, digital platforms can offer a centralized repository for document access, reducing the risk of misplaced paperwork. This transition to digital not only simplifies the process but also significantly improves transparency and efficiency.”

“Digitalization would revolutionize the way regulatory agencies and developers communicate. By creating online portals or specialized communication platforms, real-time updates, requests, and responses become possible. Developers can track the progress of their applications and receive timely feedback or requests for additional information from regulatory authorities.”

“A one-window system can be a good solution. It essentially consolidates interactions between developers and various government agencies into one centralized and coordinated system. Instead of navigating through multiple agencies separately, developers can submit all necessary documentation for permits, approvals, and No Objection Certificates (NOCs) to a single-window system managed by the Capital Development Authority (CDA). The CDA would then take on the responsibility of ensuring that all required permits and approvals are obtained from the relevant authorities.”

“Implementing a single-window system significantly reduces the time and expense involved in obtaining approvals. Developers no longer have to navigate through multiple agencies, which often leads to delays and increased costs.”

7.2.2. Building and Construction Regulations

The CDA has strict regulations and guidelines related to building and construction in Islamabad. These regulations cover aspects such as building design, materials, and construction techniques, as well as environmental impact and safety standards. Housing societies must comply with these regulations to ensure that their projects are safe, sustainable, and meet the required standards. However, complying with these regulations can be challenging and costly, particularly for smaller housing societies that may not have the resources or expertise to navigate the regulatory landscape effectively (Haque et al. 2020). Moreover, there may be cases where the regulations are not clearly defined or are subject to interpretation, leading to confusion and uncertainty among housing societies.

Here is a step-by-step guide to the building and construction regulations required by the Capital Development Authority (CDA) to declare a housing society legal (Haque et al. 2020):

- **Obtain preliminary approval:** The developer must obtain preliminary approval from the CDA for the proposed housing society before starting construction. This involves submitting the necessary documents and plans, including a site plan, layout plan, and other relevant information.
- **Hire a licensed architect and engineer:** The developer must hire a licensed architect and engineer who will be responsible for designing the buildings and ensuring compliance with building codes and regulations.
- **Submit building plans for approval:** The developer must submit detailed building plans to the CDA for approval. The plans must comply with all relevant building codes and regulations and should include details such as the building materials to be used, the structural design, and the electrical and plumbing systems.
- **Obtain building permits:** Once the building plans have been approved, the developer must obtain building permits from the CDA. These permits authorize the developer to start construction.
- **Follow construction standards:** The developer must ensure that the construction is in compliance with all relevant construction standards, including those related to materials, workmanship, and safety.
- **Submit progress reports:** The developer must submit regular progress reports to the CDA to ensure that the construction is proceeding according to plan and in compliance with regulations.
- **Obtain completion certificate:** Once the construction is complete, the developer must obtain a completion certificate from the CDA. This certificate verifies that the building has been constructed in compliance with all necessary regulations and standards.

Overall, the building and construction regulations required by the CDA to declare a housing society legal are designed to ensure the safety and sustainability of the development. By following these regulations and standards, developers can ensure the long-term success and viability of their projects.

7.2.3 Legal Disputes and Litigation

Housing societies in Islamabad may face legal disputes and litigation related to land ownership, title disputes, and zoning regulations. These disputes can arise from a variety of factors, such as

conflicting claims over land ownership, disputes related to zoning regulations, and conflicts between the housing society and local communities (Hassan et al., 2021).

Resolving these disputes can be challenging and time-consuming and can result in additional costs and delays for the housing society. Moreover, there may be cases where disputes cannot be resolved amicably, requiring the parties to resort to legal action, which can be costly and time-consuming.

It's important to note that legal disputes and litigation related to housing societies can be complex and varied.

However, the general step-by-step guide to legal disputes and litigation related to declaring a housing society legal as deduced from the interview sessions, it pertains to the Capital Development Authority (CDA) is given below:

- **Identify the issue:** The first step in resolving a legal dispute or litigation related to a housing society is to identify the specific issue at hand. This could include issues related to property ownership, building violations, or other legal disputes.
- **Consult with legal experts:** The developer or their legal team should consult with legal experts, including lawyers and legal advisors, to understand the legal implications of the dispute or litigation and identify potential legal options.
- **Negotiate with relevant parties:** If possible, the developer should try to negotiate with the relevant parties to resolve the issue outside of court. This could involve mediation or arbitration, which can be faster and less expensive than a full legal trial.
- **File a complaint:** If negotiations fail, the developer may need to file a complaint with the relevant court or authority. The complaint should outline the legal basis for the dispute and any supporting evidence.
- **Attend hearings and trial:** Once the complaint is filed, the developer or their legal team will need to attend hearings and a potential trial to present their case and evidence. The court or authority will consider the evidence and make a final decision on the matter.
- **Obtain a legal resolution:** If the developer is successful in their case, they will obtain a legal resolution that allows them to proceed with their plans for the housing society. This could include a court order or other legal document that confirms the legality of the development.

- Overall, legal disputes and litigation related to housing societies can be complex and time-consuming. However, by working with legal experts and following the proper legal procedures, developers can resolve disputes and obtain the necessary approvals to declare their housing society legal.

Chapter 8

Contextualizing the Regulatory Structure

For survival and overall wellbeing, housing is a basic human necessity. Millions of people are impacted by the housing crisis in many other emerging nations. Rapid urbanization and population expansion have caused the demand for housing in cities to rise dramatically while the supply has found it difficult to keep up (Angel et al., 2005). A defining feature of contemporary urban landscapes has evolved in many regions of the world: the inclination toward dense vertical cities. Cities like Islamabad in developing countries like Pakistan are witnessing a slower pace of vertical expansion compared to the tremendous vertical growth experienced in many other regions of the world (Haque,2021). Consequently, a void has emerged that private investors are capitalizing on by leveraging excessive regulations, leading to the emergence of urban sprawl (Angel et al., 2005). The manifestation of this phenomena is the construction of extra-legal housing societies beyond the city's boundaries, which puts a substantial pressure on the existing infrastructure and accelerates environmental degradation.

In Pakistan, the culture of housing societies is pervasive and expanding quickly. Over the time, these societies have become a more affordable yet superior housing option for city inhabitants all around the country (Hussein, 2022). But a lot of people think that the cost of a house in the city is just too high and search for more affordable options outside the city/s limits. In Pakistan, housing societies have become a significant attraction for economic activity, unlike anywhere else globally. The government and parliament employ regulations to pursue public policy goals and engage in rent-seeking within these societies (Mumtaaz, 2021). Local Development Authorities and various regulatory bodies are responsible for approving requests and overseeing the operations of these housing societies.

At least 69 percent of Pakistan's housing societies aren't properly registered, according to recent government statistics (*Illegal Housing and Construction in Pakistan*, 2020). Although there are many complex factors contributing to the growth of these illegal housing societies (Hussein, 2022), some of the most significant ones are information asymmetry, an excessive number of regulations, and bureaucratic sludge. Extra-legal housing societies have developed throughout time in Islamabad. Due to excessive regulation that resulted in the creation of sludge, the Capital growth

Authority (CDA), which regulates Islamabad's growth in accordance with the Master Plan, is also dealing with the issue of extra-legal housing societies. Over-regulation and existence of sludge in any system reduces the efficiency of that system. Same is the case with Capital development authority. There are 146 extra-legal housing societies in Islamabad alone (Hassan et al., 2021). Unregistered housing societies have increased significantly as a result of the onerous and lengthy regulatory authority procedures for obtaining a NOC, which lead to onerous regulations on housing societies. For instance, after receiving approval for the housing society's basic layout design in Islamabad, the federal capital, a housing society is required to acquire a NOC from CDA. This is followed by several intermediate phases, and it normally takes 2.5 years to complete.

In Islamabad, the registration process for a housing society involves a substantial number of documents that are required by the regulatory authorities . These documents serve as vital evidence and documentation for the approval and verification of the society's operations. From legal certifications and land ownership documents to detailed architectural plans and environmental impact assessments, the registration process demands a comprehensive range of paperwork (Hassan et al., 2021). On the one hand, this extensive documentation ensures transparency, compliance with regulations, and adherence to the stringent policies set by the regulatory bodies. On the other hand, in addition to the extensive list of documents needed, procuring them takes time for the registration of a housing society in Islamabad. Due to the significant resources that individuals and organizations must devote to gathering and compiling the required papers, this time investment has an opportunity cost (Haque et al. 2020).. The time spent fulfilling these regulatory requirements could have been utilized for other productive activities, such as focusing on infrastructure development or engaging in business expansion. As a result, the lengthy documentation procedure not only presents a burden but also costs money because of forgone economic opportunities. Attached below is a diagram showcasing the diverse array of documents essential for the registration of a housing society in Islamabad. The diagram is developed from following the information available in PIDE sludge Audit (Nadeem Ul Haque, 2022).

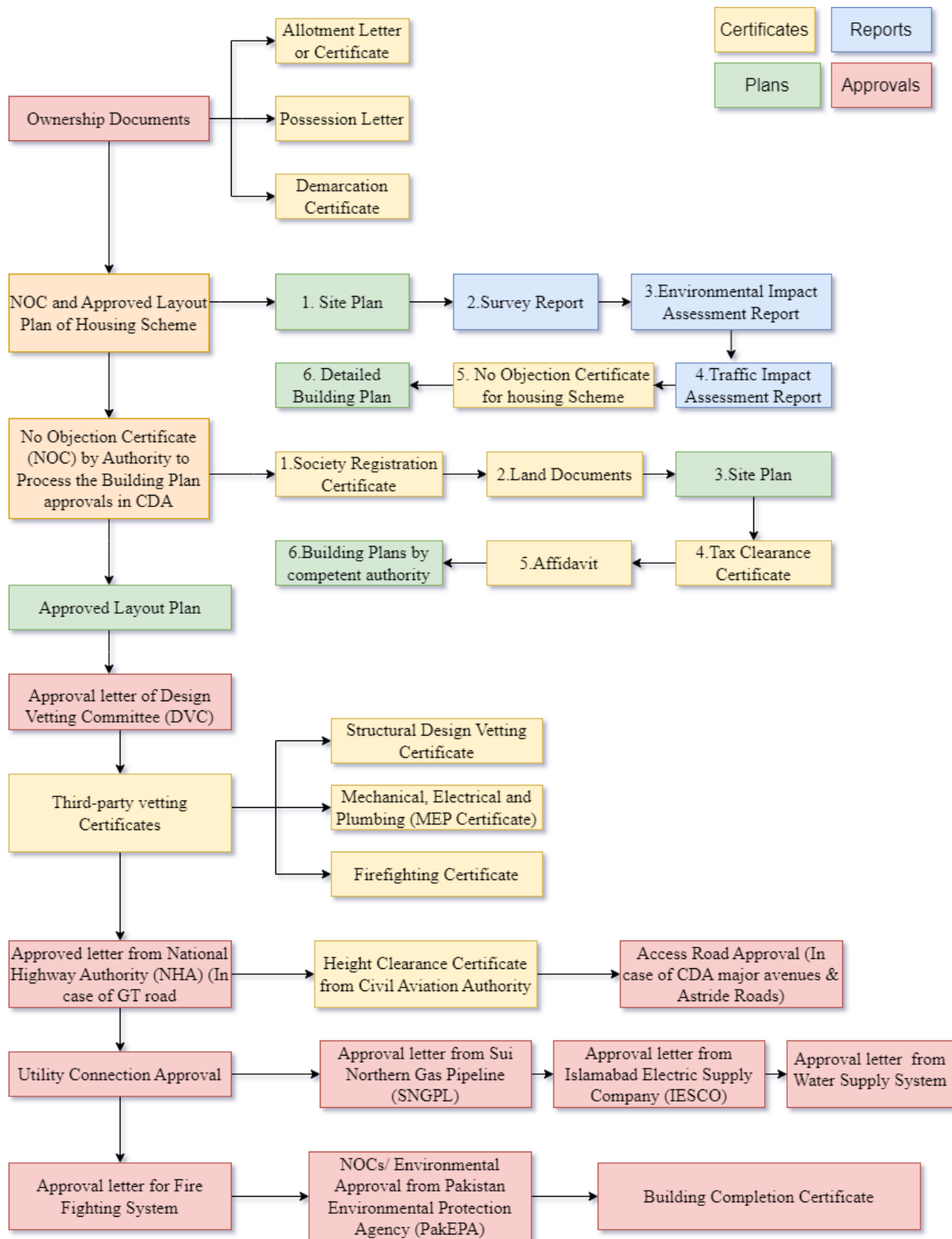


Figure 8.1: Complete list of documents Required for Housing Society Approval

The process of obtaining all the necessary approvals for a housing society in Islamabad involves several phases, as depicted in the attached diagram (please refer to the attached diagram at the end of this paragraph). It begins with the initial submission of documents in phase one and progresses through subsequent phases, including scrutiny, inspections, public notices, and compliance verification. The process is frequently characterized by a regulatory burden, in which the extensive regulations and formalities place an enormous administrative burden on applicants. The approval procedure is also made longer by the existence of sludge, which takes the shape of bureaucratic delays and complicated paperwork. Asymmetric information between the applicants and regulatory authorities can also pose challenges, requiring comprehensive documentation to ensure transparency and compliance. Additionally, the involvement of numerous regulatory bodies, each in charge of a different aspect of approval, results in a decentralized framework for decision-making in this multidimensional process. Attached below is a diagram showcasing the complete procedure of getting approvals from the relevant authorities for a housing scheme. The diagram is developed from following the information available in the study by (Hassan et al., 2021).

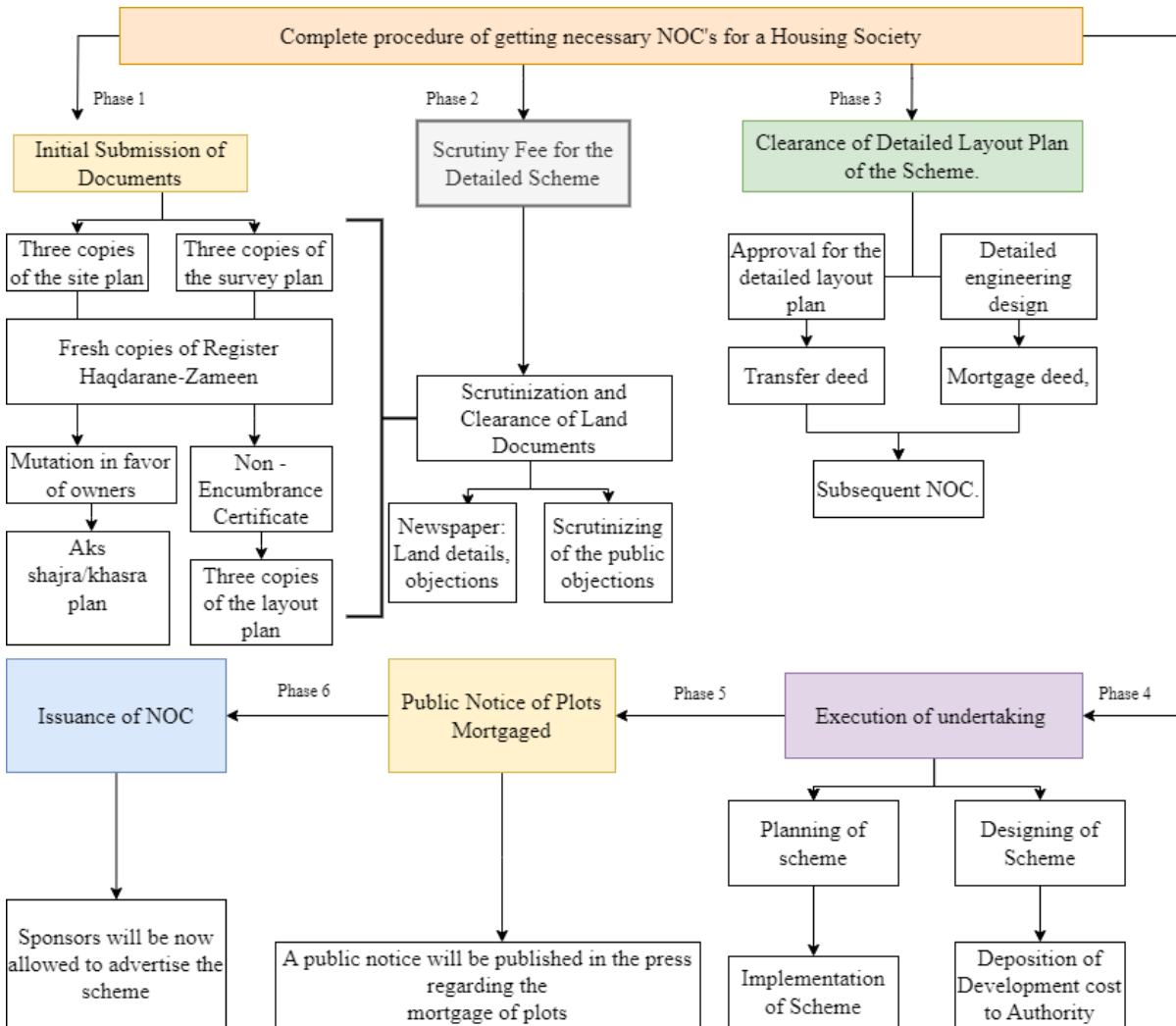


Figure 8.2: Flowchart of Complete Procedure of getting Approvals.

The establishment of a housing society in Islamabad encounters numerous challenges throughout its lifecycle. Developing a housing society in Islamabad comes with difficulties all along the way. The first major challenges are in the process of land acquisitions that are in line with society's goal and regulatory standards. This can be a difficult and time-consuming task. The process is further complicated by legal and regulatory concerns because it can be challenging to navigate the complexities of land ownership, title transfers, and building and zoning restrictions.

There are also challenges with planning and development, which necessitate careful attention to the smallest of details in things like infrastructure design, the provision of utilities, and the reduction of environmental damage. Coordinating with various stakeholders, including government agencies,

local communities, and utility providers, becomes crucial to address concerns, gain support, and ensure smooth implementation.

Islamabad's Capital Development Authority (CDA) is crucial to housing societies' adherence to regulations, but it also creates considerable obstacles and places an unnecessary load on the approval procedure. For housing societies, the complicated and lengthy procedures required to gain required permissions and No Objection Certificates (NOCs) cause significant delays and frustration. The lengthy procedures, numerous layers of paperwork, and bureaucratic inefficiencies all add to the process's difficulty (Haque et al. 2020). Housing societies would have fewer difficulties navigating the regulatory environment if these procedures were made simpler and more efficient. The CDA can increase the convenience of doing business for housing societies while guaranteeing regulatory compliance by introducing clear and effective methods, such as online portals for document submission and review. This would speed up the approval procedure and provide a more favorable atmosphere for the establishment and development of housing societies, which would ultimately benefit the locals and the urban environment as a whole. A smoother, more streamlined regulatory compliance framework that supports the sustainable growth of housing societies in Islamabad can be achieved through collaboration between the CDA and housing societies to identify issues, reduce unnecessary regulatory burdens, and introduce proactive measures (Haque et al. 2020).

Another crucial component is stakeholder management, which involves engaging and communicating effectively with locals, investors, and community leaders. Maintaining harmonious connections and fostering a favorable reputation becomes dependent on managing expectations, resolving complaints, and taking feedback into account.

Since housing societies require significant investment for land acquisition, infrastructure development, and marketing initiatives, obtaining financing and funding is frequently a significant hurdle. To assure the project's profitability and sustainability, obtaining loans, luring investors, and putting sound financial management procedures into place become essential.

Additionally, recruiting prospective buyers and investors requires strong marketing and sales methods. To succeed and increase sales, it's essential to create a compelling value proposition, target the correct market segments, and run effective marketing campaigns.

Overall, developing a housing society in Islamabad requires overcoming a wide range of obstacles, including those related to land acquisition and legal difficulties as well as those related to regulatory compliance, funding, stakeholder management, and marketing. The establishment of successful, well-planned housing societies that are sustainable and satisfy the changing demands of the community can be achieved by methodically and cooperatively addressing these issues otherwise the mushroom growth of extra-legal housing societies will continue at a faster pace.

This table below provides a concise overview of the main challenges faced by housing societies in Islamabad, main causes of the issues and Regulatory Agencies Involved, which specifies the regulatory bodies responsible for addressing and overseeing the respective challenges faced by housing societies in Islamabad:

Table 8: Main Challenges faced by extra-legal Housing Societies from stakeholders' interviews.

Challenges	Description	Causes of Issues	Regulatory Agencies Involved
Land Acquisition Challenges	Obtaining suitable land parcels that meet regulatory requirements and align with the society's vision can be complex and time-consuming.	Complex land ownership structures, lack of available land, resistance from local communities.	Capital Development Authority (CDA), Land Department
Legal and Regulatory Issues	Navigating through intricacies of land ownership, title transfers, and compliance with zoning and building regulations can be challenging.	Outdated regulations, lack of clarity in legal processes, bureaucratic red tape.	Capital Development Authority (CDA), Building Control Departments
Planning and Development Challenges	Meticulous attention to infrastructure design, utilities provision, and environmental impact mitigation is required.	Limited resources and funding, lack of coordination between government agencies.	Capital Development Authority (CDA), Environmental Protection Agency
Stakeholder Management	Effective communication and engagement with residents, investors, and community representatives to manage expectations and address concerns.	Resistance from local communities, conflicting interests among stakeholders.	Capital Development Authority (CDA), Local Development Authorities
Regulatory	The Capital Development Authority	Bureaucratic inefficiencies,	Capital Development

Compliance: Hurdles and Excessive Regulatory Burden	(CDA) poses delays and complexities in obtaining approvals and NOCs, streamlining processes can improve efficiency.	lack of coordination among regulatory agencies, excessive paperwork requirements.	Authority (CDA), Local Development Authorities
Financing and Funding	Securing sufficient capital for land acquisition, infrastructure development, and marketing activities is a significant challenge for housing societies.	Limited access to financing, high interest rates, uncertainties in the real estate market.	Banks and Financial Institutions, Housing Finance Companies
Marketing and Sales	Developing a compelling value proposition, targeting the right market segments, and executing robust marketing campaigns are crucial for success.	Intense market competition, changing buyer preferences, ineffective marketing strategies.	Marketing and Sales Departments of Housing Societies, Real Estate Agencies

Source: Field Data

Chapter 9

The Cost of Over-Regulations

This chapter analyzes the data gathered through questionnaires in order to understand the challenges faced by housing societies in obtaining approvals from regulatory authorities in Pakistan. Investigating the legal standing of housing societies and the difficulties experienced during the approval processes were the goals of the survey. Depending on the participants' preferences and availability, the surveys were administered both face-to-face and online during the data collection process. The respondents' anonymity and confidentiality were guaranteed throughout the process by ethical considerations. In the parts that follow, the data will be evaluated statistically to provide a thorough knowledge of the challenges that housing societies in Pakistan experience when trying to get regulatory bodies to grant them approvals. The results will help to clarify the complexity that is involved in the approval process and offer useful information for decision-makers, regulatory agencies, and housing society stakeholders looking to simplify processes.

The questionnaire consisted of five sections, each addressing different aspects of the approval process and its implications. Each section provides the average level of stress experienced by developers, the average number of instances where they had to make additional payments beyond the notified fee, and the average frequency of using their links to accomplish tasks.

9.1. Prerequisites of a housing society

The prerequisites of a housing society encompass a range of documents required for obtaining permits, NOCs (No Objection Certificates), and licenses. Developers are heavily burdened by these documentation requirements, which results in increased stress throughout the process. The housing society normally has to obtain a sizable number of licenses, NOCs, and permissions. Numerous issuing agencies, including the Capital Development Authority (CDA), Land Department, and Revenue Department, are involved in these documents. The difficulty of navigating these several organizations and meeting the requirements for the required paperwork increases the stress felt by developers.

Table 9.1.1: Prerequisites for a housing Society

Section 1: Prerequisites for a housing society					
	Scale stress level (Scale from 1 to 5)	Aggregate stress level	Total no. of Documents	Average no. of times Links used to get a job done	Average no. of times paid other than notified fee
Permits Required	4.14	4.156666667	44	More than 5 times	More than 5 times
NOC's Required	4.43				
Licenses Required	3.9				

On a scale from 1 to 5, the average stress level indicated by housing societies in regard to acquiring all the prerequisites is 4.14, which denotes a relatively high degree of stress. 44 different documents are needed in total to obtain all the approvals. These results highlight how complicated and multifaceted the approval processes are that housing societies in Pakistan must go through. The information demonstrates the numerous organizations involved, the lengthy documentation needed, and the difficulties with payment and navigating through several links and sources. In order to enhance the legal status of housing societies in Pakistan, this analysis highlights the necessity of streamlining and simplifying the approval processes, cutting back on bureaucracy, and fostering openness.

9.1.1. Permits

- The housing societies claimed that a total of 16 permissions from different organizations were needed.
- The Capital Development Authority (CDA), Defense Housing Authority (DHA), Land Department, and Revenue Department are among the entities listed as permission issuers.
- There are 18 documents needed in total to secure these permissions.
- Participants claimed that in order to meet the requirements for applying for permissions, they had to use more than five different links or sources.
- Additionally, it was discovered that more than five times payment other than the announced fee was made by the developers to get the job done.

Table 9.1.2: Number of Permits Required

Number of Permits	Issuing Organizations	Number of Documents	Number of Links/Sources	Additional Payments
16	CDA, DHA, Land Dept., Revenue Dept.	18	More than 5	More than 5

9.1.2. NOC's

- According to the survey results, housing societies must acquire a total of 8 NOCs (No Objection Certificates) from various institutions.
- The following entities are listed as NOC issuers: CDA, PakEPA (Pakistan Environmental Protection Agency), RDA (Rawalpindi Development Authority), Public Highway, Highway Authority, and the Revenue Department.
- Participants stated that 16 documents were required to be submitted in order to obtain these NOCs.
- The housing societies used more than five linkages or sources to meet the criteria for getting NOCs.
- It was also made clear that on more than five instances, payment in addition to the announced cost was made by the developers.

Table 9.1.3: Number of NOCs Required

NOCs Required	Number of NOCs	Issuing Organizations	Number of Documents	Number of Links/Sources	Additional Payments
Housing Societies	8	CDA, WAPDA, RDA, Public Highway, Highway Authority, PakEPA, Revenue Dept.	16	More than 5	More than 5

9.1.3. Licenses

- Housing societies reported that nine permissions from various agencies were necessary.
- The Highway Authority, the Revenue Department, T2T, CDA, and WAPDA are among the entities listed as license issuers.

- Participants indicated that ten documents must be submitted in order to apply for these permits.
- Housing societies reported employing 4 different linkages or sources to meet the requirements in the case of licensing.
- Four times, payment other than the indicated fee was made by the developers to get the job done.

Table 9.1.4: Number of Licenses Required

Licenses Required	Number of Licenses	Issuing Organizations	Number of Documents	Number of Links/Sources	Additional Payments
Housing Societies	9	CDA, WAPDA, T2T, Highway Authority, Revenue Dept.	10	4	4

9.2. Construction of a Housing Society

Section two focuses on the construction of the housing society. Participants were asked about the various requirements and steps involved in obtaining permits for construction from the appropriate regulatory bodies. This section aimed to gather information on the specific challenges faced by housing societies during the initial stages of development.

Table 9.2.1: Construction of a housing Society

Section 2: Construction of a Housing Society					
	Scale stress level (Scale from 1 to 5)	Aggregate stress level	Total no. of Documents	Average no. of times Links used to get a job done	Average no. of times paid other than notified fee
Land Required	3.6	4.15	15	More than 5 times	More than 5 times
Certificates Required	4.6				
Affidavits and Legal Documents Required	4.1				
Hiring of a legal person	4.3				

The amount of stress that developers endure when they construct a housing society is influenced by a number of factors. This suggests that the level of stress is moderate. The overall stress level for the housing society's construction process was 4.15, which is moderately high. Developers reported

the need for 15 documents to get the required approvals for the construction process. It was also discovered that developers needed to rely on more than 5 distinct links or sources in order to successfully complete the work and has to pay other than notified fee for more than 5 times to get the work done. This emphasizes how difficult and time-consuming it was to acquire the necessary approvals in the construction process for the housing society.

9.3. Maintenance of a Housing society

The second section of the questionnaire focused on the maintenance component of housing societies. The rules and procedures for maintaining the infrastructure, facilities, and common places in the society were asked about by the participants. Understanding maintenance requirements and any challenges faced gave me important new perspectives on how housing societies operate despite not having all the necessary approvals from the authority.

Table 9.3.1: Construction of a Housing Society

Section 3: Maintenance of a Housing Society					
	Scale stress level (Scale from 1 to 5)	Aggregate stress level	Total no. of Documents	Average no. of times Links used to get a job done	Average no. of times paid other than notified fee
Applied for financial loans	3.7	4.2	48	4.1	3.66
Visits of CDA officials on construction site.	4				
Visits to CDA office	4.6				
Visits to bank	4.4				
Documents required for Renewal	4.4				
Documents Required for renewal of permit, NOCs after two years	4.1				
Documents Required for renewal of permit, NOCs after three years	4.1				
Documents Required for renewal of permit, NOCs for new phase	4.3				

The aggregate stress level for extra-legal housing societies stands at 4.2 on a scale of 1 to 5, indicating a significant impact of sludge-related issues. From the data taken we get to know that, the total number of documents required amounts to 48, highlighting the bureaucratic burden faced

by these societies. On average, developers had to rely on links or alternative resources 4.1 times to complete tasks, underscoring the challenges and inefficiencies caused by sludge-related obstacles. Furthermore, the average number of times payments were made outside of the notified fee is 3.66, suggesting additional financial burdens and unforeseen expenses. The need to apply for financial loans, frequent visits from CDA (Capital Development Authority) officials to construction sites and their office, as well as visits to banks, all point to the complexities and time-consuming nature of the processes involved. Additionally, the various documents required for permit and NOC renewals after two or three years, as well as for new phases, indicate the extensive documentation and regulatory requirements that contribute to the overall burden faced by these housing societies. In summary, the data reflects a considerable impact of sludge on extra-legal housing societies, resulting in bureaucratic challenges, financial strains, and increased stress levels for the stakeholders involved.

Strengthening the human resource capabilities of the Directorate of Housing, CDA, is essential to effectively addressing the difficulties it encounters. The directorate currently has a shortage of human resources that makes it difficult for it to carry out its responsibilities effectively. The directorate's lack of trained workers has negative effects on the timely processing of approvals and causes delays in the execution of housing projects. The insufficient number of inspection teams available to regularly monitor and evaluate housing societies is one particular area of concern. This limitation gives these societies the chance to function without adequate supervision, which could result in violations of regulations. Inadequate inspections can make it difficult to spot and address non-compliance problems, thereby perpetuating substandard practices within these societies.

In order to manage the shortage of field inspectors, the Directorate of Housing, CDA needs to manage recruitment strategies to draw in skilled candidates with pertinent experience in housing management, construction, urban planning, and regulatory compliance in order to manage the lack of field inspectors efficiently. Additionally, by offering thorough training programs to both newly hired and current inspectors, their abilities, knowledge, and comprehension of relevant laws and best practices can all be improved. The directorate's inspection capabilities will be strengthened by this investment in human resource development, which will also make monitoring more efficient and help to quickly identify and address compliance issues.

9.4. Annual visits for Regulatory Compliance

The third part of the questionnaire focused on the yearly visits that housing societies made to regulatory bodies. Participants' experiences during these visits—including their encounters with officials, the documentation requirements, and any challenges they faced—were probed. The purpose of this section was to explain how involved housing societies are with regulatory bodies and the level of stress caused by these regulatory bodies.

Table 9.4.1: Annual Visits to Institutions

Section 4: Annual visits to Institutions				
	Scale stress level (Scale from 1 to 5)	Aggregate stress level	Average no. of times Links used to get a job done	Average no. of times paid other than notified fee
Visits to government offices in last year	4.2	4.1	3.6	3.5
Inspections by government officials	3.7			
Fine paid in last one year	4			
Visit to a legal person/ advisor	4.4			
Visits in court last year	4.2			

The aggregate stress level for extra-legal housing societies because of annual visits to institutions is reported to be 4.1, suggesting a significant impact of sludge-related issues on these entities. The average number of times links or alternative resources were used to accomplish tasks is 3.6, indicating a frequent need to find workarounds or alternative solutions due to obstacles caused by sludge. Similarly, the average number of times payments were made outside of the notified fee is 3.5, highlighting the additional financial burdens faced by these societies. The data further reveals that there were visits to government offices in the last year, indicating the extensive bureaucratic processes and interactions required. Inspections by government officials were also reported, indicating the regulatory scrutiny faced by these housing societies. The fines paid in the last year point to the financial penalties imposed on these entities, contributing to the overall stress levels. Moreover, visits to legal persons or advisors suggest the need for legal guidance and support in navigating the complexities of the system. Lastly, the visits to court in the last year indicate legal

disputes or litigation faced by these housing societies. Overall, the data highlights the significant challenges, both bureaucratic and legal, faced by extra-legal housing societies due to sludge-related issues, resulting in elevated stress levels and the need for alternative solutions and financial adjustments.

9.5. Impact of sludge

The final section of the questionnaire examined how "sludge" affects housing societies. Participants were asked about the impact of the bureaucratic roadblocks, delays, corruption, and other difficulties encountered during the approval process. This section attempted to summarize the effects of sludge on the legitimacy and operation of housing societies.

Table 9.5.1: Impact of Sludge

Section 5: Impact of Sludge				
	Scale stress level (Scale from 1 to 5)	Aggregate stress level	Average no. of times Links used to get a job done	Average no. of times paid other than notified fee
No. of non-operational days due to permit issues	3.9	4.02	3.71	3.4
No. of non-operational days due to NOC's issues	4.3			
No. of non-operational days due to License issues	3.9			
No. of non-operational days due to Bank issues	4			
No. of non-operational days due to cancelled and postponed new investments	4			

Extra-legal housing societies face a significant impact from sludge-related issues, resulting in a high aggregate stress level of 4.02 on a scale of 1 to 5. Developers report an average of 3.71 instances where they had to resort to alternative methods to accomplish their tasks, highlighting the disruption caused by sludge-related challenges. Additionally, the average number of times payments outside of the notified fee were made is 3.4, indicating unexpected financial burdens resulting from these issues. The stress caused by non-operational days due to permit issues is 3.9, suggesting that delays in obtaining necessary permits have hindered the smooth functioning of the housing societies. Similarly, the stress caused by NOC and license issues is reported to be 4.3 and 3.9, respectively, further emphasizing the significant disruptions faced. Furthermore, the stress

caused by bank issues and canceled or postponed new investments is 4 each, underscoring the financial strains and setbacks experienced by these housing societies. Overall, the impact of sludge on extra-legal housing societies is substantial, leading to operational challenges, financial burdens, and elevated stress levels.

9.6. Quantifying the Regulatory Burden

Obtaining a construction permit for a housing society from the Capital Development Authority (CDA) involves a series of steps and a considerable amount of time. The CDA, as the regulatory body responsible for urban planning and development in the area, plays a crucial role in the approval process. The process starts with gathering information and submitting an application and the necessary paperwork to the CDA, followed by a thorough evaluation and review of the proposed construction plans. This evaluation includes assessments of various aspects, such as architectural design, structural integrity, environmental impact, and compliance with relevant regulations and guidelines. To confirm the validity and viability of the planned project, the CDA also carries out site visits and inspections. Given the complexity and meticulousness of the approval process, obtaining a construction permit from the CDA requires patience, adherence to regulations, and effective collaboration between the housing society and the regulatory authority.

The table below provides all the details regarding the required steps and time consumed in obtaining the permit, NOCs, and approvals for a housing society from the Capital Development Authority (CDA).

Table 9.6.1 : Mapping of complete Procedure of getting Approvals

Mapping of the process of getting required NOCs and certificates for a housing society.					
S/no	Steps	Required Documents		Time Taken	
				Overhead Time (in days)	Agency Time (in days)
1	Gather Information			1	
2	Ownership Documents	2.1	Allotment letter of Certificate	54	
		2.2	Possession letter	30	
		2.3	Demarcation Certificate		
3	Documents need to be submitted for the approval of residential and	3.1	A1 form (signed by the owner), A2 form (signed and stamped by registered Architect and Structure	30	45

	commercial building plans.	Engineer with FGEHA)		
		3.2 Attested copies of allotment letter or transfer letter and certificate, possession letter.	54	
		3.3 Original copies of Architecture drawings & Structural drawings.	30	
		3.4 Indemnity bond from owner on stamp paper.	3.5	2
		3.5 Soil investigation report for residential plot.	2	56
		3.6 Certificate of vetting consultants regarding structural stability for commercial buildings.	3	30
		3.7 NOC for basement undertaking on stamp paper from neighboring plots.		
		3.8 Scrutiny fee and other applicable fees.	3.5	
		3.9 Digitally scanned copies of Architectural and Structural drawings on CD along with scanned copies of all documents.	2	
4	Third-party vetting Certificates:	4.1 Soundness and Structural stability certificate of the structure.	3	25
		4.2 Mechanical, Electrical and Plumbing (MEP Certificate)	7	
		4.3 Firefighting Certificate	2	
5	Height Clearance Certificate from Civil Aviation Authority (if in the surrounding of Airport or to achieve maximum height).		3	280
6	Environmental Approval from Pakistan Environmental Protection Agency		15	280
7	NOC from sewerage division		10	7
8	Accounts section Clearance		10	30
9	Building Inspector		10	3
10	Building Inspector Visit			3
11	Report submission by field officer.		60	7
12	Collection of approval certificates		30	20
	Total days		356	788

However According to a recent study of PIDE (Hassan et al., 2021) it is claimed that the:

- The average time taken by CDA for NOC approval is two and half years – from a minimum of 74 days to a maximum of 3460 days (9 and half years).
- The average time for development work after the approval of NOC is 12 years, extending 13 beyond two decades in some cases.

Time analysis of approved housing scheme

Name	Time of NOC (In days)	Time since NOC (In years)
Al-Hamra Avenue	587	13
Anza Zephyr Date Agro Farms	NA	18
Bahria Enclave-II Housing Scheme	955	7
Behria Enclave-II,Phase II, Housing Scheme	1,095	7
Behria Town (Phase VI-E)	1,009	6
Cabinet Division Employees Co-operative Housing Society	105	17
Engineers Housing Scheme	980	11
Gulberg Green Farms Housing Society	244	9
Gulberg Town	399	10
Islamabad Gardens	74	16
Khayaban-e-Kashmir, Phase-i	748	17
Cabinet Division Employees Co-operative Housing Society	105	17
Multi Garden, Phase I	460	13
Naval Anchorage	4,795	16
OPF Housing Scheme	3,460	10
Rahman Enclave Housing Scheme	522	1.5
Zaraj Housing	127	16
CBR Town	826	11
Gulshan-e-Sehat	2,545	11
Multi Garden, Phase II	922	11
Pakistan Navy Farms, Simly Dam Road, Islamabad	NA	28
Average days	915	12

Source: Revised Modalities and Procedures (2020)

The table above compiles information on different housing societies with an emphasis on the period of time needed to get a No Objection Certificate (NOC) from the Capital Development Authority (CDA) and the average amount of time it takes to complete development work after the NOC is authorized. The data in the table, which was taken from the CDA website, provides important details about the timeline for housing development projects.

9.7. Results and Findings

The findings show that it takes the CDA, on average, about two and a half years to approve a NOC. However, it is important to note that the timeframe can vary significantly, as the minimum recorded duration for NOC approval stands at 74 days, while the maximum duration reaches a staggering 3460 days, equivalent to nearly nine and a half years as mentioned in the study conducted by Hassan, L., Chaudhry, A., & Jalil, H. H. (2021).

Once the NOC is obtained, housing societies face an additional period of development work before the projects can be completed. On average, this phase takes around 12 years to finalize. It is worth mentioning that some housing societies experience a significantly longer duration, extending well beyond two decades in getting all necessary approvals as briefly discussed in PIDE Sludge Audit. These extensive development timelines highlight the intricate nature of infrastructure projects and the challenges involved in transforming land into fully functional residential areas.

The gathered information demonstrates the significant time commitment needed for housing development projects, considering both the NOC approval procedure and the subsequent development work. For those involved in the conception and implementation of housing societies, these timelines are essential points of reference. Stakeholders can more effectively manage expectations, arrange resources, and navigate the regulatory processes involved in housing development by comprehending the average durations and ranges shown in the table.

Information Asymmetry

A key conclusion involving housing society developers has been made after careful study of the obtained data and comparison with related data from other sources. These developers don't seem to be aware of the procedures and approvals needed for their projects, which suggests a lack of information. This finding supports the claim of asymmetric information in the housing society development process as mentioned in the study of Hassan, L., Chaudhry, A., & Jalil, H. H. (2021). Asymmetric information is a situation where one party to a transaction has more knowledge or information than the other party, which can affect how decisions are made. In the context of housing society development, this lack of knowledge and information on the part of developers results in delays, inefficiencies, and non-compliance with regulations. Such information

asymmetry results in increased stress levels, financial constraints, and potential confrontations with regulatory bodies, all of which can be detrimental to the development process as a whole.

Additionally, failing to comply with pertinent norms and guidelines can occur from ignorance of the approvals that are required. In addition to impeding the housing society's advancement, this non-compliance exposes the developer to fines, penalties, and other legal repercussions. Additionally, lack of information about the necessary methods might result in inefficiencies and add to the developers' financial responsibilities because they may have to fix mistakes or make costly revisions later in the development process.

Price differences between legal, extra-legal, and illegal housing societies:

One important finding in the housing market is the significant price difference between legal, extra-legal, and illegal housing societies. According to our data statistics, there exists a significant difference in the prices among housing societies based on their legal status. Legal housing societies stand only at 63 whereas the total number of illegal and extra-legal housing societies is 146 societies. Commercial and residential prices in legal societies are notably 80% more expensive compared to extra-legal and illegal counterparts. This data sheds light on a concerning trend where extra-legal and illegal housing societies are growing at an alarming rate due to government inaction. The higher frequency of these societies signals to the common man that the government is unlikely to take decisive measures, fueling their inclination to invest in these societies. The allure of windfall gains and profits serves as a driving force, enticing buyers with the prospect of acquiring properties at lower prices in the present and reaping substantial profits in the future when these societies eventually become legalized. The table and graph below clearly depict the current price situation in housing markets.

Table 9.7.1: Current price (in rupees) situation of Housing Market

	Legal	Extra-legal	Illegal
Residential	230926.7767	43141.95808	14720.77715
Commercial	38669.99051	23326.70438	7461.511734

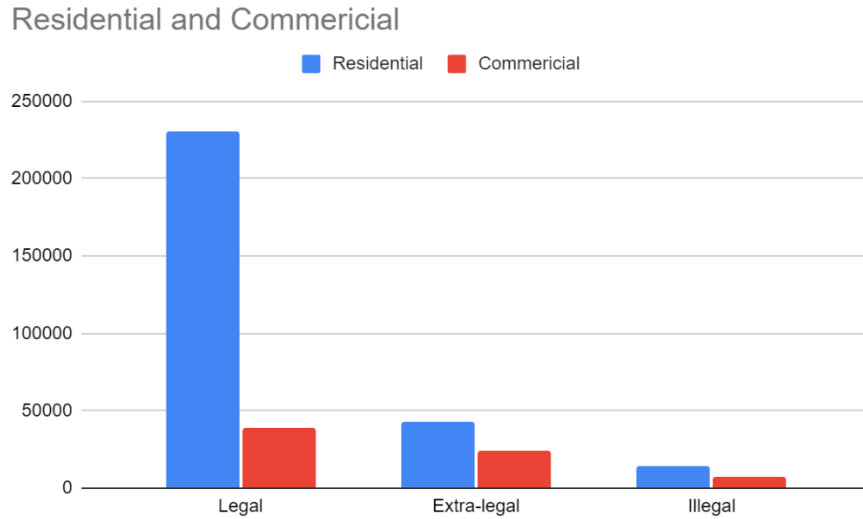


Figure 9.7.1: Graphical Illustration of Average Per Square Feet price in Legal and Not legal Societies

The High growth of extra-legal and illegal housing societies is a clear sign of government inaction. The fact that the proliferation of these societies at an alarming pace over time suggests that the government has been unable to effectively regulate and enforce laws pertaining to housing development. Because of the absence of control, developers can operate in a situation where they can largely ignore the rules and regulations of the law.

The perception of the common people is significantly impacted by this circumstance. The prevalence of these extra-legal and illegal housing societies sends a signal that the government is unlikely to take any substantial action against them over the period of time. However, this perception of governmental inaction becomes a motivating factor for potential buyers, who see an opportunity to invest in these societies at lower prices.

The expectation of unexpected benefits and profits serves as the main motivation for investing in these societies. Buyers are enticed by the prospect of purchasing properties at lower rates in the present, with the anticipation that these societies will eventually be legalized. Upon legalization, the prices of properties in these societies are expected to skyrocket, resulting in substantial windfall gains for those who invested early. Investment in extra-legal and illegal housing societies is significantly influenced by this possibility of windfall gains. Due to the possibility of receiving significant profits on their investments in the future, buyers are willing to overlook the legal and regulatory risks associated with these societies. This situation emphasizes the necessity for strong

government regulation and action to promote honest and open procedures in the housing market, safeguarding both buyers' interests and the stability of the entire housing market.

9.8. Economic Value of the Issue

The issue pertaining to extra-legal and illegal housing societies has substantial impact on the economy that beyond the immediate considerations of regulatory adherence and urban development. A comprehensive comprehension of the economic aspects pertaining to this matter is vital for evaluating the extent to which prospective resolutions may foster a nation's economic growth and general welfare.

Lost tax revenue may occur when extra-legal and illegal housing societies engage in practices that enable them to dodge or incompletely fulfill their tax obligations. Consequently, there is a significant reduction in tax income incurred by the government. When these societies fail to provide an equitable portion, it imposes a greater tax burden on lawful enterprises and taxpayers. The resolution of this matter and the enforcement of tax compliance may enhance government income, which can subsequently be allocated towards the improvement of public services and infrastructure.

The presence of a substantial unregulated housing sector adds to the informal economy, characterized by economic activities that operate beyond the bounds of legal regulations and taxation. The expansion of the formal sector may be impeded by this phenomenon, since informal enterprises sometimes operate without undergoing the same degree of inspection, adhering to safety regulations, or having access to financial resources. The legalization and regulation of these activities have the potential to integrate them into the official economy, therefore augmenting economic production and stability.

The existence of informal housing associations may have a distorting effect on property prices. Legal purchasers and sellers may encounter competition from illicit businesses that are able to provide properties at reduced rates by evading taxes and circumventing restrictions. This phenomenon has the potential to generate market distortions and have a lasting influence on property prices. Examining this matter has the potential to foster a heightened level of transparency and stability within the property market.

Investor confidence is often seen as a significant gauge of economic well-being, with a flourishing real estate industry serving as a pivotal signal in this regard. The establishment of investor confidence plays a pivotal role in the attraction of both local and international investments. The presence of illicit and extralegal activity inside housing markets has the potential to undermine investor confidence. The implementation of efficient measures to regulate and oversee the housing industry has the potential to enhance investor trust, hence fostering more investments in the real estate market and its associated businesses.

The implementation of legalization and regulation measures within the housing industry has the potential to foster employment growth. Formal housing developments need the use of proficient workforce, resources, and amenities, hence creating avenues for employment. The presence of a dynamic housing sector may further serve as a catalyst for stimulating other businesses, like construction, manufacturing, and finance, therefore making a further contribution to overall economic development.

The regulatory requirements imposed on housing societies often include measures pertaining to the construction and upkeep of infrastructure. Housing societies of a legal nature often engage in the provision of financial resources towards the establishment and upkeep of road infrastructure, sewage systems, and communal areas. The improvement in people's quality of life is accompanied by the enhancement of general infrastructure, a crucial factor for facilitating economic development.

Chapter: 10

Proposing a Way Forward

In recent years, the issue of unregulated housing societies, commonly known as extra-legal housing developments, has emerged as a significant concern. These housing societies operate outside the boundaries of established legal frameworks, leading to fraudulent practices and other problems. To tackle this pressing challenge and bring stability to the housing sector, it is essential to adopt a comprehensive approach. This chapter presents a set of recommendations that cover various aspects, including marketing regulations, specialized oversight units, adherence to development plans, compliance with vertical housing standards, digitalization, streamlined processes, and the emergence of a culture of imposing fines. By implementing these measures, it is expected that the rapid growth of extra-legal housing societies can be curbed, and the housing sector can be effectively regulated to ensure the provision of lawful and secure housing for all individuals.

10.1. No Marketing without Plotting

In the context of real estate “plot” is referred to as a physical piece of residential or commercial land intended to be owned by an individual or legal body. It is properly numbered, physically marked, and mapped out in a particular housing society recognized by governing authorities. Prospective buyers can properly visit the plot site before making an investment, and it has a specific existence. Whereas, in a housing society or real estate project, "plotting" refers to the method used by developers to divide land into individual plots. This entails defining the boundaries of the plots inside the defined region and numbering and mapping them. Upon completion of the plotting procedure, the plots take on a tangible identity and are accessible to potential buyers.

On the other hand, a "plot file" is a documented pledge to purchase property as part of an established or proposed housing society or program. It is not acknowledged or certified by local developmental authority, nor does it have a physical existence. The relevant housing society or real estate project assigns a specific number to plot files before turning them into real plots through a balloting process. Plot files frequently cost less than actual plots and typically have less legal requirements for ownership. However, in many cases, development authorities are not monitoring their sale and acquisition.

Plot file culture's prevalence in Islamabad has played a role in the expansion of several not legal societies. The issue arises because developers or real estate firms do not require an initial investment of millions for proper plotting when engaging in the buying and selling of plot files. Instead, they generate the necessary funds for plotting after selling these files. As a result, individuals or groups can purchase undeveloped land and based on the sale of plot files, establish housing societies without proper accountability.

According to the CDA (Capital Development Authority) statute regarding advertising following plotting, it is mandated that developers cannot advertise their housing society until the plotting process has been completed. By prohibiting early advertising or selling of a society before the plots are formally marked and prepared for possession, this law ensures accountability. It allows for proper monitoring and verification by the authorities before potential buyers are attracted to invest in the housing society. Strict implementation of this statute will ensure that real estate firms willing to make the initial investments for plotting can enter the market. It also helps to reduce the number of these not legal societies and prevents their further growth.

By implementing this rule, several positive outcomes can be expected:

- **Accountability:** By requiring proper plotting prior to advertising, we can be sure that developers will be responsible for completing the required groundwork and initial infrastructure development. This encourages responsibility because they are held accountable for keeping their word to customers and abiding by the law. This will also help CDA in keeping the proper track of the development work done as per the regulations.
- **Investor Protection:** This rule benefits buyers and investors by giving them more confidence that the projects they are investing in are legitimate and in compliance with the law. Instead of relying on speculative plot files, they can make decisions based on the actual physical plots and infrastructure.
- **Reduction in Illegal Societies:** It is anticipated that by enforcing this rule, the number of not legal societies will decline. The fact that only developers ready to make the initial infrastructure and planning investments will be permitted to advertise their projects serves as a barrier for unscrupulous individuals or groups trying to start societies without the necessary authorization.
- **Market Stability:** Encouraging reputable real estate companies that are prepared to make the financial investments required for initial plotting will encourage market stability. It

promotes healthy competition and prevents the expansion of fly-by-night groups that trade speculative plot files without making the necessary development work.

In an ideal scenario, the CDA would actively enforce rules that forbid housing societies from publishing advertisements prior to completing the plotting process. But the case is totally opposite here and gives rise to a number of questions like, where is CDA in all this scenario? Why CDA is in-active, and developers are allowed to advertise before proper plotting? By strictly implementing the statute, the CDA can ensure that developers fulfill their obligations and protect the interests of potential buyers. To address these challenges, it is important for the CDA to strengthen its regulatory capacity, enhance monitoring mechanisms, and take strict action against those who violate the regulations. This can involve conducting regular inspections, imposing penalties on non-compliant developers, and raising awareness among potential buyers about the risks associated with investing in unauthorized housing societies or plot files.

10.2. Establishing a special unit for Housing societies

Another measure to deal with the problems experienced by tenants of illegal housing societies is to create a specialized unit under the Capital Development Authority (CDA) that deals with housing societies only. Such a unit would be entirely responsible for housing society issues, making it possible to resolve associated problems more speedily and successfully.

The specialized unit could be responsible for handling a range of tasks, including:

The specialized unit may be in charge of a variety of jobs, such as:

- **Regular Inspections:** The unit can do routine inspections of housing societies to check for regulatory compliance, confirm the status of construction projects, and spot any potential flaws or violations.
- **Streamlining Approvals:** The specialist unit can speed up the process of acquiring pending approvals in the case of extra-legal housing societies where a sizable amount of the development work has already been finished. In order to regularize society and address any unresolved concerns, this would entail assessing the infrastructure, documentation, and compliance with necessary standards that are currently in place.
- **Information and Assistance:** The specialist unit can serve as residents' main point of contact, giving information, advice, and assistance on the rules, rights, and obligations that

come with living in a housing society. In addition to increasing openness, this would guarantee that tenants have access to the resources and assistance they need.

This proactive approach would enable the CDA to streamline processes, expedite approvals, and provide a structured framework for addressing the specific issues that arise within housing societies.

10.3. Stick to the Plan, No Extension

Another option for addressing the problems with extra-legal housing societies is to enforce strict adherence to the initial plan without granting extensions to housing societies. The Capital Development Authority (CDA) will be able to help in preventing the growth of not legal housing societies and fostering accountability by implementing a rule that restricts further land acquisition for development beyond the initially approved area.

By giving developers specific requirements and limits, the no extension rule promotes transparency. The no extension rule provides developers with precise instructions on how to adhere to the permitted limitations and borders of the housing society. Developers will be aware that any attempts to acquire additional land or extend the society without proper authorization would be a violation of the rule. This helps curb the growth of unauthorized housing societies and promotes responsible development practices.

The no extension rule enables the relevant authorities, such as the Capital Development Authority (CDA), to effectively monitor and oversee the development activities in these housing societies. With clear boundaries and limits, it becomes easier to assess and evaluate the progress of the project, ensuring that it aligns with the approved plan. This monitoring process enhances transparency and accountability, preventing unauthorized activities or deviations from the original plan.

10.4. Legally Binding the Housing Societies for Vertical Housing

A viable long-term option for preventing the expansion of non-legal housing societies in Islamabad is Implementing a certain percentage of land cover in housing societies dedicated to high-rise buildings, along with minimum and maximum height rules.

Firstly, it will allow for controlled development within housing societies by stipulating a specific percentage of land cover for high-rise buildings. This ensures that growth is planned and avoids haphazard and unplanned construction activities.

Secondly, encouraging vertical expansion through high-rise buildings maximizes land use without encroaching on undeveloped areas or requiring additional land acquisition. By utilizing the vertical space, housing societies can accommodate more residents and provide a variety of amenities within a smaller footprint.

Thirdly, designating a certain percentage of land for high-rise development helps preserve green spaces and open areas within housing societies. This contributes to a more sustainable and environmentally friendly urban landscape, allowing residents to enjoy parks, gardens, and recreational spaces.

10.5. Digitalization is the Key

Digitalizing the procedure is one essential suggestion for tackling the issues faced by extra-legal housing groups. Housing society development can change dramatically by integrating digital technologies, moving in the direction of more effectiveness, openness, and accessibility. The numerous phases of the development process, from permit applications and documentation to communication with regulatory agencies and stakeholders, can be streamlined through the use of digital technology.

By implementing a digital platform, the application procedure for permits can significantly simplify and expedite the process. It would be possible for developers to submit their applications online along with the necessary supporting documentation, eliminating the requirement for physical paperwork and human processing. To minimize errors and omissions, this digital platform may feature automated validation checks to guarantee that all relevant information is delivered. Additionally, it can offer a centralized repository for document access and storage, enabling simple document retrieval and obviating the possibility of misplaced or lost paperwork.

Transparency and efficiency would also increase if regulatory agencies and housing society developers communicated digitally. For the purpose of facilitating real-time updates, requests, and responses, online portals or specialized communication platforms can be built. This would make it possible for developers to see exactly how their applications are progressing, as well as receive timely feedback or requests for additional information from regulatory authorities. Such open and

efficient channels of communication can boost confidence, shorten wait times, and guarantee more effective cooperation between developers and regulatory agencies.

Digitalization can also make it easier to integrate mapping and geospatial data, which will improve the planning and oversight of housing society projects. Land use, infrastructure development, and environmental factors can all be better understood with the help of satellite imagery, geolocation information, and digital mapping technologies. This would aid in evaluating projects' viability, spotting possible problems, and guaranteeing adherence to zoning laws and environmental standards.

In addition to process efficiency, digitalization offers the opportunity to improve access to information and awareness among housing society developers. Online resources can include comprehensive instructions, checklists, and frequently asked questions (FAQs) explaining the required steps, approvals, and compliance needs. This readily available information would empower developers with the knowledge needed to navigate the complex regulatory landscape more effectively, reducing the information asymmetry mentioned earlier.

In conclusion, digitalizing the process of extra-legal housing society development holds immense potential for enhancing efficiency, transparency, and information accessibility. Developers of housing societies can better negotiate the regulatory environment, shorten wait times, and guarantee regulatory compliance by utilizing digital technologies. Simultaneously, regulatory authorities can benefit from streamlined processes, improved communication, and better data-driven decision-making. Ultimately, digitalization can contribute to a more transparent, accountable, and sustainable housing society development sector.

10.6. Plug-in One Window System

The development of a single-window system for acquiring approvals is another important suggestion. This approach aims to simplify the regulatory process by consolidating the interactions between developers and multiple government agencies into a centralized and coordinated system. By creating a single point of contact, developers would no longer need to navigate through various agencies separately, streamlining the approval process and reducing bureaucratic hurdles.

It is proposed that the responsibility for obtaining all necessary approvals from various regulatory authorities, such as the Civil Aviation Authority and Environmental Protection Agency, should lie with the Capital Development Authority (CDA). Under this system, it would be the duty of the

CDA to ensure that all required permits, approvals, and No Objection Certificates (NOCs) are obtained from relevant authorities. To achieve this, developers or consumers would be required to submit all the necessary documentation for permits, approvals, and NOCs to a single-window system managed by the CDA. The coordination among different authorities would be crucial in streamlining the process.

By implementing a single-window system, several benefits can be realized. Firstly, it would drastically cut down on the time and expense involved in getting approvals. Developers wouldn't have to deal with numerous agencies, which frequently causes delays and raises costs. Instead, they would have a single platform where all the necessary information could be submitted, doing away with the need for extra paperwork and frequent trips to various offices.

The single-window system would also streamline the approval procedure and increase transparency. Developers and consumers would have a clear understanding of where to submit their documentation and could track the progress of their applications through the single-window system. This would promote accountability and ensure that the necessary approvals are obtained in a timely manner. By using this strategy, developers would streamline the entire process while also saving time and money on the approvals process. Developers wouldn't have to navigate many agencies and bureaucratic procedures if they could submit all the required paperwork through one window and then receive all the permissions from that same window.

10.6. The Unusual Emergence of Fine Culture

A significant recommendation to address the issue of the existence of extra-legal housing societies is to address the fine culture that prevails among developers and consumers. It is essential to put policies in place that deter people from preferring to pay penalties rather than acquiring the required approvals and following the rules. One strategy is to make it financially costly for developers and customers to choose to pay fines instead of adhering to the correct legal procedures by enacting stricter penalties for non-compliance. Additionally, awareness campaigns can be started to inform consumers and developers about the long-term advantages of obtaining permissions and adhering to regulations while highlighting the possible hazards and repercussions of engaging in illegal methods. It is possible to lessen the frequency of non-legal housing societies and persuade stakeholders to prioritize obtaining the required approvals overpaying fines by creating a deterrent impact and encouraging a culture of compliance.

10.7. Revisiting research questions in the light of results and Articulating results with policy recommendations

Research Question 1: What role do key factors such as information asymmetry, regulatory burden, and sludge play in the emergence and mushrooming of extra-legal housing societies, and how do these factors individually and collectively influence the formation and growth of such societies?

Results: The research findings reveal that information asymmetry is a significant factor contributing to the emergence and growth of extra-legal housing societies. Developers often lack awareness of the necessary approvals and procedures, leading to delays, non-compliance with regulations, and potential financial burdens. Regulatory burden, as evidenced by lengthy approval processes, also plays a critical role in the proliferation of these societies. Additionally, the lack of efficient regulatory mechanisms (sludge) has allowed extra-legal and illegal societies to thrive.

Policy Recommendation: Addressing information asymmetry is essential. Government bodies should consider initiatives to educate developers on necessary approvals and procedures. Streamlining and expediting the approval process, possibly through a single-window system and by establishing a special unit for housing societies, could significantly reduce the regulatory burden. Moreover, enhancing regulatory enforcement and digitalization of the process can also help in minimizing the growth of extra-legal housing societies

Research Question 2: How do extra-legal housing societies function as alternatives within the context of housing market failures, and what advantages do they provide to the consumers?

Results: Extra-legal housing societies have emerged as alternatives within a housing market plagued by government inaction and delays in giving approvals. These societies offer consumers the allure of lower property prices as shown in table 9.7.1 and the expectation of substantial future profits upon legalization.

Policy Recommendation: To address the growth of extra-legal housing societies, the government should take decisive measures to regulate and enforce laws related to housing development. Stronger regulation and putting policies in place to control the unusual emergence of fine culture can help in discouraging the growth of these societies due to the risks associated with non-compliance and promote honest and open procedures in the housing market.

Research Question 3: What are the potential strategies and solutions that can be formulated to empower consumers in effectively addressing extra-legal and illegal housing societies, with the objective of mitigating their growth and prevalence?

Results: The findings underscore the need to ensure the awareness of the risks associated with extra-legal and illegal housing societies. Moreover, the significant delay and sludge are also playing a significant role in growth of these societies. Investors are motivated by the prospect of windfall gains, which fuels investment in these societies despite the legal and regulatory risks.

To mitigate the growth of extra-legal and illegal housing societies, a multifaceted approach is recommended. Firstly, strict enforcement of the "No Marketing without Plotting" rule is crucial to instill confidence in potential buyers by ensuring that developers cannot advertise their housing societies until the plotting process is completed. Enforcing adherence to the initial plan without granting extensions prevents the expansion of extra-legal and illegal housing societies, promoting responsible development practices. Implementing a policy for legally binding housing societies for vertical housing encourages controlled development and maximizes land use. Finally, offering incentives for investment in legal housing societies, such as reduced taxes or expedited approvals, can make legal options more attractive to consumers and developers, reducing the appeal of extra-legal and illegal alternatives. This comprehensive strategy addresses both consumer awareness and regulatory measures to create a more transparent and accountable housing market.

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|ANNEX-A|

DEVISING A WAY OUT FOR THE TENANTS OF ISLAMABA'S EXTRA-LEGAL HOUSING SOCIETIES VIS-A-VIS MARKET/STATE FAILURE

INTERVIEW GUIDE

RESPONDENT INFORMATION

Name: _____

Organization/institution: _____

Designation: _____

INTERVIEWER INFORMATION

**Date of interview
(DD/MM/YY):** _____

Interview timing: _____

Data Collection method:

1. Audio Recording
2. Field Notes
3. Both

Respected Sir/Ma'am, I am conducting a study on the topic of "Devising a way out for the tenants of Islamabad's Extra-Legal Housing Societies Vis-a-Vis Market/State Failure". The study aims to explore that how information asymmetry, regulatory burden, and sludge affects the growth of extra-legal housing societies. So, hereby, I require your cooperation to spare sometime for a personal interview with me in connection with my research project.

Implication of Sludge

1. What is the status of your housing society?
2. If its legal or extra-legal, which NOC or document is missing?
3. Which steps are most frustrating to compliance with the procedure? What are your views on the cost of compliance?
4. What are the main problems you have to face from starting a housing society to end of its construction?
5. What are the penalties you are having on being Illegal or Illegal?
6. What CDA is penalizing you?
7. What are the problems you have faced while procuring funds and advertising your housing Society.
8. What is the effect of being illegal or extra-legal on the pricing as compared to market prices?
9. We have a lot of illegal and extra-legal housing societies in Islamabad. Whose fault is this the developers or the CDA?
10. What about the housing society culture in our country? (Although it is generally believed that the concept of housing societies doesn't exist in other parts of world but, they are mushrooming here. What are the causes?)

Expected Solutions:

- 1- What are the challenges in registering a housing society in Islamabad?
- 2- What are the international practices of registration of housing societies which you feel should be incorporated here? Do you feel like there is a need to reform the system and should some be removed?
- 3- If yes, then which reform you want to offer to government? What would it be?
- 4- Are there any specific existing laws or NOCs that need to be revised?
- 5- What kind of facilitation do you require from the government side?
- 6- What is the solution in your point of view?

[ANNEXE B]

QUESTIONNAIRE

This survey is conducted to understand the sludge faced by housing societies to be considered legal in Pakistan.

As the objective of the survey is to ask about the legal status of housing societies, we kindly ask you to answer from the local subsidiary’s point of view.

No individual housing society information will be publicized as your answers will be dealt with as statistical figures.

Name: _____

Contact: _____

Date: _____

Housing Society Name	
Year Established	
Status	

Question 1: How many permits do you require for approval of your housing society _____					
Name the organizations from which permits are required:					
Number of documents Require for the permits _____					
How many times you have used your links to get a job done _____					
How many times you are asked to pay other than notified fee to get a job done _____					
Scale stress from 1 to 5	1	2	3	4	5

Question 2: How many NOCs do you require for approval of your housing society _____					
Name the organizations from which NOCs are required:					

Number of documents Require for the NOC _____					
Question 3: How many Licenses do you require for starting your housing society _____					
Name the governmental organizations from which Licenses are required:					
Number of documents Require for the Licenses _____					
How many times you have used your links to get a job done _____					
How many times you are asked to pay other than notified fee to get a job done _____					
Scale stress from 1 to 5	1	2	3	4	5
How many times you are asked to pay other than notified fee to get a job done _____					
Scale stress from 1 to 5	1	2	3	4	5

Section 1: Construction of a housing society

Question 4: How much minimum land do you require for construction of a housing Society: _____					
Name the organizations you visited to buy or rent land					
Number of documents require _____					
How many times you have used your links to get a job done. _____					
How many times you are asked to pay other than notified fee to get a job done _____					
Scale stress from 1 to 5	1	2	3	4	5
Question 5: How many certificates do you require _____					
Name the organization from which registration require					
How many times you have used your links to get a job done _____					
0	1	2	3	4	More then 5
How many times you are asked to pay other than notified fee to get a job done: _____					
Question 6: How many Affidavits / Legal documents require _____					
How many times you have used your links to get a job done. _____					
How many times you are asked to pay other than notified fee to get a job done _____					
Scale stress from 1 to 5	1	2	3	4	5
Question 7: How many times you have to hire a legal person for legal advice?					
How many times you have used your links to get a job done. _____					
How many times you are asked to pay other than notified fee to get a job done					
Scale stress from 1 to 5	1	2	3	4	5

Section 2: Maintenance of a housing society

Question 9: Have you ever applied for financial loans? No						Yes /
Scale stress from 1 to 5	1	2	3	4	5	
Question 10: How many documents require for loan application						
Scale stress from 1 to 5	1	2	3	4	5	
Question 11: How many times do CDA officials visit your Housing society/ construction site.						
How many times you have used your links to get a job done. _____						
How many times you are asked to pay other than notified fee to get a job done _____						
Scale stress from 1 to 5	1	2	3	4	5	
Question 12: How many times have you have visited CDA office. _____						
How many times you have used your links to get a job done. _____						
How many times you are asked to pay other than notified fee to get a job done _____						
Scale stress from 1 to 5	1	2	3	4	5	
Question 13: How many times have you visited bank for the work related to your housing society.						
How many times you have used your links to get a job done. _____						
How many times you are asked to pay other than notified fee to get a job done _____						
Scale stress from 1 to 5	1	2	3	4	5	
How many times you have used your links to get a job done. _____						
How many times you are asked to pay other than notified fee to get a job done _____						

Scale stress from 1 to 5	1	2	3	4	5
Question 14: Renewal of permit, NOC's every year (New Phase) _____					
How many times you have used your links to get a job done_____					

Question 16: Renewal of permit, NOCs after two years __					
How many times you have used your links to get a job done._____					
How many times you are asked to pay other than notified fee to get a job done__					
Scale stress from 1 to 5	1	2	3	4	5
Question 17 Renewal of permit, NOC's third year _					
How many times you have used your links to get a job done._____					
How many times you are asked to pay other than notified fee to get a job done__					
Scale stress from 1 to 5	1	2	3	4	5
Question 18: Renewal of permit, NOC's five year _____					
How many times you have used your links to get a job done_____					
How many times you are asked to pay other than notified fee to get a job done__					
Scale stress from 1 to 5	1	2	3	4	5

Section 3: Annual Visit to Institutions

Question 19: How many times you have visited any government office in last year_					
How many times you have used your links to get a job done					
Question 21: How many times government officers have visited the housing society for inspection					
How many times you have used your links to get a job done					
How many times you are asked to pay other than notified fee to get a job done					
Scale stress from 1 to 5	1	2	3	4	5
Question 22: How many times have you paid fines in last year.					
How many times you have used your links to get a job done.					
How many times you are asked to pay other than notified fee to get a job done					
Scale stress from 1 to 5	1	2	3	4	5
Question 23: How many times you visited bank for your housing society in last year					
How many times you have used your links to get a job done.					
0	1	2	3	4	> 5
How many times you are asked to pay other than notified fee to get a job done					
Scale stress from 1 to 5	1	2	3	4	5
Question 24: How many times you visited legal person in last year					
How many times you have used your links to get a job done					
0	1	2	3	4	> 5

How many times you are asked to pay other than notified fee to get a job done					
Scale stress from 1 to 5	1	2	3	4	5
Question 25: How many times you visited courts in last year					
How many times you have used your links to get a job done					
How many times you are asked to pay other than notified fee to get a job done.					
Scale stress from 1 to 5	1	2	3	4	5

Section 4: impact of sludge and countermeasures

Question 26: How many days you were non-operational due to permit issues _____					
How many times you have used your links to get permit					
How many times you are asked to pay other than notified fee to get a to get permit					
Scale stress from 1 to 5	1	2	3	4	5
Question 27: How many days you were non-operational due to NOC _____					
How many times you have used your links to					
How many times you are asked to pay other than notified fee to get a to get NOC					
Scale stress from 1 to 5	1	2	3	4	5
Question 28: How many days you were non-operational due to License _____					
How many times you have used your links to get permit					
How many times you are asked to pay other than notified fee to get a to get permit					
Scale stress from 1 to 5	1	2	3	4	5
Question 29: How many days you were non-operational due to Bank _____					
How many times you have used your links to get a job done					
How many times you are asked to pay other than notified fee to get a to get a job done					

Scale stress from 1 to 5	1	2	3	4	5
Question 30: How many days you were non-operational due to cancel or postpone new investment _____					
How many times you have used your links to get a job done					
How many times you are asked to pay other than notified fee to get a to get a job done					
Scale stress from 1 to 5	1	2	3	4	5
Question 31: How many days you were non-operational due to Ban/restriction					
How many times you have used your links to get a job done					
How many times you are asked to pay other than notified fee to get a to get a job done					
Scale stress from 1 to 5	1	2	3	4	5

Thank you for your time.

[ANNEX-C]

List of Extra-legal Housing Societies Islamabad

S/No	Housing Society	Zone	Status	Approved Document
1	AGOCHS, Phase-I	ZONE 5	Extra-Legal	NOC
2	Al-Hamra Avenue	ZONE 5	Extra-Legal	NOC
3	Al-Hamra Hills Agro Farming Scheme	ZONE 4	Extra-Legal	NOC
4	Al-Makkah City	ZONE 5	Extra-Legal	NOC
5	Army Welfare Trust	Specified area (outside capital limits)	Extra-Legal	NOC
6	Bahria Enclave Phase-I Housing Scheme	ZONE 4	Extra-Legal	NOC
7	Bahria Garden City	ZONE 5	Extra-Legal	NOC
8	Bahria Town (Phase-III-E & IV)	ZONE 5	Extra-Legal	NOC
9	Bahria Town, Phase VII	ZONE 5	Extra-Legal	NOC
10	Capital Enclave	Zone 5	Extra-Legal	NOC
11	Engineers Co-operative	Specified area (outside capital limits)	Extra-Legal	NOC
12	Federal Government Employees Housing Foundation (FGEHF)	ZONE 4	Extra-Legal	NOC
13	Federation of Employees	E-11	Extra-Legal	NOC
14	FIA Park Enclave Housing Scheme	ZONE 4	Extra-Legal	NOC
15	Gulshan-e-Rabia	Zone 5	Extra-Legal	LOP
16	Gulshan-e-Sehat	Specified area (outside capital limits)	Extra-Legal	LOP
17	Islamabad Model Town	ZONE 4	Extra-Legal	LOP
18	Jinnah Garden, Phase-I	ZONE 5	Extra-Legal	LOP
19	Jinnah Garden, Phase-II	ZONE 5	Extra-Legal	LOP
20	Jinnah Town	ZONE 5	Extra-Legal	LOP
21	Kashmir Gardens Farming Scheme	ZONE 4	Extra-Legal	LOP
22	Khayaban-e-Kashmir, Phase (Extension)	ZONE 2	Extra-Legal	LOP
23	Khayaban-e-Kashmir, Phase-II	ZONE 5	Extra-Legal	LOP
24	Margalla View Housing Scheme	ZONE 2	Extra-Legal	LOP
25	Morgah City	ZONE 5	Extra-Legal	LOP

26	National Assembly Employees Cooperative Housing Society (NAECHS)	Zone 5	Extra-Legal	LOP
27	National Police Foundation	E-11	Extra-Legal	LOP
28	New Islamabad Garden	Zone 2	Extra-Legal	LOP
29	Pakistan Medical Cooperative Housing Scheme	E-11	Extra-Legal	LOP
30	Park View City Housing Scheme	Zone 4	Extra-Legal	CANCELLED
31	Parliamentarians Enclave	Zone 5	Extra-Legal	CANCELLED
32	River Garden	Zone 5	Extra-Legal	LOP
33	Roshan Pakistan (RP) Corporation Housing Scheme	zone 2, E-16	Extra-Legal	LOP
34	Services Co-operative Housing Society	E-11	Extra-Legal	CANCELLED
35	Soan Gardens	ZONE 5	Extra-Legal	LOP
36	WWF Labor Colony	ZONE 5	Extra-Legal	LOP

Source: Capital Development Authority