

Urban Bulletin

**Determinants of Slums in Islamabad
A Philosophical Approach**

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Abstract

One of the issues of large cities, in general, and Islamabad in particular is slums (Kachi Abadis). According to Capital Development Authority CDA, there are about 52 kachi abadis in Islamabad, out of which it recognises only 10. The population of these slums exceeds 100,000. We find considerable literature about the determinants of slums from various resources. This paper aims to contribute in the available knowledge by examining the determinants of slums in large cities, in general, and Islamabad in particular through a philosophical approach.

The paper assumes that the creation of slums in modern world is a natural outcome (by-product or negative externality) of the conventional philosophy of maximisation. We know that all subjects of social sciences in general and economics, in particular are based on the philosophy of maximisation of private gains. This philosophy of optimisation has led to the creation of various institutions such as banks and investment corporations whose main job is to maximise the profits. The study hypothesises that this philosophy of maximisation has left the provision of houses to the market forces. While the market forces are efficient in the provision of houses to the higher segment of society, however, is inefficient and badly fails to launch even a scheme of affordable houses for the lower segment of society.

It provides a case study of Centaurus in Islamabad, as is evident, in support of the hypothesis. The study shows that the philosophy of maximisation helps the planner of Centaurus project in Islamabad to attract billions from market and serve the rich. However, a plan of affordable houses is less likely to attract investments from markets. This is in spite of the fact that housing shortfall is currently estimated at over 10 million units across country. Based on the case study of Centaurus in Islamabad, the study claims that without giving up the philosophy of maximisation, we might not be able to solve the issue of the creation of slums in Islamabad and elsewhere.

Keywords: Slums, Affordable Houses, market failure

Introduction

Every society is bestowed with economic resources for the fulfilment of its needs. It is the responsibility of a society to match the resources with the needs in a way to ensure the provision of basic needs (food, shelter, education, health etc.) to all people. The question remains how to match resources with needs in an efficient way. In this regard, three systems provide answer of the above question. Each system claims that if resources are allocated per its prescription, the outcome will be efficient. In other words each system takes the prerogative that if resources are allowed to be allocated according its doctrines, then the needs of people within an economy will be satisfied. These three systems are Capitalism, Socialism and Islam. Capitalism or market economy is based on the philosophy of individual freedom. Socialism or command economy is based on the philosophy of freedom of government and restricted individual freedom. Islam is based on the concept of vicegerency, that is, individual freedom within the bounds of social responsibility (see Chapra, 1995).

Currently, the philosophy of capitalism prevails in the world. Most of the countries in the world have allowed market to allocate scarce resources for the fulfilment of the needs of people. The housing sector is no exception. This paper hypothesises that the market based system has failed to provide affordable houses to society, hence, slums arise.

What is a slum? A slum is a heavily populated urban informal settlement characterized by substandard housing and filth. While slums differ in size and other characteristics from country to country, most lack reliable sanitation services, supply of clean water, electricity, timely law enforcement and other basic services. Slum residences vary from shanty houses to professionally-built dwellings where poor quality design or construction turns into slums.¹

A shanty town or squatter area is a settlement of plywood, corrugated metal, sheets of plastic, and cardboard boxes. Such settlements are usually found on the periphery of cities, in public parks, or near railroad tracks, rivers, lagoons or city trash dump sites. Sometimes called a squatter, informal or spontaneous settlement, a typical shanty town often lacks proper sanitation, safe water supply, electricity, hygienic streets, or other basic human necessities.

According to UN-HABITAT (2007), around 33% (about 863 million people) of the urban population in the developing world were living in slums. This is despite the fact that every society consists of high level of development and high level of income (See Stokes, 1962). The proportion of urban population living in slums is highest in sub-Saharan Africa (61.7%), followed by South Asia (35%), South East Asia (31%), East Asia (28.2%), West Asia (24.6%), Oceania (24.1%), Latin America and the Caribbean (23.5%), and North Africa (13.3%). Among individual countries, the proportion of urban residents living in slum areas in 2009 was highest in the Central African Republic (95.9%). Between 1990 and 2010, the percentage of people living in slums dropped, even as the total urban population increased. The world's largest slum city is in Mexico City.

Scholars consider diverse reasons for the growth of slums. Some of the factors are: rapid rural-to-urban migration (Davis, 2003), colonisation and segregation (Obudho & Aduwo, 1989) economic stagnation, depression, high unemployment and poverty (Un-Habitat, 2004), informal economy (Becker, 2004), poor planning, politics, natural disasters and social conflicts and language (Gilbert, 2007). Nevertheless, we find rare literature proclaiming market system as the root cause of slums. This paper assumes that slums in general and in Islamabad in particular are the negative outcomes of market based economy. In a market based economy, resources flow towards a project where it gets maximum profit. Hence, in Islamabad, projects like Centaurus attract funds but project of affordable houses for low income groups such as security guards, clerks, sweepers etc., does not attract funds at all. Consequently, people move towards slums for having life in line with their means.

Demand-supply gap and Slums in Islamabad

Islamabad is located in the northwest of the country on Potohar Plateau. The city was built in 1960 to replace Karachi as the Capital of Pakistan. Since 1963, Islamabad is the capital city of Pakistan. The city is divided into eight basic zones: Administrative, Diplomatic Enclave, Residential Areas, Educational Sectors, Industrial \Sectors,

Commercial Areas, and Rural and Green Areas. In the available zoning, there is no provision for slums. However, poor urban planning for the workers of Islamabad appears to have encouraged the mushroom growth of slums. A significant gap in the growing demand for housing and insufficient supply of affordable housing by the market has led to the formation of slums. Slums are mostly populated by the city's working classes who are unable to bear the expensive life of the city. The Economist summarizes this as "good housing is obviously better than a slum, but a slum is better than none." (ohi and Phoa, 2007)

The creation of slums in Islamabad dates back to 1960s when slums emerged during the construction process of the city. Initially, there were two labour settlements, one in G-8/3 and the other in Muslim Colony near Bari Imam. Once the initial development needs ended in the 70s, Capital Development Authority (CDA) started to evict these settlements, resulting in resistance, particularly in the G-8. Over the time CDA accepted the existence of these colonies and allowed people of different occupation to settler in various areas around the city. For example, most of the Christian labourers (consisting mostly of sanitation workers) were settled in G-7, G-8, F-7 and F-6 (to serve the upper-class population of these sectors), Kashmiri/Hazara labourers were located around Muslim colony, and Pakhtun labourers were settled in the outskirts, I-11/H-11 and I-10 sectors.

According to CDA figures, there are about 52 slums in Islamabad. However, CDA recognises only 10 out of it. The population of these slums exceeds 100,000. The biggest demographic category among slums is Punjabi Christians who comprise roughly 35 percent of the population of slums. Other Punjabi/Potohari groups are around 26 percent, Pakhtuns are around 20 percent, and Kashmiri/Hazaras around 10 percent of the population respectively. The vast majority of slums are labourers, sanitary workers, domestic workers, or lower-staff government servants. The slum residents provide a steady, local source of labour for jobs and services crucial to Islamabad's development and maintenance.

The Dilemma of Housing Market in Islamabad and Slums

Generally it is claimed that insufficient financial resources and lack of coordination in government bureaucracy are the main causes of poor housing planning. However, the conjecture in this paper is rather opposite to this claim. This paper conjectures that it is not the lack of financial resources that lead to poor supply of affordable houses; rather it is the inefficient allocation of financial resources by market forces that fails to provide affordable houses. In a market based economy, financial resources flow towards projects where profits are high. Hence, the availability of financial resources is not an issue rather it is the viability of a projects that matters from funding point of view. The dilemma of market forces in housing sector, is that on the one hand, there is an acute need of affordable houses for those who do not own one, on the other hand the market provide houses to those who already own a house. An eye opening example of the market dilemma in Islamabad is the project of Centaurus.

The Centaurus is a mixed-use development project in Blue Area of Islamabad. It is a project of the Pak Gulf Construction (Pvt.) Ltd. (PGCL). The entire project costed USD 350 million. The complex has 37-storeys, 7 star deluxe hotel, with two 21-story residential towers, a 25-story corporate office tower, and a 5-story shopping mall. The complex has a parking lot to accommodate over 2,000 vehicles. It is designed to withstand up to 9.5 magnitude of earthquakes. Besides serving residential, commercial and business purposes, the complex symbolises the soft image and growth of Pakistan. It has also the capacity to host international conferences and seminars in Pakistan's capital city. Centaurus is equipped with firefighting system, fire proof door, water feature and elevators.

It is worth mentioning that while inaugurating the project the then president General Pervez Musharraf said that that the project would be sustained to alleviate poverty through greater economic activity. However, the residential apartments are not for poor who can only dream of such luxuries. Musharraf also said that the policies of de-regulation; liberalization and privatisation

(all are the hall marks of marked based economy) have helped bring in more direct foreign investment. The then Interior Minister also said that the government has undertaken several projects in the federal capital and in three year time, 1000 five-star hotel rooms will be available. He said a number of hotels to cater all segments of society would be built besides adding a series of recreational centres for the people.

The project of Centaurus has attracted millions of dollars as well as the support of government. Yet, the project serves only rich segments of the society as the cost of a residential flat in Centaurus is in millions of rupees. Naturally, any person willing to buy an apartment in Centaurus will be the owner of some other house. Hence, the market forces in case of Centaurus serve only the rich and fail to serve low income group of Islamabad.

Is it possible for a market to attract funds for affordable houses? The answer is "NO". The reason is that market based economy has led to the development of financial intermediaries in the form of banks which collect most of the saving of people and re-direct it towards rich corporation and companies for higher returns. The project of affordable houses cannot offer banks profit at par with big corporation, hence rarely banks allocate funds for such projects. Thus, free market forces are unable to fund projects of affordable houses.

One can raise an objection and say that various housing schemes in Islamabad are providing homes to the people purely based on market forces. The reply to such objection is that the objective of such housing schemes is not the provision of a house to people rather these are investment projects. The reason is they attract funds from people for investment purposes. Majority of buyers are speculators in such projects. In addition, such projects rarely offer a house directly to the end users. Everyone among them buys a plot considering it a safe investment and gets it encashed after some time. This is the reason that rarely do we observe the construction of houses in such schemes. In case there is any, it is a positive externality. Moreover, most of such societies enter

the market for grabbing money from people and then disappear

A Model of Solution?

Before providing a model for solution, we have to acknowledge that market forces are inefficient to provide solution for the provision of affordable houses. Consequently, we have to explore alternatives. It is pertinent to mention here that the market for affordable houses is similar to any other market and consists of demand and supply model. Nevertheless, the demand side of housing further consists of two types of people, speculator and non-speculator. The speculators are not the end user of a house. They are not interested in a home to live in. Rather, they buy a house in order to resell it later and pocket the difference between the buying and selling price. The problem with such type of demand is that the second and third buyer is also likely to be speculators. Thus, the market allocates a house to the end user very late and that too on a very high price. Therefore, the first solution for the provision of affordable houses is to clear the market from speculator. This will shift the demand of houses downwards.

The supply side solution is that we need an institution such as a construction company whose objective is profit but not profit maximisation. Such company can generate funds on the basis of partnership from various institutions in the market. In addition, the government can constraint all financial institutions to provide seed money to such a company. The company will, then, build affordable houses after satisfying all preliminary legal requirements. Let the company raise seed money for hundred houses. The company will, then, put all houses on auction for the end users only. We have already mentioned that demand side has to be cleared from speculator and the company can exclude them by taking the following measures. The auction of houses on instalments rather than cash. This is likely to exclude rich people who can otherwise enter the market indirectly through poor end user.

The equilibrium based on demand - free from speculators and supply, free from firms with the objective of profit maximisation, is likely to be very efficient. The reason is that only the end user

will get a house. In addition, the constraint of shifting a family after winning the auction will allocate home to a person who does not own already a house. Similarly, the allocation of a house through auction will enable the desperate end users to bid high. Hence, the home will go towards those (among the end users) who is valuing it the most. This will make allocation of houses more efficient than the current allocation of houses. The supplier after receiving instalment and some down payment can use same money for building more houses. This process in the market will continue and enable people of low segment income to own a house.

Such process is not followed by any construction company or a housing scheme in the market of Islamabad or Pakistan. Currently, every housing project is open for all people whether they are speculators or non-speculators. This makes the allocation of houses very inefficient. We assume that an experiment will enable us to test the efficiency of the above model. Nevertheless, without empirical testing one could not deny the positive aspects of this model.

Conclusion

Having a shelter is one of the fundamental needs of every family. However, the current economic system working on the basis of market forces has badly failed to provide this basic need to a family. Rather, this system has aggravated the problem of housing at international and national level. Islamabad which is the capital city of Pakistan is no exemption. People living in slums in Islamabad have multiplied over the time both in term of proportion of population and in terms of the number of slums.

The dilemma of private housing sector in Islamabad is that on one hand there is the construction of homes by market for those who are already owning a house. On the other hand, there are many needy people in search of a house, but cannot afford to buy it. The market is unable to provide an opportunity of owning a house to these people. This is the reason that people with middle and lower income groups are flowing towards slums of Islamabad. Hence, the number of slums from two has reached to 52 slum in Islamabad per statistics of CDA.

Various factors such as zoning laws, poor planning and management, inefficient governance, corruption and poverty etc. are termed as determinants of slums. However, rarely do we find a work declaring the conventional paradigm of capitalism as the root cause of the creation of slums. This paper attempts to show that the conventional philosophy of economics with the key focus on maximisation is playing a key role in the determination of slums in Islamabad as well as other parts of Pakistan. The paper highlights that there is no dearth of financial resources for the construction of affordable houses. However, the conventional philosophy of maximisation does not allow such fund to flow towards a project with relatively low profit. Rather the funds flow towards housing projects which serve those who already own a house. The paper presents that the efficient matching of demand and supply requires clearing of demand side from speculators and supply side from profit maximisers (see also Salihu et al., 2011 and Ayub, 2007).

The history of slums shows that it has grown faster when the market philosophy was consolidating both theoretically and politically. Likewise, researchers in academia were supporting the freedom philosophy and people in politics were making laws ensuring freedom to individuals. The industries were allowed to explore the market for more profits and the owners were allowed to fix the wage of the labour based on the market forces. When many people were unable to bear the expenses of cities, they resort to peripheries. On the same time when industries were flourishing, new building and skyrocket projects along with slums were developing. It shows that the philosophy of market economy is responsible for the creation of slums as this philosophy has led to the institution of banks which flow funds towards projects with higher probability of profit. It is worth mentioning that banks attract fund from society but do not use the same funds for the service of all segments of society. Rather the fund flows on average towards those who are rich and have strong collateral. Such fund is further invested in the projects which give profit more than or equal to the level of prevailing interest rate. Affordable housing based on the proposed model are long term projects and is less likely to earn profit above the prevailing interest rate. Therefore, the presence of interest is one of

the key hurdles in developing the projects of affordable houses (See also Chapra, 1985).

The paper reiterates that the project of affordable houses is less likely to attract funds from market based on the conventional philosophy of capitalism. In other words the presence of slums is less likely to end in the presence of the conventional paradigm of profit maximisation. If we are interested to bring end of slums, we have to give up the conventional philosophy of maximisation and make our student understand the negative externality of this philosophy at micro and macro level and ask them to come up with theories where micro economic agent is not the sole maximiser of profit and utility.

We can materialise the dream of affordable houses through a simple model. On demand side we need to clear the market from speculator and on supply side from the objective of profit maximisation. Once the suppliers provide houses after collecting seed money, the same can be passed on to the demand side through auction. The auction price can cover all the cost including reasonable profit. Once the supply starts working the recovered money can be used for the construction of more houses. In this way we can stop the flow of working class towards slums.

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Appendix A

Capital Development Authority Publicnotice Un-Authorised Housing Schemes In Islamabad

It has come into the notice of the authority that plots are being sold/marketed, in the name of following illegal housing schemes/agro Farming Schemes (as the sponsors of these Illegal schemes/land subdivisions have not obtained any approval/NOC from CDA) in Islamabad:

Zone-2, 3 & Sector E-11

Islamabad Co-operative Farming Scheme, Sector D-17 2 Paradise City, Sector G-17 3 Green City, Sector D-17, E-17 4 Supreme Court Employees Housing Scheme, Sector G-17 5

Gulshan-e-Rahman, Sector C-17, D-17 6 Pakistan Overseas Housing Scheme, Sector F- 16 7 Jammu & Kashmir, Sector F-15 8 Services Housing Scheme, E-11 9 Pakistan Town Phase-II, Sector G-16, F-16 10. Federation of Employees Housing Scheme, E- 11 11 Ali Town (Zone-3) 12 Green Hills (Zone-3) 13 Green Meadows North Ridge (Zone-3) 14 Major Makhdom Society (Zone-3) 15 Al Rayan Society (Zone-3) 16 Arcadia City (Zone-3)

Zone-4

Adil Valley, Simly Dam Road 2 Mufti Mehmood Enclave, Off Lehrtr Road 3 Ali Model Town 4 Muslim Town, Simly Dam Road 5 Al-Syed Avenue, Park Road 6 Muzaffar Abad Town (Pind Bhegewal), Simly Dam Road 7 Bahria Enclave-I, Kuri Road 8 New University Town (near COMSATS), Park Road 9 Burma Town, Lehrtr Road 10 OGDC Town, near Chattar, Murree Road 11 Doctor's Enclave, Simly Dam Road 12 Park Lane Valley, Park Road 13 Ghouri Town (all phases in Zone-4), Islamabad Expressway 14 PTV Colony, Simly Dam Road 15 Ghouri Gardens , Lehrtr Road 16 Royal Avenue, Park Road 17 Green Avenue, Park Road 18 Royal City/Royal Villas (near PINSTECH, Nilore), Lehrtr Road 19 Green Avenue-II, Kuri Road 20 Samaa Town, Kirpa Road, off Lehrtr Road 21 Green Valley (1&2), Simly Dam Road 22 Satti Town, Lehrtr Road 23 Green View Villas, off Lehrtr Road 24 Simly Valley (1&2), Simly Dam Road 25 Gulberg Town Housing Scheme (Phase- 2), Lehrtr Road 26 Spring Valley, Simly Dam Road 27 Hameed Town (Mouza Mohrian), Kuri Road 28 Adil Farms, Simly Dam Road 29 Hill View Houses, Simly Dam Road 30 Badar Farms, Simly Dam Road 31 Iqbal Town, Islamabad Expressway 32 Government Officers Co-operative Farming Scheme 33 Islamabad Saif Garden, Kirpa Road, Off Lehrtr Road 34 Green Fields, Simly Dam Road 35 Japan Valley, Kirpa Road, off Lehrtr Road 36 Islamabad Farms, Simly Dam Road 37 Kiani Town, Kirpa Road, off Lehrtr Road 38 J&K Farms, Islamabad Highway 39 Madina Town, Islamabad Highway 40 Naval Farms (4, 5 & 8-Kanals), Simly Dam Road 41 Marwa Town, Islamabad Highway 42 Olive Wood Farms, Simly Dam Road 43 Media City-I, Kirpa Road, off Lehrtr Road 44 Shaheen Farms, Simly Dam Road 45 Paradise Point Zone-4,

Islamabad. 46 M/s Tricon Agro Farms, Simly Dam Road 47 Ittefaq Town, Old Kirpa Road, Off Lehtrar Road 48 Danial Town, HARNO Thanda Pani, Lehtrar Road 49 Arslan Town, Lehtrar Road. 50 Abdullah Gardens, Kuri Road 51 Royal Homes, Lehtrar Road. 52 Canterbury Enclave near Park Road. 53 Gakkhar Town, Lehtrar Road 54 Al Nahal Housing, Simly Dam Road 55 Usama Town, Lehtrar Road 56 Al Rehman City View, Lehtrar Road, near PINSTECH, Nailore. 57 Zahoor Town, Lehtrar Road 58 Makkah Town, Harno Thanda Pani, Lehtrar Road 59 Al Qamar Town near Margalla Town 60 Qurtabal Town, Islamabad Highway 61 City Views near Nailore 62 Margalla Gardens, Lehtrar Road 63 City Town, Lehtrar Road 64 Eden Life, Zone-4

ZONE-5

Gulshan-e-Rabia, Off Japan Road 2 Gulshan-e-Rehman , Off Japan Road 3 Morgah City, GT Road 4 Hamza Town, Kahuta Road 5 Parliamentarians Enclave, Off Japan Road 6 National Co-operative (former Aewan-eSadat), Kahuta Road 7 Media Town, PWD Road, Off Islamabad Highway 8 Tele Town, Off Japan Road 9 National Police Foundation, PWD Road, Off Islamabad Highway 10 Azim Town, Off Kahuta Road 11 Pak PWD Off Islamabad Highway 12 Dhanyal Town , Dhanyal Town 13 Pakistan Town, Phase-II, PWD Road, Off Islamabad Highway 14 Ghouri Town, Phases in Zone-5, Japan Road/Islamabad Highway. 15 Askaria Town, Off Japan Road 16 Judicial Employees Housing Scheme , Kirpa Chirah Road 17 Bankers City, Off Dharwala Road 18 Rasheed Town, Japan Road 19 Bankers Town, Kahuta Road 20 River View , Off Kahuta Road 21 Fatima Villa, GT Road 22 Television Media Town 23 Gulshan-e-Danish , GT Road 24 Fiza Town, Hoan Dhanyal, Sihala 25 Aliya Town, Mouza Lohi Bher Dakhli JAwa 26 Dhanyal Town, Hoan Dhanyal, Sihala 27 Aiza Garden Mouza Lohi Bher Dakhli JAwa 28 Sadozai Town, Kangota Sayedan 29 New Model Town Humak/Roshan Enclave, Mouza Niazian

Housing schemes namely Muhafiz Gardens, Rawat Enclave, Faisal Town, Grace Land Housing and Air Line Avenue are being marketed as located in Islamabad, whereas neither the subject schemes fall in Islamabad nor any approval/NOC has been

obtained from CDA for launching and marketing of the schemes.

- Through this notice, General Public is therefore cautioned/warned in their own interest to refrain from making any booking/purchase of plots in these or any other un-authorized and illegal housing scheme and must consult authority (051-9252494 for Zone2,5 &E-11 and office of Director Regional Planning, CDA for Zone 3 & 4 at 051-9252605) before making transactions about the legal status of the schemes. CDA Website www.cda.gov.pk may also be visited for having updated status of the schemes.

- The marketing/advertisement of Housing Projects without NOC from CDA is illegal and unauthorized. The advertisers/marketing agencies are restrained from misleading advertising/marketing of illegal housing schemes. The sponsors are further directed to refrain from marketing and development of Housing Schemes without NOC from CDA.

