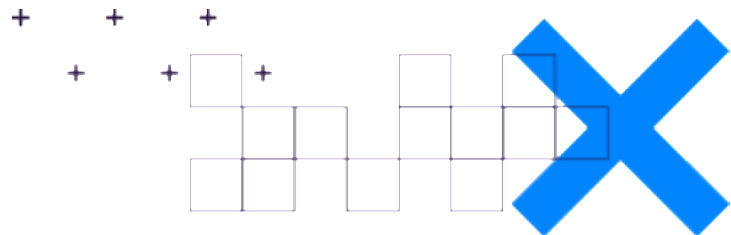


LAND SECTOR REVIEW IN **KHYBER PAKHTUNKHWA**

Pakistan: Land Sector Review
in Khyber Pakhtunkhwa (P180417)

Programmatic Advisory Services and Analytics

FINAL REPORT





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This report is the final output of the “Land sector review in Khyber Pakhtunkhwa (P180417)” Programmatic Advisory Services and Analytics that was led by Alvaro Federico Barra and Suhaib Rasheed.

 **LAND SECTOR REVIEW IN
KHYBER PAKHTUNKHWA**

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LAND SECTOR REVIEW IN KHYBER PAKHTUNKHWA

Executive Summary

A. PURPOSE AND SCOPE

1. **This report presents a comprehensive overview of the state of land administration in Khyber Pakhtunkhwa (KP).** It aims to provide the Government of KP (GoKP) with a diagnostic of the deficiencies, gaps and challenges in land records management, legal framework, and information systems, which results in inability to maximize tax revenues from land, compromised property rights, and failure to make efficient use of public land and building assets. The report also provides a set of actionable recommendations for KP to enhance its own-source revenues (OSR), manage public land and building assets more effectively and to exploit their potential for revenue generation, and modernize its land administration system to be able to achieve these objectives. By adopting these recommendations, KP can leverage land as a key driver for the development of the province across various core areas, including fiscal stability, economic growth, social inclusion, and attracting both public and private investment.

2. **Own-source revenues can be generated from various sources, including property taxes, land-based fees, and charges for services such as registration, mutations, and permits for changes of use and development.** Additionally, revenues can come from rents and charges for the use of public land and building assets, as well as from the sales of surplus, non-core, and under-utilized public land and building assets. Research undertaken by the World Bank and FAO has identified some key drivers for improving the generation of property tax revenues – a comprehensive list of taxable properties and their attributes, reliable transaction price data, a valuation infrastructure that includes valuation standards consistent with international best practice, standards for the education and experience of valuers, and ethical standards and codes of professional practice, and the technical capacity to bill taxpayers and collect the taxes due¹.

3. **The poor quality of land records in KP makes it problematic to generate own source revenues,** whether through property taxes or land-based fees and charges, in a fair and equitable manner since without comprehensive and up-to-date land records it is not possible to ensure that all those who ought to pay property taxes, fees, and charges actually do so and that those who do pay find that the taxes, fee, and charges levied accurately reflect the value of their assets and their ability to pay. Comprehensive and reliable land records are also the key to generating revenue from public land and building assets. This is needed to identify surplus, non-core, and under-utilized assets that can be repurposed for a more productive public objective or sold or rented to generate revenue. Identifying them is critical to the prevention of encroachment on them and corrupt or incompetent exploitation of them by public officials.

4. **There are three themes in this report: the need to develop and enhance land-based revenues in the form of property taxes and other fees and charges from land; the potential for**

¹ Richard Grover, Mika-Petteri Törhönen, Paul Munro-Faure, Aanchal Anand, (2017) "Achieving successful implementation of value-based property tax reforms in emerging European economies", *Journal of European Real Estate Research*, Vol. 10 Issue: 1, pp.91-106, <https://doi.org/10.1108/JERER-06-2016-0027>. See also the country case studies in themed edition of the *Land Tenure Journal*, issue 2/15 (www.fao.org/3/a-i5429t.pdf).



repurposing surplus, under-utilized, or non-core public land and building assets to generate revenue; and the importance of efficient land administration and reliable land information, particularly accurate records of land rights and tenures in achieving policy objectives. The three themes in this report are inextricably linked. Progress in one area is dependent on that made in the others, with lack of progress on land administration and land information acting as a constraint on the generation of own source revenues through property taxes and land-based fees and charges and through the exploitation and more efficient use of public land and building assets. Rectifying the deficiencies in land records and information is not something that can be achieved overnight. It will take time. In the meantime, there are actions that can be taken with respect to property taxes and land-based fees and charges and the more efficient use of public buildings and land that can deliver significant interim results.

B. KEY FINDINGS

I. Land-based Revenues

5. **Land-based revenues can take different forms.** There are taxes on land as well as fees and charges such as fees payable on registration or mutations or charges for development or change of use permits. Fees and charges can be set at a level that just recoups the costs of administration, but they can also be levied at much higher rates so that they are, in effect, stealth taxes designed to be revenue earning devices. The federal government and Government of KP (GoKP) have significantly increased transfer-based taxes. High property transfer taxes and high fees for registration may encourage informal transfers and deception about the value of the properties transferred in order to evade payments that are legally due. It is advisable to focus on increasing receipts from recurrent taxes such as the urban immovable property tax (UIPT) to relieve the higher tax burden on land and real estate transactions and encourage more productive use of land and property assets by owners.

6. **The 18th Constitutional amendment of 2010 has led Pakistan towards greater fiscal federalism.** This shift gained momentum with the IMF agreement, requiring sub-national governments to increase their own-source revenues and reduce dependence on federal transfers, aiding federal financial sustainability. There is a division of revenue sources between government tiers with the federal government collecting income tax, capital gains tax, sales tax on goods, customs duties, and federal excise duties, the provinces' sales tax on services, UIPT, and other taxes related to real estate such as stamp duty and capital value tax (CVT), agricultural income tax, motor vehicle tax, and tax on professions, and local governments (LGs) collecting the local council tax on transfer of immovable properties (TTIP) as well as other tariffs. There are also intergovernmental transfer arrangements and revenue sharing. This system of fiscal federalism aims to provide resources to sub national governments for delivering core public services, such as health, education, drinking water, and sanitation. Own source revenues (OSR) are the financial backbone of a tier of government, comprising income generated through its own efforts and activities. It fosters financial independence and reduces reliance on external funds and intergovernmental fiscal transfers.

7. **OSR is becoming increasingly important as KP's economy shifts from its traditional agricultural base to expanding secondary and tertiary sectors.** This change is marked by a decline in agricultural growth, leading to labor migration from rural areas to more dynamic urban centers where manufacturing, services, and production sectors are prospering. As the urban population grows and the extent of urban areas expands, it becomes increasingly critical to enhance OSR to bolster urban governance, planning, and the provision of public services.

8. **However, KP's own-source revenue is significantly low, impacting its financial autonomy.** It was only 5 percent of the province's general revenue receipts in FY23, and inadequate to finance KP's development needs and lower than other provinces. The share of Pakistan's four provinces' tax collection in national tax revenue is around 8 percent, which is in any case much lower than other decentralized countries (on average 16 percent of the total tax revenue).



9. **Land and property-linked revenues are crucial for local infrastructure and service delivery, yet the proportion of land-based revenue as part of KP's OSR has been on a downward trend.** There is a high and growing reliance on indirect revenues, particularly sales tax on services, at the expense of direct revenue sources such as UIPT. The share of land-based revenues fell from 31 percent of KP's OSR in 2019 to just under 17 percent in 2023, with stamp duty, mutations, and UIPT accounting for over 93.5 percent of this revenue.

10. **Land based revenues are collected at multiple government tiers, and this has resulted in inconsistent management of land and property fees and taxes and a complex system that is challenging for both taxpayers and revenue officials.** The calculation of these taxes is based on various valuation methods, which are determined by distinct valuation tables and notifications from local governments. The multilayered land-based taxation system in KP results in taxpayers, including property owners, buyers, and sellers, being subjected to multiple taxations within a single tax period or transaction. If a property is sold within one year of purchase, the effective tax rate on the transaction could reach up to 14 percent (8.5 percent for the seller and 5.5 percent for the buyer). The concept that one tier of government collects all the revenue due in a period or transaction and then transfers the share to other tiers is lacking.

11. **Local governments in KP's cities play a crucial role in delivering essential services but are currently facing severe financial challenges.** LGs are responsible for core service delivery functions, such as water supply, sanitation, solid waste management, and streetlights, among others. LGs are facing severe financial stress with operating costs for municipal services having skyrocketed over the past decade due to significant increases in expenditures on payroll, pensions, and energy. Meanwhile, provincial transfers to LGs ceased from the fiscal year 2019-20 onwards due to the provincial government's resource constraints. In this context, LGs struggle to cover operational and recurring expenditures, which affects the sustainability of capital investments aimed at improving service quality or expanding coverage in low-income and outlying areas.

12. **Land and property linked revenues are a lifeline for LGs.** They account for 77 percent of all OSRs for LGs, with the TTIP accounting for 46 percent of OSRs, the General Bus Stand fee 16 percent, the UIPT 7 percent, and rents from municipal properties 6 percent.

13. **Currently, UIPT receipts in KP are significantly lower than international benchmarks.** While low- and middle-income countries typically generate 0.3–0.6% of GDP from property taxes, and higher-income countries around 1.2%, Pakistan's UIPT is only about 0.13% of GDP. Provincial breakdowns show Punjab at 0.18%, Sindh at 0.07%, KP at 0.0325% and Balochistan at 0.01%, all of which are below average compared to similar countries.

14. **This study modeled various revenue simulation scenarios to highlight KP's potential revenue position relative to other provinces and middle/low-income countries.** The results indicated that individual policy and administrative changes yield only moderate increases. Even in the best scenario, where the tax base is doubled, the revenue would reach just over one quarter of the international normative range for UIPT as a percentage of GDP, which has a low benchmark of 0.25 percent. Implementing comprehensive policy and administrative changes could significantly increase revenues, but political challenges may arise. Introducing a 40 percent effective tax rate, combined with a 90 percent collection rate and 5 percent exemption rate, could boost total collectable revenue by 96 percent. However, even with these changes, the overall results still fall short of the low international benchmark, with the best scenario achieving just under 50 percent of the accepted standard for a country like Pakistan.

15. **There is significant potential for enhancing land-based revenue to support capital investments and ensure the financial sustainability of urban services in KP's cities.** However, several challenges must be addressed to realize this potential:



Tax base

- **The UIPT is not uniformly enforced across all urban regions of KP** being currently limited to 17 out of 36 districts (45 LGs out of 130). Over half of the province lacks proper land records and those with records have not been fully digitized.
- **Land records stem from settlement or re-settlement surveys, some of them carried out more than a century ago and omitted residential and non-agricultural land.** The lack of cadastral maps in urban areas hinders the effectiveness of UIPT, as significant developed areas within declared rating areas lack notified tax rates. Moreover, properties now within the city's footprint, but outside designated rating areas, are omitted, including substantial suburban residences, farmhouses, and industrial and commercial estates. The absence of a unified integrated information system for the various entities involved with land-based revenues means that they cannot utilize and exchange data.
- **There are legal and administrative gaps,** including the lack of regular inspections to identify new or redeveloped properties and failure to systematically catalog properties like undeveloped land and vacant buildings.

Valuation

- **There are three valuation systems being used for different land related taxes,** including the Federal Board of Revenue (FBR)-issued land valuation tables for residential and commercial properties in 3 cities in KP, the Board of Revenue (BoR)-issued valuation tables for residential and commercial properties for urban and rural areas, and the Excise and Taxation and Narcotics Control Department (ETNCD)-issued tables for UIPT valuation.
- **Although both the FBR and the BoR use capital value as basis for valuation, their scope, jurisdiction, and processes differ significantly** so that there are no standardized criteria available for the determination of property values.
- **Valuation tables for UIPT in KP are not updated frequently and their calculation basis is arbitrary** which leads to concerns about fairness and equity. This leads to situations where some property owners are burdened with excessive taxation while others are being under-taxed.

Rates, exemptions, and tax collection.

- **Frequent and unpredictable changes in land-based tax rates and exemptions create significant challenges for consistent and effective tax collection.** The constant revisions and ad-hoc nature of these changes complicate the process, making it difficult for authorities to maintain consistent and reliable revenue streams. This instability undermines the efficiency of tax administration and can hinder the financial sustainability of urban services.
- **The existing UIPT rates are generally flat, low, and are not regularly updated,** which has led to various market distortions, equity issues for residents, and below par revenues for the government. Lower tax rates have skewed profitability in favor of real estate investments over manufacturing or tradable services, and the reduced effective UIPT rate on vacant plots incentivizes the unproductive retention of land and speculative real estate investments. The flat tax structure of UIPT disproportionately benefits owners of high-value properties to the detriment of those with lower-value assets.
- **The federal government has taken several measures to increase federal land-based revenues which the GoKP contends is driving people toward informal land transactions** that undermine the tax base and pose a risk to the buyer's rights.
- **Receipts from Land use conversion fees and Building Plan Approval and Conversion Fees are significantly lower in KP's cities than cities in Punjab** due to the determination of fees being left to individual LGs in KP.



II. Public Land and Buildings Asset Management

16. **Public land and building assets are crucial for government operations.** These assets encompass properties owned, leased, or secured through various means, including public private partnerships (PPPs), and utilized by the government and its entities. The assets serve to deliver public services and generate revenue and are held in trust for the community. They can make a significant contribution to the financial stability of sub-national governments in two ways. Firstly, if used efficiently, they can help bring down the costs of delivering public services. Secondly, the identification of land and building assets that are surplus to requirements, are under-utilized, or are being used for non-core activities provides a resource that can be repurposed for delivering service objectives or which can be sold or leased to generate revenue.

17. **Effective asset management in the public sector is vital, as poor management can lead to missed opportunities, such as underutilized assets and less-than-optimal transactions.** Forward-looking governments are adopting innovative solutions to enhance efficiency and unlock land for development. This includes regular reporting, strategic reviews, and incentives for freeing up non-core assets. These governments are ensuring they have the required capacity through the development of existing staff, the hiring of experienced professionals and the retention of third-party consultants.

18. **Nearly 5 percent of the total area of the province of Khyber Pakhtunkhwa (KP) is classified as settled public land, predominantly owned by and under the responsibility of the Government of Khyber Pakhtunkhwa (GoKP).** The Board of Revenue (BoR) serves as the principal landholder. The Establishment and Administration Department (EAD) manages provincial buildings, albeit with limited authority outside Peshawar. The Local Government, Elections and Rural Development Department (LGERDD) manages valuable urban properties, primarily in Peshawar, focusing on generating rental income. However, there is evidence of underutilized land and buildings, and a notable portion of properties are either vacant or of unknown status.

19. **KP's legal framework is outdated and does not accommodate modern real property asset management practices.** Effective property oversight and resilience is hindered by the absence of an appropriate legal framework for monitoring and evaluating real estate assets. There is not a consolidated law or policy for managing public lands and buildings, nor provisions for assessing risks from global climate change.

20. **Land records are outdated and cover less than half of the total area of the entire province.** Only 76 percent of records in settled areas are digitized. The GoKP lacks a centralized system for asset data management, leading to fragmented and inconsistent records across departments. While the LGERDD and EAD have made efforts to compile inventories, these are incomplete and not systematically updated. The ability to conduct forward-looking analyses aimed at optimizing the utilization of land is constrained by the absence of a digital repository and monitoring system.

21. **The management of public land and building assets is riddled with inefficiencies, including a lack of systematic identification and monitoring of underutilized and surplus properties, poor inter-departmental coordination, and cumbersome record-keeping.** The BoR maintains a complicated process involving paper-based communication among various officials for records, which is slow and outdated. The land acquisition process is lengthy, involving many administrative steps and is prone to legal challenges and valuation disputes. The absence of standardized valuation procedures exacerbates the lost potential of greater revenue.

22. **Leasing practices are inconsistent and complex, with the BoR and LGERDD following different policies and procedures.** Lease management processes are too rigid and can result in undervalued rents and missed revenue opportunities. Analyses of the annual rent of a sample of five prime properties in Peshawar suggested the potential of a 25-times increase in rent revenue if improvements are made and the properties transacted at their highest and best use.



23. **The GoKP lacks incentives or even processes to unlock vacant or under-utilized land and buildings.** A review of a department's portfolio is not prescribed in the budget approval process. A specialized unit does not exist to assist in the identification of surplus and underutilized land or building assets. Furthermore, there is no subsequent effort, even if such assets are identified, to consider revenue generation opportunities for such properties.

24. **Climate change introduces new risks to public asset management in KP and requires enhanced due diligence and advanced technical appraisals to protect assets and services.** Extreme weather events, like the catastrophic floods of 2010 and 2022, cause severe infrastructure damage at extraordinary costs to repair or replace. These events disproportionately affect vulnerable low-income communities, leading to displacement and loss of livelihoods. Effective management strategies must evolve to ensure the sustainability and accessibility of public assets amid the inevitable challenges posed by climate change.

III. Land Administration

25. **The land administration system in Khyber Pakhtunkhwa (KP) has roots back in the British colonial period, which focused on levying land taxes on agricultural lands.** The settlement processes of that time yielded key documents such as field maps, field books, and land records. The land policy framework is based on a series of acts and ordinances established during the colonial rule and post-independence, designed to standardize property registration, and manage land affairs.

26. **The Board of Revenue (BoR) is the central authority for land administration, taxation, and record-keeping, responsible for the oversight of land acts, rules, and laws,** particularly those concerning land revenue. It ensures the implementation of government policies, guides tax valuations, and maintains land records. Structured with a decentralized bureaucracy, the BoR still adheres to the hierarchical structure established by the British, with Patwaris at the forefront of maintaining land records and providing services to the public.

27. **The land legal and policy framework faces several challenges. Land dispute resolution is slow and expensive, with many unresolved cases.** Efforts to strengthen women's property rights have been introduced, but cultural and systemic obstacles persist. The newly established alternate dispute resolution system aims to streamline dispute resolution but harmonizing it with existing arbitration laws remains uncertain. Geospatial data management lacks clear policies, hindering efficient data sharing.

28. **Currently, KP land records only cover 19 out of 36 districts, covering 45 percent of the province's land area.** Re-settlement surveys, intended to be conducted every 20-30 years, have been delayed, and some of them have not taken place for more than 100 years.

29. **The integration of the Federally Administered Tribal Areas (FATA) and the Provincially Administered Tribal Areas (PATA) into KP presents complex social and legal challenges, requiring careful management.** USAID is piloting new land settlement approaches in Newly Merged Areas (NMA) using technology and training, but progress is slow, with only a fraction of the planned areas completed.

30. **The digitization of existing land records in KP has made significant progress, with approximately 76 percent of records now digitized.** This process started in 2013 and involves private data-entry contractors digitizing the records, followed by verification and validation by Revenue Officers. Discrepancies occasionally arise from errors in the records, necessitating cross-verification before going live.

31. **The settlement process historically excluded residential and non-agricultural lands, resulting in a lack of records for urban areas.** This issue is compounded by the disparate record-keeping practices of various entities, such as the Excise and Taxation and Narcotics Control Department (ETNCD), which keeps separate fiscal records for urban properties, as do other



organizations like cantonments, housing development agencies, and cooperatives. These groups maintain autonomous records for urban land plots and properties, creating a disjointed system that is not unified with the revenue records, thereby complicating taxation and spatial mapping efforts.

32. **The property deed registration system, responsible for documenting property transactions, is shifting from manual to digital, with an e-Stamp System introduced to reduce costs and prevent fraud.** Despite these advancements, the deed registration procedure continues to be manual. Additionally, the system has yet to integrate spatial mapping capabilities.

33. **The BoR is digitizing cadastral maps and integrating them into the land registry system, albeit slowly, with only 3 percent of approximately 42,000 cadastral maps digitized as of April 2024.** The BoR is also collaborating with the Survey of Pakistan (SoP) to map state lands, a process hindered by outdated maps and requiring extensive field verification. Despite recent improvements in geodetic reference points by the SoP, the BoR's spatial mapping initiative is limited by a shortage of equipment and skilled personnel, necessitating further investment to enhance mapping efforts across the province.

34. **Significant advances in land information systems (LIS) have been made, starting with the development of the Land Record Management Information System (LRMIS) software in 2012, which evolved into the CLRMIS with a centralized server by 2022.** CLRMIS supports the scanning of documents that support mutations and has access to the digital archive land records. USAID is assisting in upgrading CLRMIS, but budget and time constraints may limit the extent of improvements.

35. **The computerization of land records has led to the establishment of Service Delivery Centers (SDCs), enhancing customer service with 57 out of 58 planned SDCs operational as of May 2024.** These SDCs offer certified extracts, process mutations, and correct records, although partitions are still manually processed. Not all SDCs use the centralized CLRMIS due to infrastructure limitations, with a transition dependent on USAID's support.

36. **The Federal Government's increase in taxation on property transfers, which is collected by BOR, has discouraged official registration, prompting informal transactions that further reduce revenue and compromise tenure security.** This dynamic fiscal environment underscores the need for improved tax valuation, collection practices, and a more inclusive land records system to enhance land-based revenue generation in KP.

37. **The GoKP is ready to overhaul its outdated land administration system but requires a strategic vision coupled with comprehensive reforms to ensure the success of this transformation.** Recognizing the need for a modernized approach, especially considering the challenges posed by the integration of newly merged areas, increasing urbanization, and diminishing fiscal space, the BoR has initiated significant projects aimed at enhancing the system and streamlining procedures. This ambitious endeavor is expected to span decades and will require robust political support, financing, and participatory execution.

C. RECOMMENDATIONS

I. Land-based revenues

For immediate results, the GoKP should focus on enhancing collection efficiency as a primary goal to boost revenue mobilization by:

- Identifying opportunities for quick efficiency gains and collaboration with the FBR, other provincial departments, and local governments, including:
 - Simplifying and integrating the TTIP receipts into existing processes.



- Coordinating with FBR and within provincial departments to address the high taxation burden that may discourage registration and impact the revenue collected by the Board of Revenue.
- Examining and identifying success factors of Urban Local Governments that have generated large General Bus Stand fees.
- Conducting city-wide surveys to identify and manage non-compliant land-use or building construction.
- Aligning the valuation tables of the ETNCD with those of the FBR in Peshawar, Mardan, and Abbottabad.
- Expanding the tax base by ensuring that all taxable properties are in the current tax base using devices such as:
 - The ETNCD amending the property tax law to empower LGs to declare rating areas and notify tax rates for all built up areas within their jurisdiction.
 - The ETNCD should complete digitization of the fiscal cadaster in all cities with the support of the WB's Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management Program” (KPRMP) and coordinate the work with BoR.
 - ETNCD and LGs should reassess urban areas that extend beyond the existing UIPT boundaries so that the UIPT rating area boundary aligns with the urban area boundary.

In the medium to long term, it would be advisable for the GoKP to prioritize administrative and policy reforms of regular taxes like the UIPT and invest in the modernization of the land administration system including:

- Prioritizing the modernization of the land administration system to broaden coverage create a sustainable land-based revenue system through the BoR digitizing the remaining 26% of land records currently not in digital form, streamlining the deeds registration system alongside the digitization of historical deed archives, establishing an integrated urban property rights system, initiating the settlement or first-time registration of urban areas and former FATA, and developing.
- Improving the integration of taxation data through the CLRMIS to enhance revenue collection and performance monitoring.
- Carrying out feasibility analysis to shift from a system based on Annual Rental Value (ARV) to one that uses Capital Value (CV) or a combination of both which would require a revision of the existing regulatory framework and the adoption of a uniform valuation method.
- Conduct a comprehensive review and develop a new framework for all KP land and property-based taxes and fees with the aim of simplifying their levying process and eliminate inconsistencies and perverse incentives that may lead taxpayers to behave in ways that are detrimental to the national interest and economic prosperity. The following goals could be set for the new framework:
 - Ensure certainty and stability in the types and number of taxes and exemptions.
 - Establish single collection systems for transactions and income.
 - Implement a property valuation system for all taxation or fees assessment purposes.
 - Reassess tax rates and fees vis a vis the new property valuation system.

II. Public land and building assets management

The modernization of the management of public land and building assets is needed to improve efficiency and reduce cost but also to increase own-source revenue by identifying surplus, under-utilized, and non-core assets and monetizing these. Many of these recommendations identify the role of a steering committee and/or technical working groups to lead, develop and drive the necessary changes. One possible composition of steering committees would include senior



officials from the BoR, Finance, LGERDD, EAD, and representatives from departments that deal with land and building assets.

Policy and legal framework

- Task a steering committee to lead the reform of the asset management policy and the legal framework to conduct a needs assessment among employees with asset management responsibilities to better understand the authorities, interpretations, clarifications, guidance, rules, and tools they require, compare these with the current policy and legal framework, and draft appropriate amendments to acts, policies, and rules.
- Task the steering committee with revising the land lease policy and establishing a landholding policy to ensure the outcomes are in line with the outcomes of the process described in the recommendations above. A comprehensive landholding policy should introduce the discipline of a departmental investment plan, establish oversight, planning and reporting mechanisms, and identify land and building assets surplus to the department's program needs that could be repurposed towards other GoKP priorities and/or revenue generation opportunities.

Land and building data

- The Technical Working Group for Urban Land Record and Public Land Management in Khyber Pakhtunkhwa (Technical Working Group) (or a new steering committee/working group) should establish a common GoKP Government Land and Building Inventory System (GLBIS) and start the process of capturing a complete digitized inventory of all GoKP assets.
- The Technical Working Group should initiate a multi-year program to modernize the GoKP's land administration system of private, communal, and state lands in urban and rural areas to produce a province-wide, complete, and comprehensive land registry and cadaster and digital single access point of land records for government authorities, the land market, and the public.
- The Technical Working Group should evaluate the potential for enhancements and the integration of new modules that offer expanded capabilities in asset management, encompassing aspects such as land acquisition, leasing, transfer, sale, exchange, and assignment.

Institutional and organizational structure

- Task a steering committee to assess the benefits of establishing the Provincial Land-Use and Building Control Authority as provided for in the Khyber Pakhtunkhwa Land-Use and Control Act, 2021.
- Task the steering committee with undertaking a comprehensive assessment of the option of establishing a specialized unit to provide technical advice or a special purpose vehicle (SPV) to manage and monetize non-core and surplus land and building assets as a means of improving revenue generation.

Governance and oversight.

- Create the position of the Chief Appraiser (or Valuer General) of KP within the BoR that will act as the GoKP lead in the development of a robust property and lease appraisal framework.
- Task a technical working group to develop the format and process for the preparation and review of the departmental investment plans that set out departmental priorities and strategies for the upcoming five-year period and identify land and building assets that are not essential to the department's core functions and could be reallocated to meet other government priorities or disposed of.



Financing and funding.

- Task a technical working group to prepare guidance, procedures, and operating standards that tackle revenue generation deficiencies in leasing and opportunities to monetize vacant and underutilized land and building assets.
- Task the technical working group to review and update guidance, procedures, and operating standards and implement harmonized instruments across government entities to address revenue generation gaps in leasing and opportunities to monetize vacant and underutilized land and building assets.

Capacity building and human resources.

- Establish a technical working group tasked with creating a detailed job profile for a new senior asset management director role dedicated to leading asset management within each department to be filled through a competitive process and determining the structure of asset management departments common across the GoKP.
- Task the technical working group to seek to elevate asset management as a career path within the GoKP by establishing provincial-wide training programs to build the appropriate capacity, knowledge and skills among the asset managers to anticipate, evaluate, and mitigate environmental, social and climate risks.

Climate resilience.

- Create a steering committee composed of senior representatives of the EPA, BoR, Forestry Department, Mining Department and other departments active in climate resilience initiatives to establish a protocol that comprehensively considers the environmental and social risks that the development, maintenance, acquisition, disposal, and renting of public lands and buildings could generate.
- Under the oversight of the steering committee, integrate climate change into the asset management regime, establishing it as a risk to be managed and a critical element in maximizing an asset's value and assess the risk of climate change across the asset portfolio.

III. Land Management Policy

Adopting a long-term strategy

- Adopt a vision statement and document the key implications of the vision and details for a phased set of short-, medium- and long-term actions necessary to realize the vision drawing on the other recommendations in this document.
- Prepare and cost an initial 5-year plan for a scope of activities necessary to lay the foundation for achieving the agreed Vision and seek funding from the GoKP and other development partners to implement this plan.

Completing the digitization of existing land records and deed registry

- Prioritize the digitization of the 24 percent of the existing land records that are not digitized.
- Computerize the deeds registration system in parallel with the digitization of the historical deed archives.

Develop new settlement processes for rural, newly merged, and urban areas

- Adopt a fit-for-purpose land administration approach and prepare a detailed plan to implement this approach using the Global Land Tool Network (GLTN) Guiding Principles for Country Implementation.



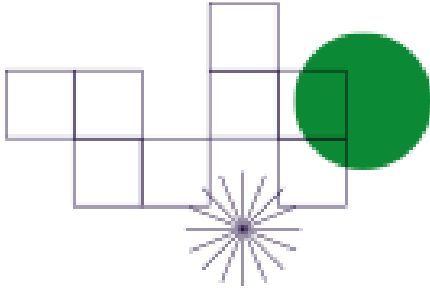
- Develop a new Settlement process that can be specified, piloted, and scaled-up.
- Develop a new approach to specify an urban property rights system that is integrated with the existing property record systems in KP.
- Undertake a thorough review of current settlement processes in the newly merged areas and design and pilot a new procedure using the new processes developed.

Generating a cadaster, and efficiently developing appropriate land information system technology

- Develop a process to create a cadaster for the existing land records using georeferenced high-resolution imagery and digitized massavies and field books supplemented with field validation.
- Design and implement a plan to expand the cadaster to a province-wide cadaster that supports the recording of rights for all properties in KP.
- Prepare a plan to establish the necessary additional SDCs, invest in the infrastructure necessary to support CLRMIS in all SDCs and further develop CLRMIS with additional modules.
- Develop policies for data standards and data sharing and promote the integration of ICT systems within the GoKP.

Amending policy and legal framework.

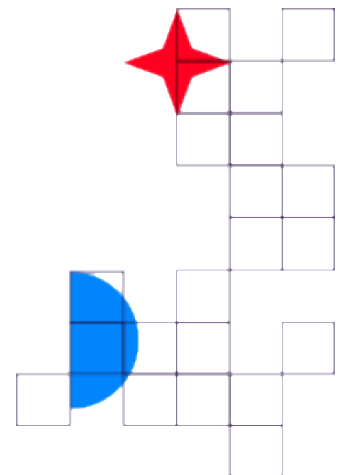
- Consider the USAID review of the legislation and the stakeholder feedback to this review and develop a phased strategy for legal reform.
- Evaluate the possibility of BoR retaining some of the revenue collected to cover the cost of providing and improving services.



LAND SECTOR REVIEW IN **KHYBER PAKHTUNKHWA**

Chapter I

INTRODUCTION





LAND SECTOR REVIEW IN KHYBER PAKHTUNKHWA

Introduction

A. CONTEXT

1. **Pakistan faces multiple and inter-related challenges, with Khyber Pakhtunkhwa being recognized as one of the regions particularly affected by worsening economic and security conditions.** The main challenges include:

- Fiscal deficits, unsustainable government debt levels, and government borrowing that are crowding out private finance and investment requiring, as a result of an agreement with the International Monetary Fund, provinces to increase their own-source revenues (OSR) to produce a fairer balance of fiscal effort between Federal and Provincial governments².
- Low economic growth due to low productivity, declining exports, and limited investment, which in turn restricts employment opportunities outside of the informal sector.
- Rising poverty, expected to reach 25.3 percent, and a gradually emerging human capital crisis, with 45 percent of children under five being stunted and a learning poverty rate of 78 percent, which are inhibiting a large portion of the population from achieving their full potential and threatening the development of many children.
- Vulnerability to climate change and natural disasters that, according to the Pakistan Country Climate and Development Report (CCDR) 2022, could result in a GDP loss of up to 9 percent, stagnation in rural poverty rates, and the need to repurpose 10 percent of irrigation water for non-agricultural use by 2050, thereby threatening livelihoods and food security.
- An annual infrastructure investment gap of at least 6 percent of GDP.

2. **While changes to land policy and land administration alone cannot solve these challenges, they can significantly contribute to their resolution.** Modernizing land administration, along with enhancing land information systems and governance is critical to increasing reliable and resilient own-source revenues, as well as guiding the strategic allocation of physical and natural resources for economic growth, helping ensure that investments are targeted where they are most needed and encourage investment and productivity growth. It can also help alleviate poverty and address the human capital crisis by securing property rights, thereby enabling individuals to leverage their land assets for economic opportunities. Furthermore, it can aid in climate change adaptation and disaster management by providing precise data for environmental planning and risk assessment.

3. **Failure to reform and mobilize the resources of the land sector will result in the inability to address the challenges Pakistan and KP face.** The current state of KP's land sector is contributing to economically inefficient outcomes in several areas.

- **OSR generation.** Without accurate, reliable, and comprehensive land records, both the GoKP and Local Governments (LGs) will struggle to maximize and sustain their own-source revenues over time. Revenues derived from property taxation and land-based fees are

² International Monetary Fund, *Pakistan: IMF Reaches Staff-Level Agreement on Economic Policies with Pakistan for 37-month Extended Fund Facility*, 12 July 2024. <https://www.imf.org/en/News/Articles/2024/07/12/pr-24273-pakistan-imf-reaches-agreement-on-economic-policies-for-37-month-eff>



essential to fund local services, such as street lighting or waste management, and to service the debt needed to finance critical infrastructure, such as roads, water supplies, and sanitation. Land-related taxes and fees comprise roughly 23.5% of KP own-source tax revenue in the past six fiscal years, and there is potential for growth. For example, the current Urban Immovable Property Tax (UIPT) collections in KP amount to approximately 0.035% of the GDP, whereas the literature and international practices indicate that a target of 0.5% of GDP is capable of being achieved for property tax revenue in developing nations.

- **Efficient public asset management.** The absence of accurate and reliable records prevents national, regional, and local governments from protecting their assets from encroachment by individuals or other government entities. It also hinders the identification of non-core, under-utilized, and surplus assets. These could be leveraged for land value capture opportunities to increase public revenues, sold to fund critical infrastructure, or repurposed to provide land for other economic activities.
- **Private sector mobilization.** Insecure property rights resulting from incomplete, unreliable, or inaccurate land records and cadasters, and problems in searching records, along with weaknesses in legal frameworks, dispute resolution frameworks, and the inability to defend property rights, are some of the major factors that discourage investment in commerce and industry and agriculture. Property owners and tenants are reluctant to invest productively if they fear they may be dispossessed or will have to fight for their rights through lengthy and expensive litigation and court actions.
- **Access to finance.** Banks and other lenders are unwilling to provide finance to individuals and investors at affordable interest rates due to uncertainties surrounding the enforcement of collateral, specifically in the form of pledged real estate assets. This reluctance is further compounded by their inability to verify whether the assets offered as a guarantee have already been pledged elsewhere. Registers need to be comprehensive in terms of the properties and transactions covered and to be capable of being searched easily.
- **Unlocking land for development.** Lack of accurate and reliable land records makes it difficult for investors to assemble sites needed for investment and critical infrastructure, including that needed for decarbonizing the economy, such as solar parks and windfarms. Governments can only help them by acquiring land through voluntary agreements or compulsory acquisition if they can't identify legitimate owners and occupiers. Challenges such as the presence of illegal occupants, the Government of KP's opposition to selling public land to reduce legal risks, and a rigid leasing policy that permits land leasing solely for agricultural use, serve to thwart the investment opportunity.
- **Climate resilience.** When disasters displace people, land records become crucial in protecting property rights and livelihoods. They facilitate a resilient recovery by enabling displaced individuals to return to their homes, farms, businesses, or other livelihoods. Disasters undermine own-source revenues raised from land-based taxes and fees from registration, mutations, and development and construction permits. The tax base is physically damaged for a period, household and business incomes are depressed, thereby reducing their ability to pay taxes and fees, and business and household confidence is undermined, discouraging investment and further undermining the tax and fee base. Compensation for losses, which is crucial for rebuilding, hinges on these records. Without them, it becomes exceedingly difficult to inventory losses and reconstruct pre-existing property rights. Furthermore, the absence of land records complicates climate adaptation strategies, as it fails to provide essential information about land occupancy and the location of activities relative to hazard risks. This information is also crucial for selecting cost-effective climate mitigation strategies, such as allocating land for renewable energy or laying the foundation for sustainable natural resource management.

B. REPORT'S OBJECTIVES



4. **The objective of this report is to provide a review of the land administration and public land and building assets management sectors in KP with a special focus on increasing revenue mobilization.** The report focuses on three areas of study: 1) Land-based revenues, including land-based taxes and fee revenue from areas such as registrations and mutations and applications for development and change of use consents, which entails a comprehensive review of the information needed to collect these, valuation, and taxation systems; 2) Public Asset Management, focusing on the efficient management of public land and building assets and how revenue can be levered from these through the sale or leasing of surplus and under-utilized assets; and 3) Modernizing Land and Geospatial management and information systems, including a thorough examination of urban and rural land administration, as well as the geospatial information framework, and how well it is able to meet the demands of the various policy areas and management objectives that rely upon its data.

5. **The report is based on information, data and insights from technical analyses, analytical studies, background papers, field surveys, market research, and study tours conducted under the “Land sector review in Khyber Pakhtunkhwa (P180417)” Programmatic Advisory Services and Analytics (PASA).** The objective of the PASA is to carry out a land administration and public land and building assets management sector review in Khyber Pakhtunkhwa Province (KP) with a special focus on increasing revenue mobilization. The scope of the PASA encompasses three distinct components, each comprising a research and analytical phase, followed by a technical assistance phase. These components are dedicated to addressing specific themes: 1) Revenue, which entails a comprehensive review of land information, valuation, and taxation systems; 2) Public Asset Management, focusing on the efficient management of public land and building assets; and 3) Land and Geospatial, including a thorough examination of urban and rural land administration as well as the geospatial information framework.

C. REPORT STRUCTURE

6. **The report comprises three sections, one for each area of study, yet maintains a common theme as they collectively tackle a singular issue: the unreliability, inaccuracy, and outdated nature of land records and information, which results in, inability to mobilize tax fee revenues from land, compromised property rights, and failure to make efficient use of public assets.** The areas are not three separate problems but aspects of a common problem – that land administration and governance is not fit for purpose and threatens to undermine policies in areas as varied as fiscal stability of federal, provincial, and local governments, healthcare, education, investment and economic growth, climate change mitigation, disaster risk management, and improvements in infrastructure if the weaknesses identified are not addressed.

7. **Chapter II provides a comprehensive analysis of the own-source revenue in Khyber Pakhtunkhwa (KP), focusing on recurrent and transaction-based taxes and fees related to land and property.** It explores the challenges faced by the Government of Khyber Pakhtunkhwa (GoKP) in managing and enhancing its OSR and estimates potential revenue growth through strategic actions such as expanding the tax base, revising tax rates, improving valuation processes, and enhancing tax collection efficiency. The document emphasizes the importance of sustainable revenue generation, efficient tax administration, and equitable policies to support urban governance, planning, and public services.

8. **Chapter III discusses the importance of public land and building assets for government operations, public service delivery, and revenue generation.** It highlights the challenges faced by the GoKP due to outdated legal frameworks, fragmented land records, and inefficient management practices, leading to underutilization and missed revenue opportunities. The chapter emphasizes the need for effective asset management in the public sector to avoid inefficiencies and missed opportunities, with forward-looking governments adopting innovative solutions and strategic reviews. It also addresses the impact of climate change on public asset management, requiring enhanced due diligence and advanced technical appraisals to protect assets and services. The chapter concludes

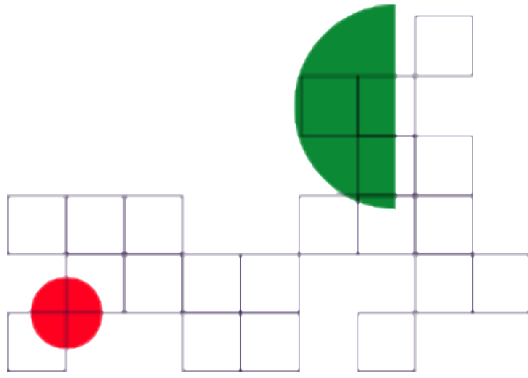


with recommendations for the GoKP to reform asset management policies, develop a robust landholding policy, modernize digital land and building information systems, build a professional asset management workforce, and integrate climate resilience into asset management practices.

9. **Chapter IV offers an in-depth analysis of the land administration system in Khyber Pakhtunkhwa, tracing its origins to the British colonial period and highlighting its focus on agricultural land taxes and essential documents like field maps and land records.** It discusses the role of the Board of Revenue (BoR) as the central authority for land administration, taxation, and record-keeping, and the challenges it faces, such as outdated procedures and limited technological integration. The chapter also addresses the legal and policy framework, emphasizing the slow and expensive dispute resolution process, cultural and systemic obstacles to women's property rights, and outdated geospatial data management. Additionally, it outlines the significant progress made in digitizing land records and the establishment of Service Delivery Centers (SDCs) to enhance customer service, while also noting the challenges in the digitization process. Finally, the chapter presents the Government of Khyber Pakhtunkhwa's strategic vision and comprehensive reforms aimed at modernizing the land administration system, including recommendations for digitization, legal framework updates, and financial sustainability.



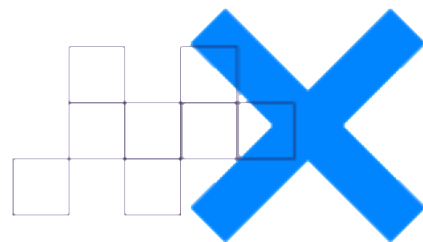




LAND SECTOR REVIEW IN **KHYBER PAKHTUNKHWA**

Chapter II

LAND BASED REVENUES





LAND SECTOR REVIEW IN KHYBER PAKHTUNKHWA

Improving own source revenue generation³

A. KEY MESSAGES

- Own-source revenue (OSR) is crucial for KP's financial stability and economic growth, but it only accounted for 5% of the province's general revenue receipts in FY23. Land-based taxes and fees, which make up a significant portion of OSR, have seen a decline in their contribution due to exemptions introduced during the COVID-19 pandemic and other economic incentives.
- Land-based revenues are levied at multiple government levels, leading to instances of multiple taxation for property transactions. Local Governments (LGs) in KP, which rely heavily on land and property-related revenues, face financial challenges due to rising operating costs and reduced provincial transfers.
- The federal and provincial governments have solely focused on increasing transfer-based taxes to boost revenues from the land and real estate sector. It is advisable to consider recurrent taxes like UIPT as an alternative to transfer based taxes.⁴ Higher transfer-based taxes may lead to unwanted outcomes such as impacts on land and real estate markets and a further increase in the already high extent of informality or non-declaration in the sector. Increasing UIPT collection would help relieve the higher tax burden on transactions and incentivize more productive use of land and real estate assets by owners instead of speculative holding.
- Simulations suggest that individual policy and administrative measures can significantly influence UIPT revenue, but a holistic approach combining multiple changes is more effective. Despite these efforts, KP's tax performance still lags behind international benchmarks, necessitating comprehensive policy reform and administrative improvements.
- To enhance revenue mobilization, the GoKP should prioritize improving collection efficiency, modernizing the land administration system, and implementing a new land-based revenue framework. This includes digitizing land records, integrating tax processes, aligning valuation tables with market values, and encouraging LGs to declare tax rates for all urban areas.

³This chapter was written by Alvaro Federico Barra, Suhaib Rasheed and Irum Touqeer, with the collaboration of Peadar Davis, William J McCluskey, Syed Ibrahim Ali Shah and Heebum Kim. This chapter draws upon several activities carried out under two technical assistances provided by the World Bank: 1) "Land sector review in Khyber Pakhtunkhwa (P180417)" Programmatic Advisory Services and Analytics and 2) "Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management Program" (KPRMP). The Korea World Bank Partnership Facility (KWPF) provided funding to carry out this note and the related PASA activities.

⁴The combined rates in the GoKP's provincial budget 2024-25 for provincial and local taxes—including stamp duty, capital value tax, and local government tax on transfer of immovable properties—at six percent of the asset value are three times higher than corresponding rates in Punjab (two percent of asset value). With a significant increase in federal taxes on land and real estate transactions, this



B. INTRODUCTION

10. **This section analyzes the own-source revenue (OSR) in Khyber Pakhtunkhwa (KP), with a specific focus on recurrent and transaction-based taxes and fees related to land and property.** It explores the challenges faced by the Government of Khyber Pakhtunkhwa (GoKP) in effectively managing and enhancing its OSR. Additionally, the section estimates the potential revenue growth achievable through strategic actions, including expanding the tax base, revising tax rates, improving valuation processes, and enhancing tax collection efficiency.

11. **The section provides an overview of land-based revenues in KP and their role in the province's financial stability.** Land-based revenues can take various forms. Firstly, there are taxes on land, which can be recurrent or annual taxes payable each year by owners or occupiers, or sporadic taxes payable following a trigger event, such as a sale, inheritance, or gift. Secondly, there are fees and charges, such as those payable on registration or mutations, or charges for development or change of use permits. These fees and charges can be set at a level that just recoups the costs of administration, or they can be levied at much higher rates, effectively becoming stealth taxes designed to generate revenue. Economically, there is little difference between levying a property transfer tax and imposing a revenue-generating registration fee. However, in terms of perception, the public may not recognize a revenue-generating fee or charge as a hidden tax but may respond similarly to a property transfer tax. For instance, high property transfer taxes and high registration fees may encourage informal transfers and deception about property values to evade legally due payments.

12. **By analyzing transactional and recurring revenues, this section highlights the challenges posed by the complex and costly land-based taxation and fee system.** It emphasizes the need for sustainable revenue generation, efficient tax administration, and equitable and efficient tax and fee policies to support urban governance, planning, and public services. While various public revenues from land and property are discussed, the Urban Immovable Property Tax (UIPT) remains a critical focus area for this policy note, as it is the main source of revenue for Local Governments (LGs) that provide basic public services to KP's population.

13. **The section goes on to consider the critical challenges related to land-based revenues.** It highlights the central role played by LGs in service delivery and emphasizes the importance of property tax for their functioning. Additionally, the section discusses key issues related to the tax base, including uneven enforcement of the UIPT across urban regions, the use of three valuation systems for land-related taxes, and frequent changes in land-based tax rates and exemptions that impact revenue collections.

14. **The section presents revenue simulations based on changes to key policy and administrative variables that underpin the UIPT in KP.** The primary objective is to gain a better understanding of the real revenue potential of UIPT. Various scenarios are modeled by adjusting policy and administrative variables individually and in combination and comparing resulting revenue totals against internationally recognized GDP-based benchmarks.

15. **The section concludes by outlining recommendations for immediate measures for improvement, such as enhancing collection efficiency and announcing tax rates for urban areas.** It also presents long-term strategies, which include comprehensive reforms that address tax base coverage, valuation, rates, exemptions, and collection processes. Furthermore, it emphasizes the need for modernizing land administration and optimizing valuation systems as the basis for creating a fair and sustainable land-based revenue framework.



C. OVERVIEW OF LAND BASED REVENUES IN KP

16. **Pakistan has moved towards greater fiscal federalism since the 18th Constitutional amendment in 2010.** There is a division of revenue sources between government tiers. The federal government collects income tax (individual and corporate incomes, except incomes from agriculture), capital gains sales tax on goods, customs duties, and federal excises. The provinces are mandated to collect sales tax on services, urban immovable property tax (UIPT) and other taxes related to real estate such as stamp duty and capital value tax (CVT), agricultural income tax, motor vehicle tax, and tax on professions. LGs collect the local council tax on transfer of immovable properties (TTIP) as well as other tariffs. Local own-source revenues include not only land-based taxes but also revenue from land-based fees, such as registration fees and fees for development and change of land use.^{5,6} and loans. This system of fiscal federalism aims to provide resources to sub-national governments for delivering core public services, such as health, education, drinking water, and sanitation. There is greater impetus for improving local revenues given the recent agreements between the Government of Pakistan and the IMF on sub-national governments increasing their own-source revenues and reducing their dependence on inter-governmental fiscal transfers.

17. **OSR is crucial for the financial stability of KP and in driving economic growth to support its growing urban population.** KP's economy is experiencing a significant shift from its traditional agricultural base to burgeoning secondary and tertiary sectors. This change is marked by a decline in agricultural growth, leading to labor migration from rural areas to more dynamic urban centers where manufacturing, services, and production sectors are prospering. As the urban population grows and the extent of urban areas expands, it becomes increasingly critical to enhance OSR to bolster urban governance, planning, and the provision of public services. OSR acts as the financial backbone of a government, comprising income generated through its own efforts and activities. It supports operations, funds projects, and promotes growth, fostering financial independence by reducing reliance on external funds. This autonomy allows for flexible resource distribution, aligning with evolving needs and ensuring stability. Moreover, generating internal revenue enforces compliance with processes and regulations, improving financial accountability and transparency.

18. **Khyber Pakhtunkhwa's own-source revenue is significantly low, impacting its financial autonomy.** According to KP's Annual Budget Statement for FY25, KP's own-source tax collection was only 5 percent (PKR 42 billion) of the province's general revenue receipts in FY23 (PKR 877 billion).⁷ This is inadequate to finance KP's development needs. Due to low provincial revenue collection in Pakistan, the share of all four provinces' tax collection in national tax revenue is around 8 percent. This percentage is considerably lower in comparison to other regions globally. For context, on average, 16.1 percent of the total tax revenue in the 10 federal or fiscally decentralized countries within the OECD is generated at the regional or state level.⁸

19. **Land and property linked revenues are important for local infrastructure and service delivery.** Globally, recurrent revenues from the land and real estate sectors are buoyant and efficient sources, which tap into increasing land and property prices and divert receipts back into infrastructure development and addressing local service delivery needs. When efficiently managed, this virtuous cycle helps taxpayer confidence and willingness to pay as they see locally mobilized resources provide tangible dividends for the taxpayers.

20. **The proportion of land-based revenue as part of KP's OSR has been on a downward trend.** When considering the total receipts from all revenue sources (including federal transfers), OSR has seen a consistent rise from 4.1 percent in 2018 to 5.7 percent in 2022, followed by a decrease to 5

⁵ Primarily formula-based shares in divisible pool determined by the National Finance Commission Award (federal to provincial governments) and Provincial Finance Commission Award (provincial to local governments).

⁶ For instance, transfer of royalties on gas from the federal government to provincial governments, and the Urban Immovable Property Tax from provincial to local governments.

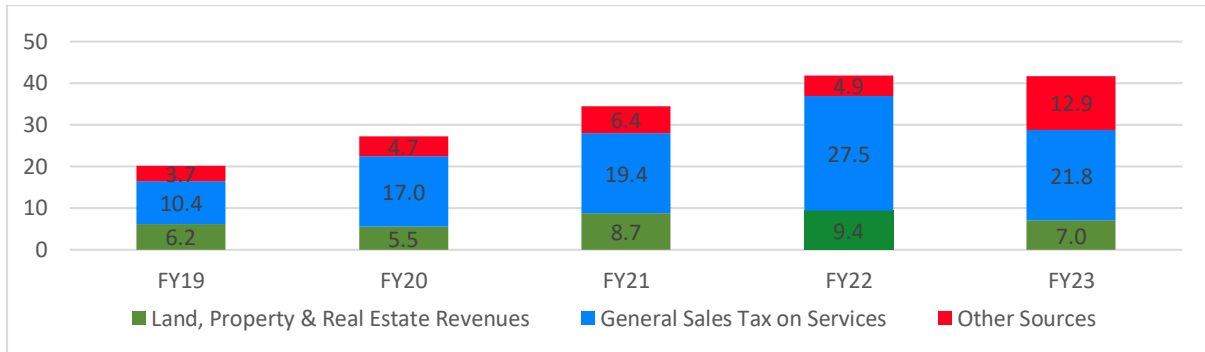
⁷ General revenue receipts include federal transfers (87%), and provincial tax and non-tax revenue receipts.

⁸ [OECD Tax Revenue - Sources of Government Revenue, 2021](#)



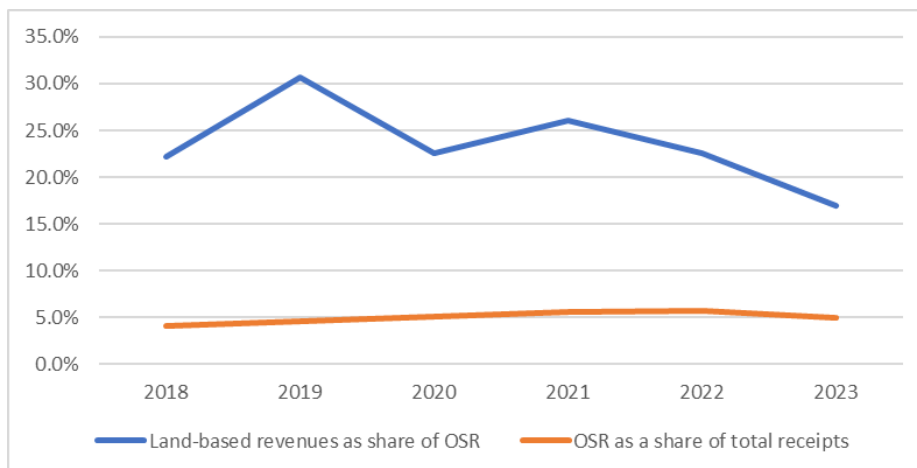
percent in 2023. This is inadequate to finance KP’s development needs. Furthermore, within OSR receipts, there is a high and growing reliance on indirect revenues, particularly sales tax on services at the expense of direct revenue sources such as UIPT. When compared to the OSR, the share of land-based revenues has been decreasing since 2019, dropping from contributing 31 percent of KP’s OSR to just under 17 percent in 2023, with stamp duty, mutations, and UIPT accounting for over 93.5 percent of this revenue.

Figure 1: OSR and Land-Based revenues receipts FY19 to FY23 (PKR million, nominal)



Source: GoKP’s Annual Budget Statements 2019-2024

Figure 2: OSR and Land-Based revenues relative growth.



Source: GoKP’s Annual Budget Statements 2019-2024

21. **Land based revenues are collected at multiple government tiers – federal, provincial, and local.** Taxes and fees are managed and collected by different levels of government, as detailed in Table 1 below. Transactional revenues include the federal Capital Gains Tax (CGT), the federal Advanced Income Tax (AIT), the provincial Stamp Duty, and the local Transfer of Immovable Property tax (TTIP). Recurring revenues are mostly made up of the UIPT, a provincially administered tax on estimated annual rental income from immovable property. Fees include conversion and commercialization fees as well as fees on private housing schemes. In certain cases, such as with capital gains tax and advance income tax, one agency, like KP’s Board of Revenue (BoR), may collect or withhold taxes on behalf of another, such as the Federal Board of Revenue (FBR).


Table 1: Type of Land and Property fees and taxes and their administration

Administration Level	Type	Name	Collection Agency
Federal	Transfer	Capital Gains Tax (CGT)	BoR on behalf of FBR
	Transfer	Advance Income Tax (AIT)	BoR on behalf of FBR
	Recurring	Tax on Deemed Income from Immovable Property	FBR
Provincial	Transfer	Stamp Duty	BoR
	Transfer	Capital Value Tax (CVT)	BoR
	Recurring	Land Tax (Rural)	BoR
Provincial/ Local	Revenues from Public Lands & Assets	Rents from Shops & Commercial Assets	Provincial Departments/LGs
	Revenues from Public Lands & Assets	Income from leasing of Public Lands	Provincial Departments
Local	Transfer	Tax on Transfer of Immovable Properties (TTIP)	LGs/ Tehsil Municipal Administrations (TMA)
	Recurring	Urban Immovable Property Tax (UIPT)	Excise, Taxation, and Narcotics Control Department (ETNCD)
	Other Fees	Land Use Conversion Fee	LGs
	Recurring	Approval Fee for Private Housing Schemes	LGs/District Administrations (DA)
	Recurring	Building Plan Approval & Conversion Fees	LGs
	Revenues from Public Lands & Assets	Income from General Bus Stand ⁹	LGs

22. **The inconsistent management of land and property fees and taxes creates a complex system that is challenging for both taxpayers and revenue officials.** The tax rates and their applicability are influenced by various factors, such as the duration of property ownership, the property's value, and the size of the land. For example, the CGT rates are tiered based on the holding period, with a rate of 15 percent for properties held for 1 year, decreasing to 2.5 percent for those held for 6 years. Other taxes like Stamp Duty, Capital Value Tax (CVT), and TTIP are levied at a rate of 2 percent of the declared or assessed value, whichever is higher, and are applicable in both urban and rural settings. The UIPT rates vary based on property characteristics and usage, making it a complex system to administer. The calculation of these taxes is based on various valuation methods, which are determined by distinct valuation tables and notifications from local governments. Federal taxes and some Provincial taxes collected in selected cities are typically estimated using the FBR valuation tables, while Stamp Duty and CVT are often calculated using the BoR valuation tables, and UIPT is assessed using the valuation tables from the Excise, Taxation, and Narcotics Control Department (ETNCD).

⁹ General Bus Stand fees refer to the charges levied for the use of bus stand facilities. These fees are typically collected by the Tehsil Municipal Corporation or similar local government bodies. The revenue generated from these fees is used for the maintenance and improvement of the bus stand facilities.


Table 2: Rate, applicability and valuation basis for Land and Property Linked Revenues

Name	Rate	Applicability	Valuation basis
Capital Gains Tax (CGT)	<ul style="list-style-type: none"> • 15% of profit if holding period is 1 year. • 12.5% if 2 years • 10% if 3 years • 7.5% if 4 years • 5% if 5 years • 2.5% if 6 years <p>Filers will pay a flat 15% tax on gains from assets acquired after July 1, 2024, regardless of holding period. Non-filers will face progressive tax rates, with a minimum tax rate of 15pc.</p>	Urban & Rural Areas Country wide	FBR Valuation Tables (Issued for 42 cities)
Advance Income Tax (AIT)	<p><u>Purchase of Properties</u></p> <ul style="list-style-type: none"> • properties worth < Rs50m: Filers 3%, Late filers 6%, Non-Filers 12% • properties worth Rs50-Rs100m: Filers 3.5%, Late filers 7%, Non-Filers 16% • properties worth > Rs100m: Filers 4%, Late filers 8%, Non-Filers 20% <p><u>Sale of Properties</u></p> <ul style="list-style-type: none"> • properties worth < Rs50m: Filers 3%, Late filers 6% • properties worth Rs50-Rs100m: Filers 4%, Late filers 7% • properties worth > Rs100m: Filers 5%, Late filers 8% • Non-Filers pay 10% in all cases 	Country wide Minimum tax if holding period < 1 year. Adjustable in case of < 6 years Zero otherwise	FBR Valuation Tables (Issued for 40 cities country-wide)
Stamp Duty	<ul style="list-style-type: none"> • 2% of declared or assessed value, whichever is higher 	Urban & Rural Areas	BoR Valuation Tables; and FBR valuations tables for selected cities ¹⁰
Capital Value Tax (CVT)	<ul style="list-style-type: none"> • 2% of declared or assessed value, whichever is higher 	Urban & Rural Areas	BoR Valuation Tables; and FBR valuations tables for selected cities
Tax on Transfer of Immovable Properties (TTIP)	<ul style="list-style-type: none"> • 2% of declared or assessed value, whichever is higher 	Urban & Rural Areas	BoR Valuation Tables; and FBR valuations tables for selected cities
Urban Immovable Property Tax (UIPT)	<ul style="list-style-type: none"> • Self-Occupied Properties: A standard flat rate applies. • Rented Residential Units: The tax rate is double the flat rate for self-occupied properties. • Actual Rental Formula: For residential properties rented out to specific entities (e.g., government, corporations), a 16% formula based on actual rental value is used. • Commercial Properties: Tax rates depend on size, type, location, and actual rent. 	All areas with a non-zero tax rating No tax on vacant land	ETNCD Valuation

¹⁰ BOR notified updated valuation tables in Peshawar, Mardan, Abbottabad, D.I. Khan, Mansehra and Haripur to align with FBR's valuation tables in line with the requirement under Resilient Institute for Sustainable Economy, Development Policy Credit (RISE DPC). The FBR notified updated valuation tables (VTs) for different cities in the country to reduce gap with market rates (about 85%). Since same tax base is used by BOR and FBR to collect respective taxes (property transaction taxes and CGT), the provincial BORs were required to adopt FBR's VTs in selected cities to reduce gap with market rates.



Name	Rate	Applicability	Valuation basis
Tax on Deemed Income from Immovable Property	<ul style="list-style-type: none"> • 1% of declared or assessed value, whichever is higher 	Any unused/ additional property (not applicable on first house or plot) owned with a value above PKR 25m	FBR Valuation Tables (Issued for 42 cities country-wide)
Land Tax	<ul style="list-style-type: none"> • Land not exceeding 1 acre: Exempt from tax. • Land exceeding 1 acre but not exceeding 12.5 acres: Rs. 225 per acre (considering one irrigated acre equal to two un-irrigated acres, excluding orchards). • Land exceeding 12.5 acres: Rs. 340 per acre (considering one irrigated acre equal to two un-irrigated acres, excluding orchards). • Orchard land: Rs. 900 per acre. 	Rural Areas	Land tax is levied based on the total cultivated area, including irrigated and un-irrigated land (with adjustments for irrigation).
Land Use Conversion Fee	<ul style="list-style-type: none"> • No uniform rate; notified by LGs 	Urban & Rural Areas. Conversion of agriculture land to residential use, where permitted by land use plan.	No uniform rate
Approval Fee for Private Housing Schemes	<ul style="list-style-type: none"> • PKR 0.2 million for 10-50 Kanals • PKR 0.5 million for 50-100 Kanals • PKR 2.5 million for 100-200 Kanals • PKR 5 million for 200-500 Kanals • PKR 20 million for >500 Kanals 		Flat fee based on total land for housing scheme
Building Plan Approval & Conversion Fees	<ul style="list-style-type: none"> • No uniform rate; notified by LGs 	For construction of residential & commercial buildings.	No uniform rate

23. **The federal and provincial governments have solely focused on increasing transfer-based taxes to boost revenues from the land and real estate sector. It is advisable to consider recurrent taxes like UIPT as a viable alternative to transfer based taxes.**¹¹ The multilayered land-based taxation system in KP results in taxpayers, including property owners, buyers, and sellers, being subjected to multiple taxations within a single tax period or transaction. For instance, in the case of a residential property transaction in Nowshera, KP, the seller, who is an active taxpayer, decides to sell a property now valued at PKR 10 million, spanning 125 square meters, and originally purchased for PKR 9 million, to a buyer, who is also an active taxpayer. If the sale occurs within one year, and assuming a property’s annual rental value of PKR 100,000, the seller would be liable to pay PKR 0.85 million and the buyer will pay 0.55 million in transactional taxes and fees, which is equivalent to 14 percent effective tax on the transaction (8.5 percent for seller and 5.5 percent for buyer). In comparison, annual UIPT liability for the same property is PKR 1,300 or 0.01 percent of the capital value, which is less than benchmark rates from Punjab or international comparators.¹² This is much lower than low-income group of countries, which have tax ranges of 0.1 to 0.5 percent for low-income countries. Higher transfer-based taxes may lead to unwanted outcomes such as impacts on land and real estate markets and a further increase in the already high extent of informality or non-declaration

¹¹ The combined rates in the GoKP’s provincial budget 2024-25 for provincial and local taxes—including stamp duty, capital value tax, and local government tax on transfer of immovable properties—at six percent of the asset value are three times higher than corresponding rates in Punjab (two percent of asset value). With a significant increase in federal taxes on land and real estate transactions, this

¹² The Punjab Finance Act 2024 has set the UIPT rate as 0.07 percent of capital value (based on BoR valuation tables in Punjab). In comparison, annual UIPT rates in low-income group of countries range from 0.1 to 0.5 percent of capital value.



in the sector. Increasing UIPT collection would help relieve the higher tax burden on transactions and incentivize more productive use of land and real estate assets by owners instead of speculative holding.

Table 3: Example of applicable taxes and fees for a residential property

Applicable transaction taxes and fees	Collected by	Payable by Seller	Payable by Buyer
CVT @2% of higher of transaction value or District Collector (DC) Rate	BoR		200,000
Stamp Duty or Mutation @2% of higher of transaction value or DC Rate	BoR	200,000	
Tax on transfer of immovable properties @2% of higher of transaction value or DC Rate <i>(Transferred to relevant LG)</i>	BoR	200,000	
Advance income Tax @ 3% of higher of transaction value or DC Rate <i>(Assuming that the buyer and seller had both filed a tax return for the preceding financial year)</i>	FBR	300,000	300,000
*Capital Gain Tax (10 million - 9 million *15%)	FBR	150,000	
Registration Fee 0.5% of higher of transaction value or DC Rate	BoR		50,000
Total Tax	Buyer and seller	850,000	550,000
	Combined	1,400,000 <i>(14 percent of the capital value)</i>	
Of which	Federal share	750,000 <i>(54 percent of total receipts from transaction)</i>	
	Provincial share	450,000 <i>(32 percent of total receipts from transaction)</i>	
	LG share	200,000 <i>(14 percent of total receipts from transaction)</i>	
Annual Recurrent Tax on property			
Annual Tax on 05 Marla <i>(Transferred to relevant LG)</i>	ETNCD		1,300 <i>(0.01 percent of capital value)</i>

*Since FBR rate for Nowshera is not available, so the DC rate is used for calculating applicable taxes for FBR

*Tax on deemed income is not applied in this scenario since the rental income from property is already declared in the tax return of the owner

D. IN-DEPTH ANALYSIS AND KEY CHALLENGES

i. OSR and Local Governments

24. **LGs are central to service delivery in KP's cities.** Pakistan is a federation, with responsibilities shared between various tiers of government.¹³ The Constitution of the Islamic Republic of Pakistan sets up a two-tier federal system consisting of a federal government and

¹³ The Constitution of the Islamic Republic of Pakistan sets up a two-tier federal system consisting of a federal government and provincial governments. While local government is not envisaged as a distinct third tier of government, the Constitution imposes an obligation on the provincial governments to "establish a local government system and devolve political, administrative and financial responsibility and authority elected representatives of the local governments".



provincial governments. While local government is not envisaged as a distinct third tier of government, the Constitution imposes an obligation on the provincial governments to “establish a local government system and devolve political, administrative and financial responsibility and authority elected representatives of the local governments”. The GoKP has undertaken several important initiatives for strengthening LGs over the last decade. The KP Local Government Act (KPLGA) 2013, amended in 2019, devolves significant financial and administrative authority to LGs. Under KPLGA, LGs in cities are responsible for core service delivery functions, such as water supply, sanitation, solid waste management, and streetlights, among others.¹⁴ The district or tehsil level authorities (including Tehsil Municipal Authorities¹⁵) are managed by or report to the administration at divisional headquarters, who report to or work with relevant boards or departments at the provincial level.

Institutional Mandates for Public Service Delivery in KP. Despite the KPLGA, the development and operation of core municipal infrastructure and planning and control of the built environment are managed by a range of entities. Under the Local Government, Elections and Rural Development Department (LGERDD), the primary local governments in urban areas include local councils – City Local Governments in Divisional Headquarter towns and Tehsil Local Governments in other cities. A second tier of local governments comprising neighborhood councils is also functioning, but their mandates related to service delivery are limited. In addition to local councils, ten development authorities and seven water and sanitation services companies are also operating under LGERDD in the larger cities. In the smaller cities, the mandates are unified under the respective local councils. In addition to LGERDD, the Communication and Works Department (C&WD) and Public Health Engineering Department also operate field formations for development of roads, water supply, and sanitation infrastructure.

25. **LGs are facing severe financial stress.** Over the past decade, operating costs for municipal services have skyrocketed due to a significant increase in expenditures on payroll, pensions, and energy. Meanwhile, provincial transfers to LGs ceased from the fiscal year 2019-20 onwards due to the provincial government’s resource constraints. This contradicts the KPLGA, which stipulates that LGs should receive a minimum provincial grant equivalent to 30 percent of the general revenue receipts. This provision was intended to make annual provincial grants to local governments specific and predictable. Moreover, LGs have only achieved marginal cost recovery, without a corresponding increase in service delivery tariffs. In this context, LGs struggle to cover operational and recurring expenditures, which affects the sustainability of capital investments aimed at improving service quality or expanding coverage in low-income and outlying areas.

Table 4: OSRs for Urban LGs in KP over 2017-18 to 2023-24

Own-source Revenue (OSR)	Total Receipts over 5 years (PKR Million)
Tax on Transfer of Immovable Properties (TTIP)	9,953
General Bus Stand fee	4,613
Urban Immovable Property Tax (UIPT)	3,050
Rent of Municipal Properties	1,635
Building Approval & Conversion Fee	1,072
Land Use Conversion Fee	42
Other Revenues (Not linked to land or properties)	6,019

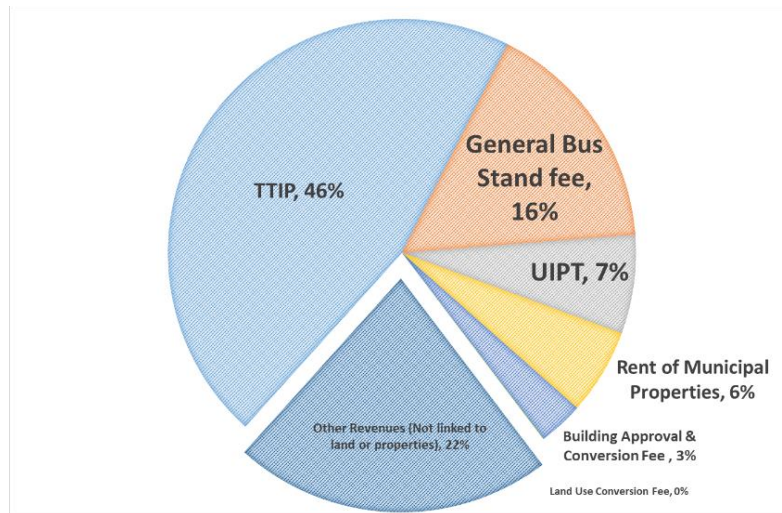
Source: GoKP’s Annual Budget Statements 2019-2024

¹⁴ In addition to local governments, ten development authorities (DAs) and seven water and sanitation services companies (WSSCs) are also operating in the larger cities. Refer Annex I for a summary of institutional mandates for municipal service delivery in KP’s cities.

¹⁵ TMAs a local government body responsible for municipal services and governance within a tehsil. It manages local infrastructure, sanitation, and community services and is headed by a Tehsil Municipal Officer



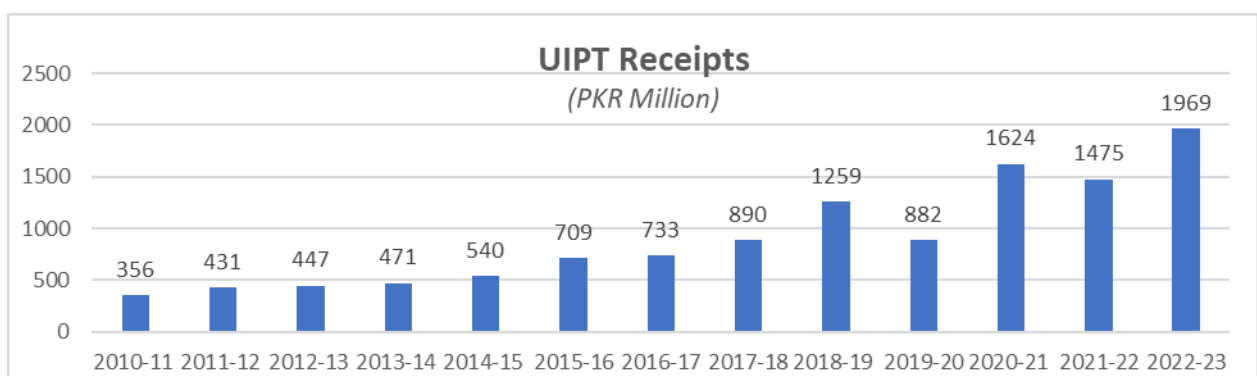
Figure 3: Share of Land and Property Linked OSR from Total LGs' OSR



Source: Authors calculations utilizing data gathered from GoKP.

26. **Land and property linked revenues are a lifeline for LGs.** Property tax is one of the main own-source revenue available to LGs for development and maintenance of local roads, water supply and sewerage networks, and sanitation infrastructure. Over the five-year period between fiscal years 2017-18 and 2022-23, these revenues have accounted for 77 percent of all OSRs for LGs (26,384 PKR million for the entire period).¹⁶ UIPT is collected by ETNCD, which charges an administration fee of 15 percent of all revenues collected and transfers the remaining amount to local government. Since 2021-22, the share of UIPT receipts transferred to LGs has been increased from 50 percent to 85 percent.¹⁷ UIPT receipts in KP are the third largest revenue source for urban LGs in KP behind TTIP and General Bus Stand Fee. UIPT receipts have considerably increased over the last decade in nominal terms with a significant rise in 2022-23, reaching up to 1969 PKR Million. Furthermore, as indicated in the next section on UIPT revenue simulations, there is considerable potential for further growth. It is therefore critical for the provincial government and LGs to focus on developing land-based revenues to support capital investments and financial sustainability of urban services in KP's cities.

Figure 4: UIPT Receipts in KP over 2010-11 to 2022-23



Source: ETNCD.

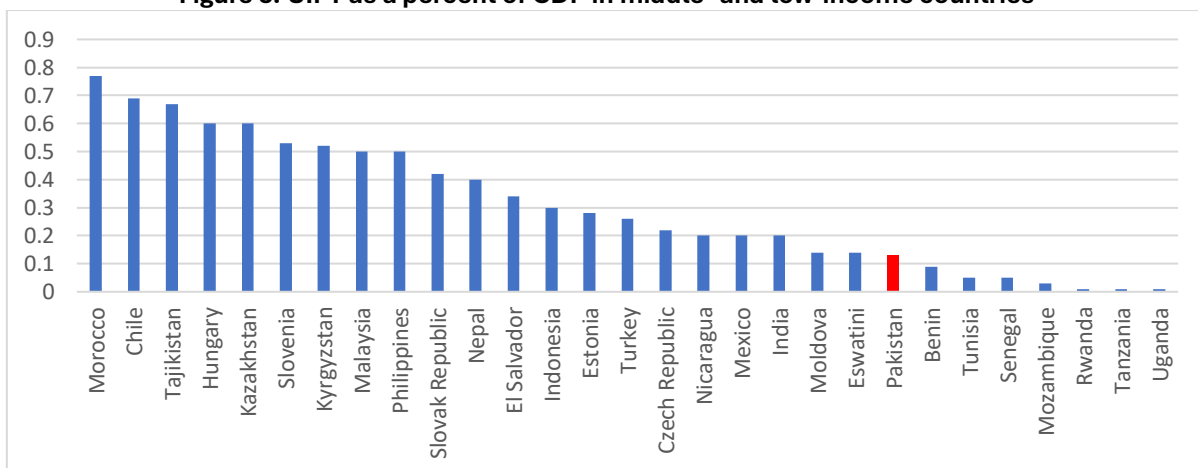
¹⁶ The revenue figures for local governments included in the report are based on data received from the Local Council Board (LCB) for 118 urban local governments in KP. Several omissions, errors and inconsistencies were identified in the data, which were communicated to the LCB for clarification. Responses from the LCB were used for cleaning up the data to the extent possible.

¹⁷ The increase in LGs' share was stipulated by the KP Finance Bill 2021. Earlier, the GoKP's Finance Department (FD) had retained the remaining share.



27. **Current UIPT collection in Pakistan is lower than regional and international comparators.** Cross-country comparisons provide useful benchmarks, targets, and a basis for estimating potential improvements in the property tax system through policy or administrative changes. Internationally, recurrent property tax generates on average 0.3–0.6 percent of GDP for low- and middle-income countries, and around 1.2 percent in higher-income (OECD) countries. In some countries, it generates up to 2–3 percent of GDP, for example, in Canada, France and the United States (OECD & UCLG, 2019).¹⁸ In the case of Pakistan, a low-middle income country, the UIPT as a percentage of GDP is approximately 0.13 percent (Figure 5), which is below par when compared to other middle- and low-income countries. When examining the provinces, UIPT revenue as a percentage of provincial GDP is estimated at 0.18 percent for Punjab, 0.07 percent for Sindh, 0.0325 percent for KP and 0.01 percent for Balochistan.¹⁹

Figure 5: UIPT as a percent of GDP in middle- and low-income countries



Source: OECD & UCLG (2019); Reported UIPT collection in 2018 and World Bank’s GDP estimates

ii. Tax Base

28. **UIPT is not uniformly enforced across all urban regions of KP.** Section 44 of the KPLGA 2013 designates each tehsil as a rating area for the UIPT. However, if the LG fails to determine the tax rate, the area is deemed exempt from property tax. Currently, UIPT tax base is limited to 17 out of 36 districts, meaning that property tax is charged in only 45 LGs out of 130, leaving nearly two-thirds of the province outside the taxation parameters. Tax collection is underway in Peshawar, Kohat, and Abbottabad, among others, while areas such as Tor Ghar, Kohistan, Malakand division, the seven merged districts like Bajaur and North Waziristan, as well as six Frontier Regions, are not encompassed currently by the UIPT.

29. **One of the key challenges impacting the tax base for UIPT, and other land-based revenues lies in the fact that over half of the province lacks proper land records, those with records have not been fully digitized, and there is no comprehensive and up-to-date cadaster system.** Land records are available for 19 of the 36 districts in KP, accounting for 45 percent of the province’s land area. These records stem from settlement or re-settlement surveys, some of them conducted more than a century ago. In the recorded districts, about 76 percent of the records have been digitized. The BoR is currently working to digitize ‘massavi’ cadastral maps, which originated during the settlement period but omitted residential and non-agricultural land. The lack of cadastral maps in urban areas hinders the effectiveness of UIPT, as significant developed areas within declared

¹⁸ Report of the World Observatory on Subnational Government Finance and Investment – Key Findings.

¹⁹ Applying estimated UIPT collection in 2018 and GDP estimate from the World Bank’s macroeconomic team for 2014-15.



rating areas lack notified tax rates. Moreover, properties now within the city’s footprint but outside designated rating areas are omitted, this includes substantial suburban residences, farmhouses, and industrial and commercial estates. The sluggish pace of designating new rating areas exacerbates the issue, resulting in a significant portion of recently urbanized areas not being part of the UIPT tax base.

Urbanization in KP. The National Population and Housing Census 2023 reveals that the KP population residing in areas officially designated as urban has been steadily declining over successive census exercises from 17 percent in 1998, to 16.5 percent in 2017, and 15 percent in 2023.²⁰ This percentage is significantly lower than the urban population shares in Sindh (52 percent) and Punjab (41 percent). Additionally, the growth rate of urban areas in KP lags that of rural areas. The intercensal growth rate for urban populations in KP stands at 0.72 percent, which is notably lower than the corresponding growth rate for rural populations (2.69%) within the province. This trend contradicts the general pattern observed in other provinces, where urban areas typically experience higher population growth compared to rural regions. Moreover, this growth rate is less than a quarter of what was recorded in the 2017 census. In that census, urban areas exhibited higher growth rates than rural areas. Without detailed results from the 2023 Census, it remains challenging to pinpoint specific regional or local factors contributing to this anomaly.²¹

Nevertheless, the extent of hidden urbanization may be higher in KP than in other provinces. Official designation and delimitation of urban areas masks significant concentrations of populations outside urban boundaries. The densified settlement pattern around urban areas is reflected by over two-thirds of the population residing within a travel time of one hour from a city²² in settled districts. This indicates that a significant part of the population currently appearing in census figures as rural would likely be classified as urban if population density, population size, or settlement characteristics based criteria were employed instead of administrative designation only.²³ In addition to masking urban population figures, this also results in administrative boundaries for cities leaving out large population concentrations outside official boundaries, with significant implications for revenues such as UIPT.

30. The ETNCD is receiving assistance from the World Bank’s KP Revenue Mobilization and Public Resource Management Program (KPRMP) to improve the UIPT by creating a digital fiscal cadaster, which could significantly expand the tax base. The GoKP has prioritized the increase in revenues from the UIPT under the KPRMP. Key interventions include the digitization of the UIPT tax base, improving billing and payment systems, and enumeration survey of all urban properties in the largest cities of KP. The latter has helped uncover tax base expansion potential - for example, the tax base expanded by 79 percent in Nowshera and 22 percent in Abbottabad districts of KP after the survey.²⁴ Similarly, Peshawar is estimated to have the potential for a 116 percent tax base expansion. But this substantial achievement will not translate into revenues unless newly identified properties are taxed.

31. Another significant issue is the absence of a unified integrated information system for entities involved with land-based revenues to utilize and exchange data. The BoR has established

²⁰ Important to note that the results for KP from the National Population and Housing Censuses from 2017 only included areas now known as ‘Settled Districts’, while results for the Federally Administered Tribal Areas (FATA) was reported separately. Following the 25th Constitutional Amendment in 2018, tribal areas in FATA were merged with the KP province. The results for KP province in the National Population and Housing Census 2023 include Settled Districts as well as ‘Newly Merged Districts’ (former FATA areas).

²¹ To date, only limited results have been released from the National Population and Housing Census 2023. Urban and rural population figures have only been released at the provincial level. While district-wise populations have also been announced, these figures do not provide an urban-rural breakdown.

²² Government of KP (2014), “Integrated Development Strategy 2014-2018”.

²³ The census definition for urban areas relies solely on administrative notification and does not use population size or settlement characteristics as criteria. Official statistics therefore tend to under report the urban share of population compared to other international and local analyses using standardized population density and size-based methodologies that designate significantly larger areas and population as urban.

²⁴ After the survey, Nowshera has 58,786 property units, and Abbottabad has 32,040 units. Peshawar has around 278,000 property units in excise’s registers, however, these are estimated to have increased to around 600,000.



the Centralized Land Records Management Information System (CLRMIS) to facilitate the digitization, computerization, mapping, and expansion of land services. Although it features a centralized database, its deployment across districts is hindered by challenges in accessing power and communication networks. Moreover, the CLRMIS remains inaccessible to other departments and lacks the capability to receive updates or share information with them. In this regard, the ETNCD maintains separate fiscal records and maps for urban properties, encompassing land and buildings, yet these are not integrated with BoR’s revenue records.

32. In addition to challenges with ICT and land records, the coverage of the tax base is influenced by legal and administrative issues. Firstly, the lack of regular inspections to identify new or redeveloped properties indicates an administrative shortfall in maintaining an updated valuation list/roll, often due to resource constraints and poor data sharing among departments. Secondly, there is a failure to systematically catalog properties like undeveloped land and vacant buildings. Typically, such properties are not taxed based on annual rental value (ARV), although this approach has shifted in other countries where ARV is employed, resulting in taxation of these properties.

iii. Valuation

33. There are three valuation systems being used for different land related taxes. These include: (i) the FBR-issued land valuation tables for residential and commercial properties in 42 cities across the country, 3 of which are in KP: Peshawar, Mardan, and Abbottabad.; (ii) the BoR-issued valuation tables for residential and commercial properties for urban and rural areas;²⁵ and (iii) the ETNCD-issued tables for UIPT valuation. The FBR and BoR use capital value (CV) as the basis, which is updated annually. The BoR or District Collector (DC) Rates are used for assessment of provincial revenues including the Stamp Duty²⁶ and the CVT, as well as the TTIP for LGs.’ On the other hand, and unlike in Punjab and Sindh where is based on the ARV of properties, UIPT in KP has been area-based since 1997.²⁷

34. While both the FBR and the BoR use capital value as the basis for valuation, their scope, jurisdiction, and processes differ significantly. The FBR considers various factors and inputs to notify the valuation rates for the respective cities/areas, including internal staff surveys of the respective areas, proposals from real estate vendors, online comparisons of rates available on platforms such as zameen.com, and consultative meetings with real estate stakeholders. BoR valuation tables are prepared annually by Deputy Commissioners in consultation with a team including the Additional Deputy Commissioner, Assistant Commissioner, Patwari, and Tehsildar. These tables serve as guidelines for determining fair market property values for taxation and other purposes, relying on market intelligence. However, there are no basis or standardized criteria available for the determination of property values.

²⁵ The BoR Valuation Tables are also known as District Collector (DC) Rates.

²⁶ KP province has recently implemented e-Stamp system in all districts, with the support from World Bank’s Governance and Policy Program (now closed). It will help plug revenue leakages and facilitate property transactions (in Punjab, the system allowed issuance of stamp paper in few minutes compared with 2/3 days in manual system).

²⁷ Bahl, R., Wallace, S., and Cyan, M. 2008. Pakistan: Provincial Government Taxation. Working Paper 0807. International Studies Program. Andrew Young School of Policy Studies, Georgia State University, United States.



Annual rental value (ARV) vs Capital Value (CV). ARV represents the potential income a property could generate if it were rented out, serving as a notional figure for tax calculations. ARV is calculated by estimating the amount a property might reasonably be expected to earn in rent over a year, often adjusted for factors like vacancy rates and maintenance costs.

CV, on the other hand, refers to the estimated worth of a property based on its potential to generate future income or cash flows. It's influenced by market conditions, location, property characteristics, and rental income potential. CV reflects the present value of expected future benefits from owning the property. It's a snapshot of the property's market value at a specific point in time, which can fluctuate based on economic trends and real estate market dynamics.

ARV serves as a direct link to a property's rental income potential. It remains relatively stable over time, simplifying tax assessments. However, subjectivity in estimating rental income and the lack of consideration for vacancies and expenses are its drawbacks. CV, on the other hand, reflects market dynamics and provides a comprehensive assessment of a property's worth. It considers all aspects, including land, improvements, and location. However, its volatility due to market fluctuations and complexity in calculation pose challenges.

35. There are several challenges to the use of an ARV system in KP's environment.²⁸ Fundamentally, there is very limited base evidence available from rental markets, which remain largely undocumented, that would be essential in underpinning an ARV-based assessment system. In practice, as mentioned above, the ETNCD has adopted an approach involving the notification of a few broad taxation zones and a simplified zone and a land area-based assessment method for properties. Transitioning to a CV-based valuation approach is not the only option. The key objective is to make the valuation system more equitable, transparent, and fairer.

36. Valuation tables for UIPT in KP are not updated frequently and their calculation basis is arbitrary which leads to concerns about fairness and equity. The UIPT valuation is based on ETNCD's valuation tables. According to its regulation, these tables use location, plot size, and covered area as primary inputs and are required to be updated every five years. In practice, valuation tables are not regularly updated due to complexity as well as operational and political costs. ETNCD classifies houses as residential buildings, while commercial buildings encompass structures used for business activities, including offices and trade establishments. Mixed-use buildings with both residential and commercial units are assessed separately. It divides the region into five zones with predetermined tax rates based on property size and location, distinguishing between township and non-township areas. A standard flat rate is applied to self-occupied residential properties, whereas rented properties incur a tax that is twice the rate of self-occupied ones. Specific flat rates are set for petrol pumps, service stations, and mobile towers, and educational institutions are granted a 30 percent rebate on covered areas. Government offices, Non-Government Organizations (NGO), commercial organizations, guest houses, hostels, and banks are taxed at 16 percent of the rental value, and industrial areas PKR 2.5 per sq. foot. Finally, for commercial properties, taxes are calculated using a measurement-based approach, considering both covered and non-covered areas, and applying a locality factor. KP's UIPT system's subjectivity impacts tax equity and fairness, as properties are not uniformly assessed in relation to their actual value.²⁹ This leads to a situation where some property owners are burdened with excessive taxation while others are being under-taxed.

iv. Rates, Exemptions and Tax Collection

37. The continuous changes in land-based tax rates and fees render tax collection uncertain and challenging. In the last three years the tax landscape underwent significant changes. The rates

²⁸ Some of the challenges are discussed in: Abbas, Cheema (2022). "Reforming Urban Property Tax in Khyber Pakhtunkhwa".

²⁹ Nevertheless, the UIPT is important as a direct tax which can be designed progressively, reducing the tax liability of the less well off. When appropriately administered, the tax can allow local governments to capitalize on urbanization by capturing a portion of increasing wealth retained in the form of real estate and rising land values. Thus, it has high revenue mobilization potential and allows building in incentives to reward productive use of land for economic activity and housing.



for both CGT and AIT were increased, reflecting a shift towards more stringent tax policies. Moreover, the holding period for these taxes was extended to six years, indicating a move to encourage longer-term investments. Conversely, in a bid to stimulate the real estate market, Stamp Duty saw a reduction; both the CVT and Stamp Duty rates were decreased to 2 percent in 2020, offering a reprieve to property buyers and sellers alike.

38. **The existing UIPT rates are generally flat, low, and are not regularly updated, which has led to various market distortions, equity issues for residents and below par revenues for the government.** Specifically, the lower tax rates have skewed profitability in favor of real estate investments over manufacturing or tradable services, which misallocates capital and hampers growth potential. Additionally, the reduced effective UIPT rate on vacant plots incentivizes the unproductive retention of land and speculative real estate investments, leading to imbalances in land and housing markets. Furthermore, the significant disparity in the effective UIPT rate between rented and owner-occupied properties indicates a policy shortcoming in the housing and rental sectors. Lastly, the flat tax structure of UIPT disproportionately benefits owners of high-value properties to the detriment of those with lower-value assets.

39. **Exemptions are also subject to frequent revisions and often appear to be made on an ad-hoc basis.** For instance, for UIPT unused or vacant lands are exempt, and if the local government does not establish a tax rate, the area is automatically exempt from it as well. The KP Land Tax exempts any landholding that does not exceed one acre. The CVT, after being waived by the Government of KP in 2020, has been reinstated this fiscal year. Similarly, the TTIP was suspended for two years due to the COVID-19 pandemic but has now been resumed. Notably, the Malakand division—a tax-free zone as per Article 247 of the Constitution of Pakistan, which includes nine districts comprising former Federally Administered Tribal Areas (FATA) and former princely states—remains exempt from income tax collection.

40. **The federal government has taken several measures to increase federal land-based revenues, yet the GoKP contends that these have led to loss of provincial revenues and increased informality.** Actions taken include increases in tax rates for capital assets for CGT and AIT in 2022; introduction of an annual Tax on Deemed Income from Immovable Property in 2022-23; issuance of valuation tables for 42 cities by the FBR; and empowering the government with the first right of purchase for capital assets where value may have been under-declared since 2018-19. Consequently, the BoR argues that the increased tax burden is driving people toward informal land transactions. Buyers and sellers are using simple stamp papers or power of attorney deeds, which are not recorded in the official revenue records, to avoid the taxes, thus leading to further revenue loss. These types of transactions also pose a risk to the buyer’s rights, particularly because a power of attorney can be easily misplaced, revoked, or become null and void upon the death of the grantor.

41. **Receipts from (i) Land use conversion fees, and (ii) Building Plan Approval and Conversion Fees, are significantly lower in KP’s cities when compared to cities in Punjab.** There may be several reasons for this. In Punjab, fees for change in land use, whether agricultural to residential use, or residential to commercial use, are directly indexed to BoR/DC rates. In contrast, the determination of fees is left to individual LGs in KP. While the LGERDD had prepared Model Building By Laws in 2017, these do not cover approval fees. It is important for policy makers in KP to focus on these sources in view of the growing footprint of, and diversifying economic activities within, KP’s cities.

E. ENHANCING UIPT REVENUES: A SIMULATION MODEL³⁰

42. **This section undertakes a series of revenue simulations based on changes made policy and administrative variables that underpin the UIPT in KP.** The rationale for undertaking this

³⁰ This section is based on the background paper “Property Tax Review for Khyber Pakhtunkhwa” written by Peadar Davis and William J McCluskey as part of the Land Sector Review in Khyber Pakhtunkhwa (P180417) PASA.



analysis is to gain a better understanding of the real revenue potential of UIPT. Various scenarios have been modeled by adjusting policy and administrative variables individually and in combination and comparing resulting revenue totals against GDP-based benchmarks.

43. **The approach adopted establishes two revenue benchmarks informed by international experience of best practice in comparable jurisdictions.** This analysis uses the international normative range for UIPT as a percentage of GDP. The low benchmark is set at 0.25 percent of GDP, with the standard 0.5 percent target also illustrated in certain instances to highlight KP's potential revenue position relative to other provinces and middle/low-income countries. This dual benchmarking allows for comparison of KP's performance against both realistic and optimal targets for property tax revenue. Currently UIPT receipts in KP only account for 13 percent of the low benchmark.

Table 5: Policy and administrative variables and descriptions

Variables	Description
Policy variables	
Tax Base	Defined in terms of the value of taxable properties included in the valuation roll.
Tax Rate	Refers to the rate applied to the tax base.
Administrative variables	
Coverage Ratio (CVR)	The number of taxable properties captured in the valuation roll as a percentage of the estimated total number of taxable properties.
Valuation Ratio (VR)	The total assessed value of taxable properties on the valuation rolls as a percentage of the total market value of taxable properties on the valuation roll.
Tax Liability Assessment Ratio (TLR)	The amount of the tax being levied on a taxable property divided by the legally mandated tax liability assessment.
Collection Ratio (CR)	The annual tax revenue collected as a percentage of the total tax demanded.

44. **While individual policy changes have a notable impact on revenue collection in KP, they alone do not suffice to meet even the minimum international benchmarks.**

- Increasing the collection ratio (see table 5) to 75 percent increases the total collectable from 1.97 billion PKR to 2.28 billion PKR representing a 15 percent uplift in policy terms. If the collectable ratio is increased 90%, revenue rises to 2.28 billion, a 38 percent policy uplift.
- Adjusting the exemption rate to 5 percent results in a modest policy effect of 2 percent increase in revenue.
- Growth in tax base of 10 percent, 20 percent, 50 percent, and 100 percent increase the collectable revenue to PKR 2.17 billion, 2.37 billion, 2.96 billion and 3.95 billion respectively.
- An increase in the effective tax rate from 25 percent to 35 percent and 40 percent has an impact of 22 percent and 39 percent, which would see the collectable increase to PKR 2.4 billion and 2.75 billion.

In terms of the international benchmarks the most significant effect can be seen to be a doubling of the Tax Base, which still only achieves just over one quarter of the low benchmark.

45. **Implementing a full suite of policy and administrative changes leads to significant revenues increases, but achieving such scenarios may pose challenges politically.** For example, achieving the 90 percent collection rate, with 5 percent exemptions and allowing for a tax base increase of both 10 percent, 20 percent and 100 percent realises total collectables increases of 55 percent, 69 percent, and 182 percent, respectively. These represent up to more than one third of the established low GDP benchmark level of 0.25 percent of GDP (37 percent). Introducing the 40 percent effective tax rate into the scenario in combination with the 90 percent collection and 5 percent exemption rate produces a total collectable increase of 96 percent. A full scenario with changes in collection, exemptions, tax base and effective tax rates can produce policy increases between 89



percent and 634 percent, with the total collectable revenues ranging between PKR 1.75 billion and 12.75 billion. The inclusion of the tax rate elements to other policy and administrative variables and ‘pushing the administrative envelope’ are the most effective in revenue terms and are indeed transformational, driving the performance up to 96 percent of the established low GDP benchmark (0.25 percent). This is difficult to achieve politically. Despite these identified policy alternatives, used together for maximum effect, the overall results for both levels of analysis performance fall (albeit for the best performing, marginally) short of the low benchmark and even the best performing falls below 50 percent of the internationally accepted higher benchmark of 0.5 percent of GDP.

46. The findings reinforce that improvements need to be achieved in all the identified aspects – tax base growth, control of exemptions, improved collection and enforcement and a more realistic tax rate setting. Interventions will undoubtedly increase UIPT revenue, however this requires both administrative and policy interventions and targeted efforts. These identified enhancements are necessary but realistic targets for enacting operational improvement and policy change. Achieving them will of course take considerable effort in the policy domain and in operational management of the property tax system on the ground. Nonetheless, it must be noted that even taking these actions up still does not achieve international benchmarks or norms, with the most aggressive reform scenario barely approaching the 0.25 percent Low Benchmark. Accordingly, performance will need to be totally transformed in all elements to drive improvement towards Lower Benchmark, with sustained modernisation, system maturity of the entire UIPT ecosystem to make headway towards the higher, half of the one percent recognised international High Benchmark.

F. RECOMMENDATIONS

47. In the first two years, the primary goal should be to enhance collection efficiency to achieve immediate results and boost revenue mobilization. From years three to five, the GoKP should focus on administrative and policy reforms of regular taxes like the UIPT and invest in modernizing the land administration system. These efforts will help expand the tax base, improve, and harmonize valuation systems, control exemptions, enhance enforcement, and increase land-based revenue collection.

I. Policy Variables Actions

- **Recommendation 1. Expand the tax base.** Significant enhancements are necessary to expand the tax base, with a crucial need for broader coverage. It’s estimated that over three-quarters of taxable properties are not accounted for in the current tax base, which discourages payment among those who are taxed. Addressing this involves multiple facets:
 - *The GoKP may revise the local government and property tax laws to prompt LGs to declare rating areas and notify tax rates for all built up areas within their jurisdiction.* While this is under the control of elected leadership in LGs and therefore subject to local political considerations, there is a strong case for small and medium sized cities in KP to build broader acceptability within local communities around the need to tax properties in urban cores, which would in turn allow greater investment in local service delivery by LGs. It is essential to implement suitable incentives and penalties to encourage taxpayers to fulfill their property tax obligations. It would be advisable to integrate this approach with the administration of property tax, the allocation of collected funds, and their utilization in providing services to the citizens.
 - *The ETNCD should complete digitization of the fiscal cadaster in all cities with the support of KPRMP and coordinate the work with BoR.* As mentioned above, so far UIPT records in Nowshera and Abbottabad districts have been updated (based on field surveys) and digitized, while the work is in progress for Kohat, Bannu and Mardan districts. For further survey and digitization of UIPT, the government has prioritized Peshawar, D.I. Khan, Haripur, Charsadda and Swabi, which will be supported under the extended scope of



KPRMP.³¹ However, this needs to be coordinated closely with BoR as this data will be the basis for the future urban revenue maps and records. To accurately capture property rights in these expanding urban and peri-urban areas, the BoR should collect, digitize and integrate existing data sources, such as land records and property tax records from ETNCD, land development authorities, housing associations, etc., and enhance these records through a participatory, systematic registration approach similar to the one being developed in other provinces, for instance, through the PULSE project in Punjab that is being supported by the World Bank.

- ETNCD and LGs should reassess urban areas that extend beyond the existing UIPT boundaries. This alignment of UIPT rating area boundary with urban area boundary may make use of master plans and land use plans for several large cities developed by the KP Urban Planning Unit, which lay out the extent of current built-up areas as well as future growth directions. In the largest cities of KP, the ongoing ETNCD surveys have also collected detailed information on properties, built structures, and land use. It would be useful to ascertain whether LGs may be able to use this data for compliance to land use and building plan objectives.
- **Recommendation 2. Conduct a comprehensive review and develop a new framework for all KP land and property-based taxes and fees.** The aim is to simplify their levying process and eliminate inconsistencies and perverse incentives that may lead taxpayers to behave in ways that are detrimental to the national interest and economic prosperity. The following goals could be set for the new framework:
 - Ensure certainty and stability in the types and number of taxes and exemptions.
 - Establish single collection systems for transactions and income. In this system, the taxpayer pays once and the revenue is divided, as appropriate, between different tiers of government. This approach would likely reduce administrative costs, increase compliance, and reduce compliance costs for taxpayers.
 - Implement a property valuation system for all taxation or fees assessment purposes. This should aim to ensure properties are appraised consistently according to their true market value, thereby enhancing the equity and fairness of land-based taxes and fees. Moreover, standardizing all land-based taxes and fees to reflect the BoR valuation would minimize subjective assessments, streamline the valuation process, and enhance overall transparency. The GoKP's Urban Policy 2022-2030 lists several key actions towards this objective, including the redesigning of the valuation system based on area-wise property values, adjusting values of properties within zones based on factors such as access to road and quality of construction and reevaluating properties every two years. The GoKP may capitalize on the insights gained from the current mass valuation pilot in Nowshera supported by the "Land Review in KP PASA." These findings will be instrumental in assessing and strategically overhauling the existing system.
 - Reassess tax rates and fees vis a vis the new property valuation system. Tax rate reform would ideally be based on variable rather than fixed rates determined annually governed by residual balance of funding requirements. Policy focus needs to be directed towards revaluation close to market value. Accompanying this, any tax rate decreases at the point of revaluation need to be minimized to the extent possible, to achieve a net increase in revenue. Finally, tax rates and fees must be fair and progressive, aligned with the new valuation, and linked to improved and efficient service delivery. In the medium-to-long term, the federal, provincial, and local entities may work out a revenue sharing arrangements for a one-window collection of all transaction-related taxes and fees using a harmonized valuation base.

³¹ Together these districts account for more than 90% of UIPT tax base of the province, with Peshawar and D.I. Khan having largest tax base compared with other districts.



II. **Administrative Variables Actions:**

- **Recommendation 3, Identify opportunities for quick efficiency gains and collaboration with the FBR, other provincial departments and local governments. Specifically,**
 - Simplifying and integrating the TTIP receipts into existing processes. In recent years, the Government of Punjab has implemented measures to curb leakages of TTIP through integrating its collection into the BoR collection systems. Under the system, users pay TTIP alongside provincial fees prior to issuance of registry for a land or property transaction.
 - Coordinating with FBR and within provincial departments to address the high taxation burden that may discourage registration and impact the revenue collected by the Board of Revenue.
- **Recommendation 4. Examine and identify success factors of Urban LGs that are generating large General Bus Stand fees.** Urban LGs in KP are generating larger revenues on average from than cities in Punjab. The sizable revenue receipts for KP’s urban LGs are a good practice example. Strong revenue performance from this source indicates potential for growth beyond the annual auctions system.
- **Recommendation 5. Conduct city-wide surveys to identify and manage non-compliant land-use or building construction.** These surveys could not only lead to better enforcement and structural safety outcomes but also serve as a robust revenue generation tool. This could be achieved by identifying instances of non-compliance and imposing fines for the regularization of non-compliant use.
- **Recommendation 6. Harmonize the ETNCD and BoR valuation tables.** The Government of KP may consider a shift from ARV- based property tax valuation to a Capital Value (CV) or a hybrid system. This change would require a revision of the existing regulatory framework. Adopting a uniform valuation method offers multiple benefits: it eliminates the complexities associated with a solely ARV-based system; it obviates the need for frequent updates to various valuation tables, thereby cutting down on administrative expenses; and it consolidates land and property valuations, addressing the problem of vacant lots being taxed much lower than developed properties, which currently encourages land hoarding and diverts capital from productive industries.³²
- **Recommendation 7. Prioritize the modernization of the land administration system to broaden coverage create a sustainable land-based revenue system.** The BoR must focus on digitizing the remaining 26% of land records currently not in digital form, streamline the deeds registration system alongside the digitization of historical deed archives, establish an integrated urban property rights system, initiate the settlement or first-time registration of urban areas and former FATA, and develop a cadaster that includes both existing land records and those from newly settled and urban areas. This will establish a platform to oversee property ownership and transactions, thereby facilitating the assessment and collection of property taxes over time. Moreover, this will also facilitate the collection of recurring transaction fees, most notably stamp duty and mutation fees, which have accounted, on average, for 74% of land-based revenues over the past 5 years.
- **Recommendation 8. Improve the integration of taxation data through the CLRMIS to enhance revenue collection and performance monitoring.** The BoR’s establishment of CLRMIS has laid the groundwork for digitizing land records, but its full potential is yet to be realized due to limited access to digitized land records across districts and a lack of inter-

³² The Government of Punjab has recently moved to a single base value (BoR valuation tables) for all land-related transfer and recurring taxes, including Stamp Duty, TTIP, UIPT, and land use conversion fees. Alternatively, the application of an index to incrementally raise the values may be considered for immediate effect.



departmental connectivity. Bridging the data gap between the BOR, ETNCD and LGs, as well as between residents, is essential for informed decision-making and transparency. Providing LGs with regular dashboard updates and access to the CLRMIS platforms will enable better tax rate notification and revenue management. Similarly, granting residents greater platform access will foster transparency and fairness. Moreover, integrating ETNCD's fiscal records with BoR's revenue records, and ensuring all digitized data is included in the CLRMIS with clear dashboards, will streamline processes. Sending tax invoices to newly identified tax units, coupled with targeted communication campaigns, and learning from successful practices like Punjab's tax discount incentive, can boost registration and compliance. Lastly, a focus on training field staff and implementing performance incentives will solidify the foundation for a robust and equitable tax system.

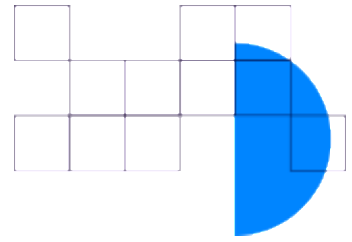

Table 6: Recommendations: Improving own source revenue generation

#	Recommendations	Year					Comments
		1	2	3	4	5	
Policy Variable Actions							
1	Expand the tax base						<ul style="list-style-type: none"> • Urban LGs declare rating areas and set tax rates for all built-up areas, and ETNCD implement incentives and penalties to ensure compliance. • Complete the digitization of the fiscal cadaster in all cities with KPRMP support and coordinate with BoR for data integration. • ETNCD and LGs reassess urban areas beyond existing UIPT boundaries, using master plans and land use plans to align UIPT rating areas with urban growth.
2	Conduct a comprehensive review and develop a new framework for all KP land and property-base taxes and fees						<p>The aim is to simplify their levying process and eliminate inconsistencies and perverse incentives:</p> <ul style="list-style-type: none"> • Ensure certainty and stability in the types and number of taxes and exemptions. • Establish single collection systems for transactions and income. In this system, the taxpayer pays once and the revenue is divided, as appropriate, between different tiers of government. • Implement a property valuation system for all taxation or fees assessment purposes. This should aim to ensure properties are appraised consistently according to their true market value, thereby enhancing the equity and fairness of land-based taxes and fees. • Reassess tax rates and fees vis a vis the new property valuation system. Policy focus needs to be directed towards revaluation close to market value. Tax rates and fees must be fair and progressive, aligned with the new valuation, and linked to improved and efficient service delivery. • In the medium-to-long term, the federal, provincial, and local entities may work out a revenue sharing arrangements for a one-window collection of all transaction-related taxes and fees using a harmonized valuation base.
Administrative Variables Actions							
3	Identify opportunities for quick efficiency gains and collaboration with the FBR, other						Simplifying and integrating the TTIP receipts into existing processes.



#	Recommendations	Year					Comments
		1	2	3	4	5	
	provincial departments and local governments.						Coordinating with FBR and within provincial departments to address the high taxation burden that may discourage registration and impact the revenue collected by the BoR.
4	Examine and identify success factors of Urban LGs that are generating large General Bus Stand fees.						High-performing LGs need to have strong revenue performance from this source indicates potential for growth beyond the annual auctions system.
5	Conduct city-wide surveys to identify and manage non-compliant land-use or building construction.						This could be achieved by identifying instances of non-compliance and imposing fines for the regularization of non-compliant use.
6	Harmonize the ETNCD and BoR valuation tables.						The harmonization of valuation tables may bring several advantages. The Government of Punjab has recently moved to a single base value (BoR valuation tables) for all land-related transfer and recurring taxes, including Stamp Duty, TTIP, UIPT, and land use conversion fees. Alternatively, the application of an index to incrementally raise the values may be considered for immediate effect.
7	Prioritize the modernization of the land administration system to broaden coverage to create a sustainable land-based system.						The BoR must focus on digitizing the remaining 26% of land records currently not in digital form, streamline the deeds registration system alongside the digitization of historical deed archives, establish an integrated urban property rights system, initiate the settlement or first-time registration of urban areas and former FATA, and develop a cadaster that includes both existing land records and those from newly settled and urban areas. This will establish a platform to oversee property ownership and transactions, thereby facilitating the assessment and collection of property taxes over time.
8	Improve the integration of taxation data through the CLRMIS to enhance revenue collection and performance monitoring.						Bridging the data gap between the BOR, ETNCD and LGs, as well as between residents, is essential for informed decision-making and transparency. Providing LGs with regular dashboard updates and to access the CLRMIS platforms will enable better tax rate notification and revenue management.

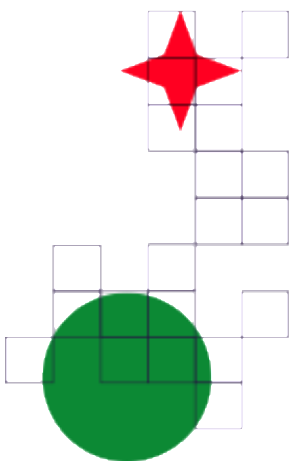




LAND SECTOR REVIEW IN **KHYBER PAKHTUNKHWA**

Chapter III

PUBLIC LAND AND BUILDING ASSET MANAGEMENT





LAND SECTOR REVIEW IN KHYBER PAKHTUNKHWA

Enhancing the efficiency of the management of public land and building assets³³:

A. KEY MESSAGES

- Public land and building assets are essential for government operations, delivering public services, and generating revenue. These assets, which include properties owned, leased, or secured through various means, are held in trust for the community.
- Effective asset management in the public sector is crucial. Poor management can lead to underutilized properties and suboptimal transactions. Forward-looking governments are adopting innovative solutions, such as regular reporting, strategic reviews, and incentives for freeing up non-core assets, to enhance efficiency and unlock land for development.
- Nearly 5% of Khyber Pakhtunkhwa's total area is classified as settled public land, primarily managed by the Board of Revenue. However, there is significant underutilization, with many properties either vacant or with an unknown status. The legal framework is outdated, hindering modern real property asset management practices.
- The management of public land and building assets in KP is plagued by inefficiencies, including poor inter-departmental coordination, cumbersome record-keeping, and a lack of systematic identification and monitoring of underutilized and surplus properties. The absence of a centralized system for asset data management leads to fragmented and inconsistent records across departments.
- The Government of Khyber Pakhtunkhwa is advised to reform its asset management policy and legal framework, develop a robust landholding policy, create and maintain digital land and building information, build a professional asset management workforce, and integrate climate resilience into asset management. These steps aim to enhance public service delivery, generate revenue, and safeguard land and building assets for the community.

B. INTRODUCTION

48. **This section focuses on the evaluation of the legal and policy framework, institutions, and operational and business models in KP concerning the management of public land and building assets.** It delves into the challenges faced by the GoKP and aims to identify avenues for enhanced efficiency and efficacy in the administration of these valuable resources through the

³³This chapter was written by Alvaro Federico Barra and Robert Howald. This note draws upon five activities carried out by the World Bank as part of the "Land sector review in Khyber Pakhtunkhwa (P180417)" Programmatic Advisory Services and Analytics work, including: 1) Public Land and Buildings Asset Management Consultative Workshop and Study Guide; 2) Operational Diagnostic and Recommendations Report; 3) Public Asset Management Legal Framework Review; 4) Climate Resilience in Public Real Estate Asset Management; and 5) Government Land and Building Inventory System (GLBIS) Stakeholder Requirements Specification. The note also leverages outputs and lessons learned from the "India Public Land and Building Asset Monetization (P173561) Reimbursable Advisory Services. The Public-Private Infrastructure Advisory Facility (PPIAF) provided funding to carry out the KP and India projects.



establishment of a modern asset management regime, which will also enable the GoKP to improve its own-source revenues from its land and building assets.

49. **This section is organized around seven critical issues:** policy and legal framework; land and building data; institutional and organizational structure; governance and oversight; financing and funding; capacity building and human resources; and climate resilience. It begins with a brief overview of the principles and practices of asset management, followed by an examination of the status and performance of public land and building assets in KP. It then provides an in-depth analysis of the key challenges requiring the attention of the GoKP.

50. **The note concludes with a list of recommendations that seek to address the higher-level challenges that must be addressed to align the GoKP's asset management practices with international best practice approaches needed to realise greater efficiencies and the generation of own-source revenues.** Each recommendation includes a timeline, serving as a guide for implementing the suggested actions. Recommendations commencing in year one or two could be seen as 'quick wins' or 'low-hanging fruit,' which would result in tangible improvements toward higher standards and greater consistency of asset management practices across the GoKP. Recommendations continuing through the five years may be seen as more ambitious and aspirational. Collectively, the recommendations have the potential to drive changes that would result in substantial and lasting improvements to the management of public assets and their ability to generate revenues.

C. PUBLIC REAL ESTATE ASSET MANAGEMENT BASICS

51. **Public land and building assets encompass a wide range of properties and fulfill three key roles: facilitating the delivery of public services, generating revenue, and preserving assets in trust for the community.** Public land and building assets include all properties that are owned, leased or otherwise secured or controlled in other forms or structures including state-owned enterprises and PPPs. Operational properties, such as schools, hospitals, provincial office space, and police stations, are essential for delivering public services and dependent on government functions. Investment properties generate income through rents and fees, serving as an alternative to drawing on taxation revenues or supporting budgets. These may include sports venues, commercial spaces within operational properties or land held for future public use. Trust lands, held for community benefit, encompass sites of cultural, ecological, and historical importance. While the trust lands may generate some income through fees or intellectual property rights, they often have associated stakeholders and cannot be exploited without consideration of the community's needs and rights.

52. **Public land and building assets are crucial for government operations. These assets encompass properties owned, leased, or secured through various means, including public private partnerships (PPPs), and utilized by the government and its entities.** The assets serve to deliver public services and generate revenue and are held in trust for the community. They can make a significant contribution to the financial stability of sub-national governments in two ways. Firstly, if used efficiently, they can help to bring down the costs of delivering public services. Secondly, the identification of land and building assets that are surplus to requirements, are under-utilized, or are being used for non-core activities provides a resource that can be repurposed for delivering service objectives or which can be sold or leased to generate revenue.

53. **Effective asset management in the public sector is vital, as poor management can lead to missed opportunities, such as underutilized land or buildings, and less-than-optimal transactions.** Forward-looking governments are adopting innovative solutions to enhance efficiency and unlock land for development. This includes regular reporting, strategic reviews, and incentives for freeing up non-core assets. These governments are ensuring the capacity to adapt toward effective asset management is undertaken through the development of existing staff, the hiring of experienced professionals and the retention of third-party consultants.



54. **Public land and building assets fulfill three key roles: facilitating the delivery of public services, generating revenue, and preserving assets in trust for the community.** Public land and building assets include all properties that are owned, leased or otherwise secured or controlled in other forms or structures, including state-owned enterprises and PPPs. Operational properties, such as schools, hospitals, provincial office space, and police stations, are essential for delivering public services. Investment properties generate income through rents and fees, serving as an alternative to drawing on taxation revenues or supporting budgets. Trust lands, held for community benefit, encompass sites of cultural, ecological, and historical importance. While trust lands may generate some income through fees or intellectual property rights, they often have associated stakeholders and cannot be exploited without consideration of the community's needs and rights.

55. **Fostering an asset management ethos is essential for overcoming inefficient management of assets** in the form of vacant or underutilized land and buildings, high-value locations used for low-value purposes, overpaying on rent, or selling land that may be required later or for less than the market price. Those governments who place a premium on improving their asset management efforts quickly find that repurposing or disposing of surplus, under-used or otherwise non-core assets can generate significant revenue and stimulate economic growth.

56. **International best practice requires government entities to regularly report on and justify their use of public assets, the establishment of processes for strategic reviews before a transaction or change of land-use of government land, and periodic strategic assessments of non-core assets with the aim of maximizing public value.** Incentives may be established to encourage the identification and disposal of non-core assets. This ensures that assets and services are well-managed. Professional asset management capacity must be developed within all government entities. This can include SPVs with specialized mandates and talents being created to undertake aspects of asset management. The professional management of public assets relies on searchable digitized land records, which include data on buildings, fixtures and other land improvements, site and building conditions, lease summaries, and standardized financial reports.

57. **The key functions in the efficient management of land and building assets by a public sector entity are portfolio management, asset management and property management.** Portfolio management is concerned with the strategic evaluation of land and building assets, including acquisition and disposal. Asset management is concerned with tactical decisions about the use and improvement of assets. Property management deals with day-to-day management and technical operations. The roles of portfolio management, asset management, and property management are essential for the efficient utilization of land and building assets, and they must operate cohesively. Each role requires distinct skills and experience.

D. OVERVIEW OF THE GOKP'S LAND AND BUILDING ASSETS

58. **KP has 966,004 acres (about 390,928 ha) of publicly owned land,³⁴ representing 4.7 percent of the total reported area of the province³⁵.** The Provincial Government is the predominant landowner, with 742,336 acres (about 300,413 ha) to its name. The Federal Government holds a significant 183,126 acres (about 74,108 ha). A closer look at the Provincial Government's land reveals that seven departments manage the vast majority – 95 percent of this public land. The BoR is at the forefront, controlling 72 percent, followed by the Forest Department with 14 percent, the LGERDD at 4 percent, the Education Department at 3 percent, and the Communications & Works Department (C&W) at 2 percent. The remaining 5 percent is in the hands of 85 other provincial departments. Out

³⁴ The data was acquired from the BoR by instructing Patwaris to document the total amount of public land within their respective revenue jurisdictions (patwar circles). This data is only for the settled areas and hence, does not include former Federally Administered Tribal Areas. As highlighted in this report, the Government of Khyber Pakhtunkhwa lacks a centralized digital database containing reliable information on public land within the province. As such, the information presented herein is the best available.

³⁵ According to the Planning and Development Department of Khyber Pakhtunkhwa, the total estimated area of the province is 20,645,655 acres.



of 37 districts in KP holding public land, 14 hold 90 percent of the land. Upper Chitral (325,501 acres or about 131,726 ha) and Tank (130,579 acres or about 52,843 ha) hold the most public land.

59. **The BoR is the primary controlling body for public land within the province.** It oversees various functions related to public land and buildings such as supervising land acquisition, leases, and the transfer of land rights. It has the mandate to deal with encroachment cases. Other provincial departments and entities also exercise practical control over the assets vested in them. For example, the LGERDD and Forest Department are authorized to lease their land and hold them accountable for maintaining records of land use and ownership, as well as strategically evaluating underutilized and surplus properties.

60. **The Establishment and Administration Department (EAD) is a central authority responsible for the management of provincial buildings.** This department, through its Estate Office Section, is responsible for the management of a pool of office buildings in Peshawar, the allotment of government-owned houses, and the administration of other state properties, such as guest houses, government rest houses, and residential accommodations that are owned or rented by the government. The EAD is required³⁶ to handle appeals, remove encroachments, evict unauthorized occupants, and impose penalties for damage to provincial buildings. It has the authority to manage or maintain records of government office buildings at the district level, nor does it oversee buildings owned by autonomous bodies. At the district level, the management of office buildings is the purview of the BoR's Deputy Commissioner (DC) for that district.

61. **With its role and mandate to enhance the abilities of local governments, the LGERDD is engaged with properties primarily in urban areas, these being among the most valuable in the GoKP's inventory.**³⁷ Peshawar has the highest concentration of LGERDD-owned properties, representing 65.2 per cent of the total. Mardan and Kohat are next with 5.4 percent and 3.5 percent, respectively. While residential properties for officers make up the bulk of the land area, it is the properties that are rented out that yield the most revenue for the LGERDD. In fact, 64.5 percent of the properties are leased, highlighting rental incomes as the department's primary source of revenue from its land and building assets. Additionally, 13.4 percent of the properties serve residential purposes. But a considerable portion of properties are either vacant (5.7 percent) or their status is unknown (16.4 percent). This underutilization of land and building assets suggests the potential for greater income generation.

E. KEY CHALLENGES

i. Policy and legal framework.

62. **The current legal framework in Pakistan does not grant provincial (and federal) governments the powers and functions necessary for the efficient management of their land and building assets and lacks the benefits that would derive from a government-wide landholding policy.** The existing legal provisions only provide for public land and building assets' protection and preservation, repairs and maintenance, leasing and collection of rent, protection from unauthorized or illegal occupation, and the removal of encroachments. There is an absence of requirements to optimize the utilization of land and building assets or to identify and monetize surplus land and building assets. In addition, the GoKP does not require departments to prepare asset management plans for their portfolios of land and building assets as a means of ensuring the appropriate level of investment is made and revenue generation opportunities are optimized. Also, there is not a clear distinction between "Property" and "Real Estate" or "Real Estate Asset" in the legal framework. While

³⁶ As per the Khyber Pakhtunkhwa Provincial Buildings (Management, Control and Allotment) Act, 2018.

³⁷ The data was obtained from the LGE&RDD website (see details in the land and building data section below) which provides details for its 5,324 properties, like 1) District name; 2) Property name; 3) Property status; 4) Annual income; 5) Complete address; (6 Current use; 7) Ownership title as per land revenue record; 8) Name of mauza; 9) Total area in marlas; 10) Future use; and 11) Photo's link.



roles like "Estate Officer" exist, the full range of roles and responsibilities for an efficient asset management regime are not formally recognized.

Key Legal Instruments Relevant to Public Land and Building Asset Management in KP

The Constitution of the Islamic Republic of Pakistan, 1973. As the supreme law of the country, the Constitution shows that adequate safeguards are provided to the citizens regarding the protection of their property rights, against exploitation and abuse of law, and excesses of the executive authorities. The Constitution defines the term "Property" to include any right, title, or interest in property, movable or immovable, and any means and instruments of production. It describes the vesting of property, assets, rights, liabilities, and obligations in the Federal and Provincial Governments. Parliament has the power to legislate on works, lands and buildings vested in, or in the possession of the Federal Government for the purposes of the Federation.

The Khyber Pakhtunkhwa Waqf Properties Ordinance, 1979. This ordinance gives the Administrator or Manager the general power of management of waqf (Trust) properties and leasing out the same. It also allows the Government to sell or otherwise dispose of any waqf property to secure maximum economic benefits out of such property and to avoid loss or damage to such property; or to serve the best public interest and public purpose for which such property is held.

The Khyber Pakhtunkhwa Katchi Abadis Act, 1996. This act has been enacted to make provisions for the regularisation of Katchi Abadis in the Province of North-West Frontier and to provide for the development and improvement thereof.

The Khyber Pakhtunkhwa Highways Authority Ordinance, 2001. This ordinance provides for the establishment of the Khyber Pakhtunkhwa Highways Authority for regulating procurement. This law is mainly focused on promoting the principles of transparency, economy, value for money, accountability, and swift grievance handling in the procurement process.

The Khyber Pakhtunkhwa Public Procurement Regulatory Authority Act, 2012. This act provides the legal and regulatory framework for public procurement. It provides for the establishment of the Procurement Regulatory Authority to regulate procurement. This law is mainly focused on promoting the principles of transparency, economy, value for money, accountability, and swift grievance handling in the procurement process.

The Khyber Pakhtunkhwa Local Government Act, 2013. This act provides for the establishment of local governments in KP for the devolution of political, administrative, and financial responsibility and grants authority to the elected representatives of the local governments.

The Galiyat Development Authority Act, 2016, The Peshawar Development Authority Act, 2017, The Kaghan Development Authority Act, 2020. These acts define performance standards, powers, and functions of the development authorities in KP. A more recent law – The Khyber Pakhtunkhwa Urban Areas Development Authorities Act, 2020 (see below) – has been enacted for the management and development of urban areas and other regions of KP.

The Khyber Pakhtunkhwa Provincial Buildings (Management, Control and Allotment) Act, 2018. This act has been enacted in KP, to provide for the management, control, allotment, and cancellation of allotment of the Provincial buildings to the Government Departments, offices, and public office holders in KP. Although it has been provided that it shall apply to all the government departments, offices, public office holders and provincial buildings in KP, "Provincial building" as defined under this Act, restricts its scope to office buildings, KP houses, government rest houses, mess, and residential accommodation, which are owned and hired by the respective deputy commissioners in a district.

The Khyber Pakhtunkhwa Public Private Partnership Act, 2020. This act provides for the promotion, development, and facilitation of PPPs in infrastructure.

The Khyber Pakhtunkhwa Urban Areas Development Authorities Act, 2020. This act is concerned with the management and development of urban areas and other regions of the KP and provides for the establishment of new urban area development authorities and autonomy for achieving and maintaining high-performance standards in the preparation and execution of schemes.



The Khyber Pakhtunkhwa Land-Use and Building Control Act, 2021. This act provides for the regulation of land-use and building control. The definition of “land-use plan” can be interpreted as “asset management” as it has been defined as a plan for optimum use of land to serve as a guide in zoning to meet the needs of the community. The law deals with general land-use, building control, and master planning in KP, and mainly provides for controls over private lands and buildings. It does not contain any provision for asset management of public lands and buildings.

63. **The GoKP currently lacks explicit legislation, policies, rules, established practices, or other forms of guidance for the disposal of public land and building assets.** For example, the Khyber Pakhtunkhwa Local Government Act, 2013, states that local government immovable properties cannot be sold or permanently alienated. However, the Khyber Pakhtunkhwa Land Acquisition Rules, 2020, do provide a mechanism for disposing of land that, having been acquired for public use, is no longer needed. In such cases, the land is transferred to the Deputy Commissioner (DC), who is then responsible for its further utilization or disposal under the direction of the provincial government. If the DC determines that the land is neither agricultural nor pastoral and is no longer required by the GoKP, it may be disposed of through an open auction. Presently there are no precedents to consider as the GoKP has not engaged in the disposal or auction of assets. In practice, this situation has led to a de facto restriction on the disposal of assets, resulting in some assets – those that are not leasable and serve no useful purpose – remaining idle. In many cases, underutilized lands or buildings may continue to be used, but not to their full potential, or government activities on the land may be prevented from relocating to more suitable locations.

Asset Management Policies

Many governments have guidance, structures, and practices across the government, while still allowing departments certain abilities to adapt to address their specific mandates and programs. For example:

Lease Policy. A comprehensive lease policy includes at least some of these key areas: defined roles and responsibilities of the lessor and the lessee; lease approval criteria; term of the lease and renewals; guidelines for determining market rates; record management; rent payment terms; maintenance standards for the leased assets and dilapidations at the end of the lease; termination of the lease; and review and revision of lease agreements.

Landholding Policy. A landholding policy establishes criteria for a department’s holding of land and building assets, requires that the department report and justify the use of their assets in regular financial reporting, considers removing free-of-cost holding of public assets, enhances incentives for custodians to dispose of non-core assets, establishes processes for strategic review before a transaction or change of land-use, and implements periodic strategic assessments of non-core assets. A landholding policy introduces discipline in reviewing all assets with the requirement to prepare for approval a departmental investment plan.

Preparing and implementing comprehensive lease and landholding policies yields several benefits, including enhanced transparency for all land and building assets; more efficient management of assets and services; decisions based on full life-cycle cost assessments; demonstration of prudent stewardship and value; improved asset management capabilities within each department and government-wide; and assurance of comprehensive due diligence and oversight for strategies and decisions related to a department's land and building asset portfolio.

64. **The Khyber Pakhtunkhwa Land Acquisition Rules, 2020, permit the GoKP to acquire land from private entities through private negotiation, yet this method is seldom used due to the potential for disputes, legal actions, and complaints.** It is understood that there has not been a single instance of land being acquired by the GoKP under private acquisition conducted by the BoR in the past decade. Private negotiations for land acquisition, even with their rigor, can lead to a high risk of legal proceedings being initiated against government officials and/or complaints lodged with



organizations such as the National Accountability Bureau. As a result, the government often resorts to compulsory acquisition, where the award is determined by a valuation table and not market values. This approach frequently results in the government facing challenges in court, where the compensation rates set by judges can be significantly higher, further complicating the situation for the government.

65. **The GoKP's Land Lease Policy, 2015, sets out lease periods and a process for establishing market rates for the leasing of land by the GoKP to private entities, yet it falls short of providing a comprehensive and consistent framework across the province.** This inconsistency is further complicated by the LGERDD approach, which is to follow its own guidelines, including being in the process of developing its own land lease policy and procedures. The policy delineates lease terms (initial and extended periods) by use (commercial/residential, agricultural, charitable/philanthropic) and investment level and calls for the formation of district and provincial committees to determine market rates. However, the policy lacks clarity on many fundamental lease terms and processes. Additionally, the policy, as interpreted by the BoR, appears inflexible concerning lease terms. It prescribes a 15-year period for commercial/residential land, with only one renewal, option and a duration of 10 to 15 years for agricultural land. Such rigidity leads to the BoR's reluctance to commit to shorter leases, creating a discrepancy between the stipulated policy and the leasing practices commonly observed in the market.

66. **KP's key legislation on public property management is hampered by weak enforcement, inadequate monitoring, and, in some cases, expiration due to the absence of an operational authority.** A review of the West Pakistan Board of Revenue Act, 1957, Khyber Pakhtunkhwa Local Government Act, 2013, and Khyber Pakhtunkhwa Forest Ordinance, 2002, reveals a lack of provision for mandating regular reviews of land and building utilization. There is an absence of enforcement mechanisms for mortgages, auctions, and disposals, or geotagging measures. While certain authorities have been granted powers to address these issues, these powers have lapsed due to a failure to act. The Federal Government Properties Management Authority Ordinance of 2021, which had the potential to enhance asset management efficiencies, was not passed by the Pakistan parliament and thus expired. Further, the deficiencies in the Forest Ordinance – despite the Khyber Pakhtunkhwa Delegation of Financial Power Rules, 2018, providing the authority to the Chief Conservator of Forest to lease land for five to ten years, – the department has not entered into any such lease in the last ten years. This situation potentially leads to the under- or non-utilization of available land resources.

ii. **Land and building data.**

67. **In KP, land records cover less than half the area and these are outdated with digitization incomplete.** Of the 37 districts in KP, only 19 have available land records. These land records account for 45 percent of the province's land area. These records originated from settlement and/or re-settlement surveys conducted primarily between 1875 and 1905. Approximately 24 percent of the land records in settled areas have yet to be digitized. To facilitate this digitization, the Centralized Land Records Management Information System (CLRMIS) was established. The CLRMIS features a centralized database, but its implementation is hindered by challenges in power and communication link access in the district offices. Patwaris are responsible for maintaining multiple registers and maps in paper format, which can lead to outdated and geographically inaccurate records. The cadastral maps lack precise geospatial data, resulting in discrepancies with on-ground realities. The lack of digitized records and maps in unsettled and urban areas not only affects the effective management of land and building assets, but also stifles the generation of own-source revenue.

68. **The GoKP lacks a centralized system for storing and accessing public land and building digital data across different departments.** A comprehensive review of the asset management practices of the BoR, LGERDD, Forest Department, and EAD, revealed there is no consistent digital inventor of the public land and building assets, nor a centralized database to enable uniform record-



keeping. This hinders the GoKP's ability to monitor, evaluate, and optimize the use of its assets, as well as to plan for their future reuse or redevelopment to generate own-source revenue.

69. **The inventorying of public land and building assets is characterized by fragmentation and inconsistency, as each department maintains its registers without uniform record-keeping protocols in place.** This disjointed approach is further complicated by the fact that, while the BoR retains the title to most public lands, other departments may hold these lands for their operational needs. This leads to a misalignment of responsibilities between ownership and actual possession. An illustrative example of this issue is the Department of Education often neglects to register properties correctly upon receiving land donations for school construction.

70. **The LGERDD and EAD have compiled their own electronic inventories, but they are not comprehensive and lack systematic update processes.** The LGERDD must be commended for having created a centralized inventory for Tehsil Municipal Administrations. This repository consolidates what was once a scattered collection of hard-copy data, and now includes comprehensive details such as property names, status, annual income, and current uses. Despite these advancements, the inventory remains incomplete and not entirely dependable, as it accounts for only 17 percent of the LGERDD's public land area as reported by the BoR. Moreover, the data collection process was conducted as a one-time exercise, lacking a systematic method for ongoing updates. This raises concerns about potential inaccuracies and outdated information. Similarly, the EAD's Estate Office Section maintains an inventory of office buildings in an Excel spreadsheet. Whenever the Estate Office Section receives a request from other government departments for office space allocation, they first check the Excel spreadsheet for availability. However, due to the inventory not being current, a physical inspection of the available spaces is necessary to confirm their suitability and readiness for allocation to the requesting departments.

71. **The BoR, with assistance from the Survey of Pakistan (SoP), is also working on a public asset inventory, a process that is anticipated to be time-consuming.** The Cadastral Mapping of State Land project in KP, launched by the SoP in 2021, represents a significant step towards digitizing state land records at the parcel level. The initiative also bolstered the Naya Pakistan Housing Program through the provision of precise and current maps of state lands. Despite the project's ambition, it has encountered obstacles stemming from a reliance on old field maps and field books. This leads to mismatches between the digital maps and the actual conditions of the lands. To rectify these inconsistencies, the BoR, backed by the World Bank-supported Khyber Pakhtunkhwa Revenue Mobilization and Public Resource Management Program (KPRMP), has embarked on a field verification process to update the SoP's database. This comprehensive endeavor is projected to span several years.

iii. Institutional and organizational structure.

72. **The GoKP lacks a specialized unit to identify surplus and underutilized land and building assets for repurposing for other government use or revenue generation.** If a department does engage in a disciplined effort to identify surplus and underutilized assets, it must be through its own initiative.

Generating Best Value Own-source Revenues from Surplus Government Assets through Specialist Entities

Many jurisdictions around the world draw benefits by creating SPVs or other bodies under the control of the government with the mandate to secure the best value from surplus land and building assets.

These bodies undertake the commercial development or disposal of surplus land and building assets, often in concert with private sector players. The SPVs are staffed by real estate professionals and entrusted with a degree of autonomy with which to conduct commercial activities. The government is the shareholder, appointing a non-executive board of directors. The board of directors sets and ensures



compliance with policies while leaving day-to-day decision-making to its director general. The government, as the shareholder, receives the profits from these transactions in the form of a dividend. Examples of this approach are the Government of Canada through Canada Lands Company and the State of Victoria in Australia through Development Victoria.

The latitude provided to the specialized talent in these entities recognizes their capacity to address the challenges of creating optimal value from long-held government assets. Surplus land and building assets are not necessarily in a condition that readily permits their redevelopment. For instance, significant remedial work may be required to rectify a legacy of contamination or pollution on many sites before redevelopment is feasible. Or the properties may not be in places that make redevelopment an option without investment in major infrastructure.

73. The Provincial Land-Use and Building Control Authority – provided for in the Khyber Pakhtunkhwa Land-Use and Control Act, 2021 – has not been established. The scope of the Authority includes preparing urban and land-use policy and physical planning standards, ensuring the development of master plans and district land-use plans, and supervising, controlling, and overseeing the functions of District Land-Use Planning and Management Committees. Its establishment needs to be balanced against the roles and functions of local planning entities.

74. The BoR and LGERDD utilize distinct processes for leasing properties to private entities. The BoR requires lease proponents to start the process by self-identifying suitable government land and securing the necessary documentation. The assessment of lease requests involves nine administrative steps and the participation of three government bodies: the BoR senior leadership, the DC, and the District Lease Committee. Approval needs an additional ten-step process, culminating with the Provincial Lease Committee, which holds the ultimate authority for lease approvals. By contrast, the LGERDD employs a more streamlined approach, wherein the department assesses its inventory of land and buildings to identify properties suitable for private leasing. These properties are then advertised, inviting private sector entities to submit bids through an electronic auction system. The process, from identification to lease signing, involves fewer than ten steps. Nonetheless, the process has its complexities, such as determining market rates, and obtaining final lease approval require the involvement of lease committees and regional municipal officers.

75. The land acquisition process is complicated, involving numerous steps that can be both time-consuming and prone to legal complications. Initially, the acquiring entity identifies land and requests the respective DC to assess the feasibility of the land for public purpose. This is followed by a land survey and public notification. The third stage involves determining costs and awarding compensation, depending on the method of acquisition, which includes compulsory acquisition or private negotiation (though private negotiation has not been used in practice). The fourth stage is the transfer of ownership, which includes depositing payment and legally transferring the land. Finally, the BoR grants possession of the land for public use. Overall, the process can encompass nearly 30 administrative steps and based on past transactions, can range from six months to acquire a small plot to establish a police post to an 11-year ordeal involving 21 acres for a housing scheme. The latter case culminated in the Peshawar High Court deeming all proceedings illegal and unlawful, ordering those who had received compensation to return it.

76. The current processes for managing land and building records, lease rates, and property valuation are full of inefficiencies. These inefficiencies are primarily due to the reliance on manual, paper-based communication across various departments and agencies, which impedes the swift access and exchange of information. For instance, the BoR must issue written requests to all district DCs when acquiring public land or, in the case of the Forest Department, send a letter that is then passed down to divisional and sub-divisional forest officers. Additionally, there is a lack of standardized procedures and clear guidelines for lease pricing. The absence of comprehensive rules includes criteria for third-party selection, bidding methods, bid evaluation, contract awarding, and the establishment of technical working groups. Moreover, insufficient professional expertise and



oversight in developing and applying the annual valuation table – a key element for both setting tax rates and determining land acquisition values – results in property undervaluation. This not only causes revenue loss for the government but also triggers dissatisfaction and litigation among property owners. Such disputes can lead to protests and legal challenges, further delaying land acquisition processes and obstructing the public projects that depend on acquired land.

77. The GoKP is leveraging PPPs as another vehicle to monetize public land, albeit on a limited scale. The PPP regime within KP, provided for under the Khyber Pakhtunkhwa Public Private Partnership Act, 2020, is sophisticated and seemingly appropriate. The established Public Private Partnership Committee has the mandate to promote, facilitate, coordinate, approve, and oversee PPP projects undertaken by specialized nodes set up by departments. The Committee is supported by the Public Private Partnership Unit as its technical arm and for liaison with departmental PPP nodes. The PPP landscape in KP is gradually evolving, though at a slower pace compared to provinces such as Sindh and Punjab. PPP projects in KP have been concentrated in the road infrastructure sector. Additionally, there are plans to develop tourism sites under the PPP model. To date, PPPs have not been used for land development projects.

Public Private Partnerships (PPPs) in public land and buildings.

PPPs have been defined as “a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance”.³⁸

PPPs have been used to deliver a variety of investments involving public land and building assets, including government office buildings, bridges, roads, railway lines, schools, hospitals, military housing, student hostels, and prisons. At the end of the lease, the facility usually reverts to the public sector. Beyond constructing and financing the PPP, the PPPs can take several forms according to the services the private sector partner is contracted to provide. The contracts vary according to whether the private consortium operates and maintains the facility during a lease term or just turns the facility over to the government to operate.

The government must address several challenges to unlock land for development and infrastructure, foster private sector engagement and attract seasoned, financially stable local and international investors. These challenges include developing and maintaining the public sector’s image as a knowledgeable and trusted partner, resolving capacity constraints, addressing physical encroachments and possession issues on public lands, ensuring clarity of ownership titles, formulating bankable transaction structures and security packages, determining acceptable property valuation bases, streamlining decision-making and procedural processes, establishing precedents for future transactions, and complying with stringent anti-money laundering laws and economic documentation requirements.

iv. Governance and oversight.

78. The management of land and building assets is hindered by the lack of a monitoring system, which impedes the effective tracking and optimization of asset utilization. The GoKP does not engage in regular monitoring, resulting in challenges in identifying and repurposing underutilized or surplus properties. Records are predominantly paper-based and updated only upon transactions or changes, without systematic assessment of properties for market value, reuse potential, or redevelopment. Further, the public offices vested with the authority to manage the public land and building assets are often not in actual possession of substantial portions of their assets. As such, many public properties are under longstanding unauthorized or illegal possession or occupation. This absence of portfolio-wide or strategic asset management practices limits the government’s ability to leverage its property portfolio effectively.

³⁸ <https://ppp.worldbank.org/public-private-partnership/overview/what-are-public-private-partnerships>



79. **The management of public lands and buildings is burdened with potential environmental and social risks due to insufficient governance protocols and oversight in land administration.** For example, the GoKP plans to develop multi-story flats, commercial buildings, and model city infrastructure through PPP suffer from a lack of coordination among the infrastructure agency, the concessionaire, and the environmental agency. This raises concerns about the environmental sustainability of these projects. Environmental risks encompass habitat destruction from species displacement and vegetation loss and biodiversity diminishment due to overgrazing, waterlogging, and drought. Urban areas like Peshawar, Swat, and Kalam are contending with water pollution from untreated waste and air pollution, with particulate matter levels exceeding World Health Organization standards. Social risks involve communities facing displacement, with individuals losing land, assets, or access to assets, resulting in income or livelihood loss.

80. **The current cash-based accounting system, which lacks detailed subsidiary records and historical expenditure data, offers limited insight into the total investment in land and buildings.** Under this accounting system, the financial management of land and building assets at the provincial level is integrated into departmental budgets on an annual basis, again on a cash basis, without a consolidated balance sheet for these assets. This ignores the diminution of asset value resulting from depreciation, obsolescence, or impairment. Expenditures for land and buildings are recorded under “Payments for Physical Assets,” with PKR 382 million spent on building purchases out of a total of PKR 9,568 million for physical assets in the fiscal year ending June 30, 2022. Operating expenses include costs for repairs and maintenance. Revenue from these assets is categorized as “Receipts under Taxation” with PKR 2,889 million collected in the same fiscal year. At the district level, DCs oversee financial management and discipline, with leased income from public land and building assets being the primary revenue source.

81. **The BoR faces critical litigation challenges due to a lack of specialized legal teams and systems, leading to frequent court case losses.** Compounding these issues is the absence of an in-house legal team equipped with professional legal experts specializing in civil and land laws. This specialized knowledge is crucial for effective civil litigation, yet government departments must depend on the Advocate General Office and District Attorney Offices, which are staffed predominantly by general practitioners rather than specialists in land or administrative law. The situation is exacerbated by the frequent turnover of legal teams within the Advocate General Office, often due to political appointments. Additionally, there is a glaring gap in capacity development for departmental staff involved in litigation, leaving them ill-equipped to assist the Advocate General and District Attorney Offices in drafting effective pleadings and contesting state land cases.

V. Financing and funding.

82. **The review of lease management processes for public properties revealed undervalued rents, a lack of a proper tracking mechanism for lease agreements and missed revenue opportunities due to outdated records and poor lease oversight.** Evidence was found of leases at rates below fair market value and the absence of a protocol or proper mechanism to track lease agreements, in particular, early alert of expired or near-term expiration of leases. The BoR currently does not maintain comprehensive digital records of all lease agreements under the management and responsibility of the BoR. Rather, the lease records are currently maintained in hard copy format by the Revenue Section of each DC office. Without appropriate tracking, opportunities for additional revenue generation are hampered as rents on long-term leases are not regularly adjusted, leased lands are sublet rather than returned to the GoKP for re-leasing opportunities, and occupancies continue after the lease termination dates. Furthermore, the GoKP strictly adheres to the practice of not leasing space to the private sector in its office buildings. Office buildings are solely reserved for official government use.

83. **Revenue optimization assessments of a sample of five prime Peshawar assets indicate the possibility of vast revenue increase through detailed analyses of feasibility, formal**



approvals, and private sector engagement. Current revenue versus the potential revenue of these assets identified the potential for a significant 25-fold increase in revenue. The analysis drew on each property’s site specifications, ownership status, and key site parameters from the available government records and was supplemented by site visits and an assessment of the neighboring properties. The resulting opinion of the value creation potential was compared against the current rents. The potential rents, on average, suggest a very reasonable rental yield (projected rent divided by an opinion of the value of the land parcel) in and around 5.5 percent.³⁹

vi. Capacity building and human resources.

84. The GoKP falls short of the disciplines and roles required to drive an efficient and effective asset management regime. Asset management efforts appear to be reactive rather than proactive. The asset manager role does not appear to be clearly defined, the professionals with the necessary commercial experience and orientation may not be present, and training programs to drive the individual’s capacity are not sufficiently developed.

Asset Management as a Professional Discipline

Like that of information technology, human resources, finance and accounting professionals within government, other countries elevate asset management to a professional standard. This typically begins with each department having a senior officer designated solely as the lead on all asset management matters with a hierarchy of officials reporting up. Common titles, roles and responsibilities, and required qualifications and experiences are established across the government. This discipline is necessary for assessing the suitability of internal candidates for advancement and guiding external hiring processes. Training programs, seminars, and academies or institutions develop individuals in their craft.

Other governments find that this approach also allows for the movement of professionals across government departments, seeding the government with a more consistent level of asset management skill, capability and capacity.

vii. Climate resilience.

85. Climate change affects public asset management by introducing new risks that need to be considered and managed. Public asset managers are obligated to maintain assets and their services for communities and ensure their long-term sustainability. Hence, asset managers must conduct due diligence and technical appraisals to identify and mitigate climate risks to their assets. Extreme weather events associated with climate change can damage or destroy public land and buildings, leading to higher capital and operating expenditures. Such events may decrease property values and utilization, raise insurance premiums, and disrupt public services. The large-scale floods of 2010 and 2022, for example, not only displaced communities and damaged homes but also triggered a spike in demand for temporary housing in areas of higher elevation as displaced populations sought refuge. Moreover, these events disproportionately affected low-income groups, including pastoralists, small-scale and landless farmers, and agricultural laborers. These groups often lack alternative income sources and are highly vulnerable to the impacts of floods and droughts. In essence, climate change will impact public lands and buildings, calling for a more efficient management approach to adapt to and mitigate its effects.

86. The KP’s Environmental Protection Agency (EPA) is laying the groundwork to address climate resilience in the real estate sector. Exercising powers conferred on it by the Khyber Pakhtunkhwa Environmental Act, 2014, and operating according to the Khyber Pakhtunkhwa Environmental Assessment Rules, 2021, the EPA reviews and approves the planning, construction,

³⁹ One caveat. The analysis of ‘highest and best use’ did not include a detailed analysis of feasibility, gaining building control authorities, and engaging private sector developers or partners, nor any costs associated with achieving these improvements.



and operation of development projects. Pre-approval is a requirement for proponents of projects in the planning approval process with the EPA considering the plans to address or mitigate the potential of soil, air, and water pollution. The Khyber Pakhtunkhwa Climate Change Policy, 2022, provides a roadmap through a comprehensive action plan which aims to reduce the devastating effects of nature-induced calamities in the province through consolidated efforts of all departments. Additionally, to bolster resilience against climate change, the Pakistan Ministry of Climate Change (MoCC), in partnership with federal and provincial departments, plans to carry out climate-proofing risk assessments for new public and private sector finance projects.

F. RECOMMENDATIONS

87. **The GoKP has recognized the need to modernize its land administration system and enhance the management of public land and building assets.** The government is committed to increasing its own-source revenue from these assets and improving the management of public land and building assets is a key part of this by identifying surplus, under-utilized, and non-core assets and monetizing these. To be able to respond positively to the needs that have been identified, the recommendations aim to establish an asset management regime within the GoKP that aligns with modern international practices.

88. **The recommendations are organized under the same seven disciplines as in the detailed analysis and key challenges section:** policy and legal framework; land and building data; institutional and organizational structure; governance and oversight; financing and funding; capacity building and human resources; and climate resilience. Each recommendation category begins with an overview of the higher-order challenges it aims to address. A visual timetable spanning five years is provided at the end of the recommendations as a visual aid.

89. **The recommendations seek to incorporate and empower a more structured approach to public asset management so as to enable revenue generation, increase private capital mobilization, and unlock lands for development and infrastructure.** This new approach must cover the following four principles:

- **Transparency.** All the GoKP land and building data is captured in a centralized database.
- **Justification.** All departments must regularly prepare – for central government review and approval – an assessment and plan on each land and building asset against their departmental priorities.
- **Rationalization.** Land and building assets not necessary in advancing the department's priorities are first considered for use by other departments in advancing their departmental priorities. The land and building assets that remain are deemed surplus and underutilized property.
- **Optimization.** The surplus and underutilized property are assessed against its best use in terms of generation of revenue whether within the existing but improved structure or through PPPs or SPVs with the mandate to monetize the assets or unlock them for development.

90. **The recommendations aim to rectify current deficiencies.** The goal is to establish a professional public asset management regime across the government, which will be supported by a reformed asset management policy and legal framework and a modern land information system.

91. **Many of these recommendations identify the role of a steering committee and/or technical working groups to lead, develop and drive the necessary changes.** In considering the recommendations, the GoKP will determine the most suitable institutional framework for advancing the modernization of public land and property asset management. This could involve establishing a single strategic steering committee supported by various technical working groups or it might entail multiple steering committees reporting directly to the Provincial Cabinet. Regardless of the structure, maintaining robust communication between these groups and their leaders is vital, as is fostering



cooperation in areas of overlap. Furthermore, continuous oversight by either a strategic steering committee or the Cabinet is imperative post-implementation to assess outcomes and propose further refinements where needed.

92. **One possible composition of steering committees would include senior officials from the BoR, Finance, LGERDD, EAD, and representatives from departments that deal with land and building assets.** In addition, these strategic committees would be aided by one or more technical working groups or similar task groups. The technical working groups should be able to communicate with working-level officials of the government departments and entities and they should involve external experts when needed.

a. Policy and legal framework.

93. The current policy and legal framework in KP does not grant the GoKP the breadth of powers, authorities and functions necessary for the efficient management of its land and building assets.

- **Recommendation 1.** (years 1 to 2) Task a steering committee to lead the reform of the asset management policy and the legal framework. Outlined below are the stages of the effort to be undertaken:
 - With reference to the approaches to modern asset management, the analyses of deficiencies documented in this policy note and government employees' observations, conduct needs assessments among employees with asset management responsibilities to better understand the authorities, interpretations, clarifications, guidance, rules, and tools they require. This may be undertaken through a combination of workshops, forums, focus groups, and questionnaires.
 - Determine the needs that must be addressed through reform of the policy and legal framework.
 - Contrast the needs against the current policy and legal framework, including laws, policies, rules and land litigation decisions.
 - To address the identified needs, embed them in a revised policy and legal framework as appropriate:
 - i. Draft and pursue approval of amendments to acts and any new acts that may be required.
 - ii. Draft and pursue approval of new or revised policies.
 - iii. Draft rules, interpretations, clarifications, and other forms of guidance within the purview of the steering committee to issue.
 - Develop mechanisms to introduce, educate, and otherwise familiarize departments, entities, and their staff responsible for asset management with the reforms as they are implemented.
 - Continue to serve as a resource for guidance on the policy and legal framework revisions as new changes are introduced.
- **Recommendation 2.** (years 2 to 3) Task the steering committee with revising the land lease policy and establishing a landholding policy to ensure the outcomes are in line with the process described in Recommendation 1. These fundamental policies should be uniformly applied and enforced across all government entities. A comprehensive landholding policy should encompass the following objectives:
 - Ensure well-managed assets and services.
 - Base decision-making on an assessment of full life-cycle costs.
 - Introduce the discipline of a departmental investment plan.
 - Establish oversight, planning and reporting mechanisms.
 - Demonstrate best value and sound stewardship.
 - Optimize operational efficiency, environmental performance and climate resiliency.



- Identify land and building assets surplus to the department’s program needs that could be repurposed toward other GoKP priorities and/or revenue generation opportunities.

b. Land and building data.

94. The GoKP lacks a centralized system for storing and accessing data across different departments. The inventorying of public land and building assets is characterized by fragmentation and inconsistency, as each department maintains its registers with no uniform record-keeping protocols in place.

- **Recommendation 3.** (year 1 to 2). Task the already established Technical Working Group for Urban Land Record and Public Land Management in Khyber Pakhtunkhwa (Technical Working Group)⁴⁰ (or a new steering committee/working group) to lead the initiative towards the establishment of a common GoKP Government Land and Building Inventory System (GLBIS). The development activities will include the design of the GLBIS, implementation, testing, and post-implementation review. It is understood that the capture of a complete digitized inventory of all GoKP assets will extend beyond the timeframe for this recommendation. With the additional information captured in the GLBIS, comprehensive analysis and appropriate reporting capabilities of the GoKP’s public land and building assets are attainable. Key objectives of a GLBIS include:
 - Extend existing government land records with additional information about buildings and their attributes.
 - Provide easy access to government land information.
 - Facilitate the identification of vacant and underutilized government land and building assets.
 - Provide advanced analytics on government lands.
 - Inform the development of master plans, land use plans, and housing programs.
 - Inform the processes of land acquisition, lease, alienation, transfer, exchange, and assignment.
 - Provide access to other departments of the GoKP and district offices so that they can view and manage their records.

Outlined below are the stages of the effort to be undertaken:

- Assess users’ needs as the basis for the subsequent GLBIS development activities.
- Introduce the scope of the GLBIS to senior leaders in each government department and entity toward gaining buy-in and their participation. Seek from each department a senior representative with asset management responsibilities to act as their departmental point of contact and lead. (The representative will benefit from connecting with a departmental IT professional as a resource).
- Among the departmental representatives, conduct assessments to determine the land and building data deemed of value in fulfilling asset management demands. This may be done through a combination of workshops, forums, focus groups, and questionnaires.
- Collect the existing revenue records, massavi maps (cadastral maps), deeds, and any other financial, accounting, or legal information that could be used as the basis for the new inventory.
- A preliminary list of land and building data that should be considered are as follows:
 - i. General
 - National asset number
 - Organization/agency code

⁴⁰ The group is chaired by the Senior Member of the Board of Revenue (SMBR) and include focal points from BoR, Department of Finance, Planning and Development, Excise, Taxation, and Narcotics Control Department, and Local Government, Elections, Rural Development Department, and the KP Information Technology Board.



- Asset name/type
 - Property number.
- ii. Location
- Region, municipality, city
 - Code
 - Latitude and longitude.
- iii. Legal/Ownership
- Ownership
 - Mode of acquisition/conveyance
 - Conveyance information
 - Acquisition/conveyance date
- iv. Financial
- Book value, accumulated depreciation
 - Asset life, number of years used
 - market value/assessed value/appraised value
 - Mode of disposal/disposal date
 - Sum insurable (if not insured)
 - Insurance details (amount insured, coverage, type of policy, amount insured, premium, deductible)
- Settle the land and building data to be incorporated into the database and build the framework for the database. Establish the protocol, including the forms, for populating the database, ensuring the accuracy and completeness of the data.
 - Inform the departments, through the departmental representatives, of the land and building data to be included in the database.
 - Prepare and train on the initial data input processes. Outline the annual obligations to certify the accuracy and completeness of the department’s land and building assets.
 - Remain active as a steering committee to monitor and evaluate the land and building database should adjustments be necessary.
- **Recommendation 4.** (years 2 to 5) The Technical Working Group should initiate a multi-year program to modernize the GoKP's land administration system of private, communal, and state lands in urban and rural areas. The program must aim to produce a province-wide, complete, and comprehensive land registry and cadaster, and provide a digital single access point of land records for government authorities, the land market, and the public. The program should: complete and digitalize revenue and deed registries and maps; upgrade the CLRMIS; upgrade state land inventory, valuation capacity and asset management features within the GLBIS; strengthen the geospatial framework; and improve the policy, capacity, regulatory and institutional framework for land administration.
 - **Recommendation 5.** (years 3 to 5) Beyond the development of the GLBIS, the Technical Working Group should evaluate the potential for enhancements and the integration of new modules that offer expanded capabilities in asset management, encompassing aspects such as land acquisition, leasing, transfer, sale, exchange, and assignment. These additional modules would assist in improving the quality of key decisions on the asset management of public land and building assets.
- c. Institutional and organizational structure.**

95. The GoKP lacks a specialized unit to assist in the identification of surplus and underutilized land and building assets and the subsequent effort to consider other government use or revenue generation opportunities. The Provincial Land-Use and Building Control Authority – provided for in the Khyber Pakhtunkhwa Land-Use and Control Act, 2021 – has not been established.



- **Recommendation 6.** (year 1) Task a steering committee to establish interim adjustments to the institutional and/or organizational structure to achieve the creation of a common and more disciplined asset management hierarchy within departments. This would also involve assessing the benefits of establishing the Provincial Land-Use and Building Control Authority as provided for in the Khyber Pakhtunkhwa Land-Use and Control Act, 2021 or as the Act may be amended (as part of the review of the policy and legal framework in Recommendation 1.)
- **Recommendation 7.** (year 2) Task the steering committee to further assess and adjust the interim structure, as well as fiscal sustainability and governance, in response to the revised policy and legal framework. As part of this assessment, the steering committee should undertake a comprehensive assessment of the option of establishing a specialized unit to provide technical advice or an SPV to manage and monetize non-core and surplus land and building assets as a means of improving revenue generation. Establish a technical working group to evaluate international models in the identification and monetization of non-core and surplus land and building assets and prepare a review of alternative approaches that would be considered within the GoKP.

d. Governance and oversight.

96. KP's key legislation on public property management is hampered by weak enforcement and inadequate monitoring due to the absence of an operational authority. The current processes for managing land and building records, lease pricing, and property valuation are full of inefficiencies. The BoR faces critical litigation challenges due to a lack of specialized legal teams and systems, leading to frequent court case losses.

- **Recommendation 8.** (years 1 to 2) Create the position of the Chief Appraiser (or Valuer General) of KP within the BoR that will act as the GoKP lead in the development of a robust property and lease appraisal framework. The chief appraiser would be available to provide real estate valuation advice to all provincial departments and entities and be responsible for the development of real property valuation guidelines for third-party accredited appraisers. The valuation guidelines would require developing valuation standards for public land and buildings that satisfy the valuation process and content adopted by Pakistan's organization of professional appraisers, the International Valuation Standards (IVS), or other internationally recognized standards, such as the Royal Institution of Chartered Surveyors Red Book. In addition, task the BoR, the Advocate General Office and representation from the among the District Attorney Offices to consider the options and implement adjustments to staffing and/or the retention of external legal support to secure the legal expertise in civil and land laws that is required in civil litigation.
- **Recommendation 9.** (years 2 to 3) Task a technical working group to develop the format and process for the preparation and review of the departmental investment plans as required of all departments under the proposed landholding policy in Recommendation 2. Outlined below are the stages to be undertaken:
 - The technical working group would work with the departments on a standardized format, process, and guidance for the preparation of departmental investment plans.
 - All land-owning departments would be required to prepare a departmental investment plan as a high-level strategic document that defines the direction, capacity, and commitments of the department concerning its investment in its land and building assets.
 - The investment plans would:
 - i. Succinctly set out departmental priorities and strategies for the upcoming five-year period and outline an investment budget for the first three years that meets the needs of the department within available resources.
 - ii. Identify land and building assets that are not essential to the department's core functions and could be reallocated to meet other government priorities or disposed



of. Additionally, when a department seeks land from the BoR or aims to acquire land, the application should present alternative solutions, such as optimizing the use of existing assets through repurposing or intensification, instead of securing new land.

- iii. Include sufficient information on planned projects to support an informed decision by the department as to which projects would warrant consideration over the planning horizon.
- iv. Be renewed every two to three years.
- v. Be a compendium of other actions including annual budget approvals.

e. Financing and funding.

97. The lease management processes of the GoKP are currently underperforming. Rents are not reflective of market value, there is a lack of a robust system for tracking lease agreements, and revenue is being lost due to outdated records and insufficient lease oversight. Additionally, there are no established performance standards connected to budget approvals, nor incentives to make better use of vacant or underutilized land and building assets.

- **Recommendation 10.** (year 1) Task a technical working group to prepare guidance, procedures, and operating standards for immediate action that tackle revenue generation deficiencies in leasing and opportunities to monetize vacant and underutilized land and building assets. The guidance, procedures, and operating standards would require government entities to take stock of all the current leases; evaluate the current market values; negotiate new leases with those expired or overholding contracts; and enable more flexibility in lease terms (in particular, shorter lease terms) as the market dictates.
- **Recommendation 11.** (years 2 to 3) Task the technical working group to review and update guidance, procedures, and operating standards based on the development of the landholding and lease policies in Recommendation 2. The implementation of these administrative instruments should be formally harmonized across the government entities to further the effort to address the revenue generation gaps in leasing and opportunities to monetize vacant and underutilized land and building assets.

f. Capacity building and human resources.

98. The GoKP currently lacks the necessary in-house personnel and/or retained external resources to establish an efficient and effective asset management system.

- **Recommendation 12.** (year 1) Establish a technical working group, composed of at least the BoR, human resource (HR) professionals from EAD and other relevant departments, that is tasked with creating a detailed job profile (including its responsibilities, requirements, and qualifications) for a new senior asset management director role. This role will be dedicated to leading asset management within each department, with a primary focus on complying with the forthcoming landholding policy outlined in Recommendation 2. Once the role profile has been prepared – having followed through the process of needs assessment, planning, and consultation among other departments – each department would be required to fill the position through a competitive process. The technical working group would determine the structure of an asset management department – positions, job descriptions (role profiles), qualifications, and eligibility requirements – appreciating that certain roles and a large portion of the responsibilities in asset management job descriptions will be common across the GoKP.
- **Recommendation 13.** (years 2 to 4) Task the technical working group to seek to elevate asset management as a provincial career path within the GoKP by establishing provincial-wide training programs (perhaps through the Staff Training Institute) and asset management forums for the exchange of knowledge and experiences and encourage and support movement across the province in response to progressive asset management opportunities. In this regard, the



technical working group should also build the appropriate capacity, knowledge and skills among the asset managers to anticipate, evaluate, and mitigate environmental, social and climate risks following the guidance from Recommendations 14 and 15. While retaining certain areas of expertise and external resources will be necessary, in-house staff must possess the working knowledge and capability to manage proficiently. They should focus this talent and be confident in making the ultimate recommendations or decisions. Once prepared, the senior asset management director and their HR support would finalize the structure commensurate with their department's needs for their department and seek to fill positions.

g. Climate resilience.

99. Climate change affects public asset management in KP by introducing new risks that need to be considered and managed.

- **Recommendation 14.** (years 1 to 3) Create a steering committee composed of senior representatives of the EPA, BoR, Forestry Department, Mining Department and other departments active in climate resilience initiatives. Building on the role and processes of the EPA, establish a protocol that asset management professionals must comprehensively consider both the environmental and social risks that the development, maintenance, acquisition, disposal, and renting of public lands and buildings could generate. The protocol can be developed based on existing environmental and social standards, legislation, and institutions within Pakistan, or it can incorporate frameworks from international financial institutions, such as the World Bank's Environmental and Social Framework. The efforts of the steering committee would also consider if and how to adopt current policies and join ongoing efforts such as: 1) the GoKP's Climate Change Policy, 2) the MoCC climate-proofing risk assessments for new public and private sector finance projects, and 3) the MoCC's Recharge Pakistan initiative.
- **Recommendation 15.** (years 3 to 5) Under the oversight of the steering committee, integrate climate change into the asset management regime, establishing it as a risk to be managed and a critical element in maximizing an asset's value. The steering committee would work through the five-step process (understanding that proceeding through these steps is a continual process):
 - Step 1. Assess the value of land and building assets. This is both the market value of the asset while factoring in the current climate hazard as well as the potential of the asset to mitigate broader climate hazards.
 - Step 2. Understand the implications of new climate regulations, strategies and policy changes on the portfolio of assets. This is an important step to understanding the impact of climate change on asset management functions, or which regulatory changes will influence the day-to-day roles and obligations of portfolio, asset, and property managers and make changes to asset plans going forward. Strive to comply with international standards and commitments made by the Government of Pakistan, introduce measures to reduce carbon emissions, and invest in mitigation actions.
 - Step 3. Assess the risk of climate change across the asset portfolio. This assessment will consider the approach among the various asset types and their geographic location.
 - Step 4. Consider the climate-related risk management pathways and response. Depending on the nature of the risks and the resilience of the assets, the asset manager may consider retaining the risk, transferring the risk, avoiding the risk or creating redundancy.
 - Step 5. Monitor and evaluate asset performance. Establishing and then adhering to guidelines to ensure that asset managers comply with industry best practices and facilitate transparent reporting on climate-related impacts, enhancing credibility and trust among stakeholders. Integrating these frameworks into monitoring and evaluation



practices allows for a comprehensive understanding of asset performance in the context of climate change and assists in making informed, sustainable investment decisions.





Table 7: Recommendations: Enhancing the efficiency of the management of public land and building assets

#	Recommendations	Year					Comments
		1	2	3	4	5	
Policy and Legal Framework							
1	Undertake a reform of the asset management policy and legal framework.						A steering committee will assess current deficiencies, determine a suite of needs, embed them in a revised framework and manage the rollout.
2	Revise the land lease policy and establish a landholding policy, both to be common across the GoKP.						A steering committee's land lease and landholding policies will ensure well-managed assets and services and establish uniform oversight, planning and reporting mechanisms.
Land and Building Data							
3	Develop a GLBIS, common within the GoKP.						The Technical Working Group will lead the GLBIS's design, implementation, testing, and post-implementation review.
4	Initiate a multiyear program to modernize the GoKP's digital land administration system.						The Technical Working Group program will produce a province-wide, complete, and comprehensive land registry and cadaster, and provide a digital single access point of land records for government authorities, the land market, and the public.
5	Develop modules in the GLBIS that encompass asset management aspects such as land acquisition, leasing, transfer, sale, exchange, and assignment.						The modules developed through the Technical Working Group will assist in improving the quality of key decisions on the asset management of public land and building assets.
Institutional and Organizational Structure							
6	Establish interim and immediate adjustments to the institutional and/or organizational structure in response to the review of asset management policy and legal framework.						A steering committee will seek to create a common and more disciplined asset management hierarchy within departments.
7	Assess the option of establishing a specialized unit or SPV to provide technical advice and/or manage and monetize surplus land and building assets.						A technical working committee will evaluate international models for the identification and monetization of under-utilized, non-core, and surplus land and building assets and prepare a review of alternative approaches that would be considered within the GoKP.
Governance and Oversight							

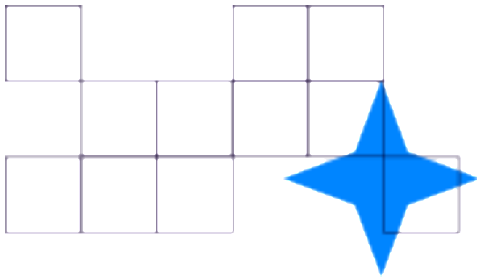


#	Recommendations	Year					Comments
		1	2	3	4	5	
8	Create the position of the Chief Appraiser or Valuer General of KP within the BoR and consider adjustments to staffing and/or retention of external legal support.						The BoR-created position of the Chief Appraiser or Valuer General of KP will function as the GoKP lead in the development of a robust property and lease appraisal framework.
9	Develop the format and process in the preparation and review of the departmental investment plans (as required under the proposed landholding policy).						A technical working group will work with the departments on a standardized format, process, and guidance in the preparation of their departmental investment plans.
Finance and Funding							
10	Prepare instruments for immediate action to improve leasing and opportunities to monetize surplus and underutilized assets.						A technical working group's effort will tackle the revenue generation deficiencies in leasing and underutilized land and building assets.
11	Develop guidance, procedures, and operating standards within the context of the revised policy and legal framework developed in [recommendation 2]						A technical working group's administrative instruments should be formally harmonized across the government entities to further the effort to address revenue generation gaps.
Capacity Building and Human Resources							
12	Create a job profile for a new senior asset management director and, further, determine the structure of an asset management department.						A technical working group creation of the senior director will enable a dedicated lead for asset management within each department with a primary focus on complying with the forthcoming landholding policy.
13	Elevate asset management as a career path by establishing province-wide training programs, forums, and opportunities to move across departments.						A technical working group will help recognize that the retention of certain areas of expertise and other external resources will be a necessity, but that in-house staff must have the working knowledge and capability to proficiently manage and focus this talent. Legal expertise in civil and land laws is needed in civil litigation.
Climate Resilience							
14	Establish a protocol that asset management professionals must comprehensively consider						A steering committee's protocol can be developed based on existing environmental and social standards, legislation, and institutions within Pakistan, or it can incorporate frameworks from international financial



#	Recommendations	Year					Comments
		1	2	3	4	5	
	both the environmental and social risks their actions could breed.						institutions, such as the World Bank's Environmental and Social Framework.
15	Integrate climate change into the asset management regime, establishing it as a risk to be managed and a critical element in maximizing an asset's value.						A steering committee's guidance will include a formalized process understanding that proceeding through the steps is a continual process.

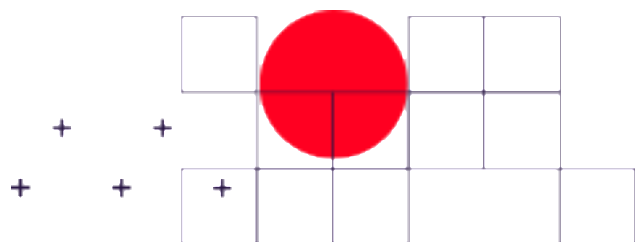




LAND SECTOR REVIEW IN **KHYBER PAKHTUNKHWA**

Chapter IV

LAND ADMINISTRATION





LAND SECTOR REVIEW IN **KHYBER PAKHTUNKHWA**

Modernizing Land Administration⁴¹

A. KEY MESSAGES

- The land administration system in Khyber Pakhtunkhwa has its origins in the British colonial period, focusing on agricultural land taxes and producing essential documents like field maps and land records. The current policy framework is based on colonial and post-independence acts and ordinances. However, this historical framework often struggles to address modern land management needs, particularly in urban areas.
- The Board of Revenue (BoR) is the central authority for land administration, taxation, and record-keeping in KP. It oversees land acts, rules, and laws, ensuring policy implementation, tax evaluations, and maintaining land records. The BoR operates with a decentralized bureaucracy, maintaining the hierarchical structure from the British era. Despite its pivotal role, the BoR faces challenges such as outdated procedures, limited technological integration, and a shortage of skilled personnel.
- The land legal and policy framework faces several challenges, including slow and expensive dispute resolution, cultural and systemic obstacles to women's property rights, and outdated geospatial data management.
- Digitization and Modernization: Considerable progress has been made in digitizing land records in KP, with 76% of records digitized. The BoR is also working on digitizing cadastral maps and integrating them into the land registry system. The computerization of land records has led to the establishment of Service Delivery Centers (SDCs) to enhance customer service. However, the digitization process is hindered by discrepancies in records, infrastructure limitations, and the need for extensive field verification. Additionally, the integration of Federally Administered Tribal Areas (FATA) and Provincially Administered Tribal Areas (PATA) into KP presents complex social and legal challenges.
- The Government of Khyber Pakhtunkhwa aims to overhaul its land administration system with a strategic vision and comprehensive reforms. Recommendations include prioritizing digitization, transitioning to computerized deeds registration, innovating settlement procedures, establishing a complete cadaster, leveraging advanced land information technologies, updating legal frameworks, and ensuring financial sustainability. Achieving these goals will require robust political support, substantial financing, and overcoming the challenges of integrating new technologies and practices into an entrenched bureaucratic system.

⁴¹This section was written by Alvaro Federico Barra and Anthony Burns. It draws upon several missions and interviews with the GoKP officials, as well as technical activities carried out by the World Bank as part of the "Land sector review in Khyber Pakhtunkhwa (P180417)" Programmatic Advisory Services and Analytics work, including: 1) Two capacity building study tours to Korea; 2) Mass valuation pilot in Nowshera; and 3) ICT support for development and testing pilot of land-related e-services. The Korea World Bank Partnership Facility (KWPF) provided funding to carry out this note and the related PASA activities.

B. INTRODUCTION

100. **This section is the final output of the third component of the World Bank’s “Land sector review in Khyber Pakhtunkhwa (P180417)” Programmatic Advisory Services and Analytics activity (PASA).**⁴² It serves as a detailed report and a strategic guide for the GoKP to navigate the complexities of land administration reform and to chart a course towards modernization and improvement of the system. It emphasizes the importance of historical context, current challenges, and future directions for policy and practice in land administration.

101. **The first part delves into the historical and institutional foundations of land policy in Khyber Pakhtunkhwa (KP).** It traces the lineage of the current land recording and mapping system, which has its roots in the British-imposed land revenue system. It highlights the significance of settlement processes during the colonial era, the creation of essential documents such as field maps and Records of Rights (RoR), and the hierarchical administrative structure responsible for maintaining land records. Additionally, it sheds light on the evolution of KP’s land policy through political changes, mergers, and constitutional amendments, emphasizing the critical role played by institutions like the Board of Revenue (BoR) in land administration.

102. **The second part provides an in-depth analysis and description of legal, operational, and institutional challenges that confront the land administration system in KP.** It sheds light on the cumbersome and costly process of resolving land disputes, the shortcomings in enforcing land legislation, and the complexities of incorporating traditional tribal land customs into the province’s legal framework for the land sector. It explores the difficulties in upholding women’s property rights and underscores the necessity for improved geospatial data management and the acceleration of land record digitization. It also points out the sluggish progress in mapping state-owned lands and the urgent need for additional resources and trained professionals to support spatial mapping initiatives. Furthermore, the strides made in developing land information systems (LIS) and the establishment of Service Delivery Centers (SDCs) to enhance land-related services are highlighted. It recognizes the critical role these efforts play in forming a unified property map and the shift towards a digitalized deed registration system.

103. **The Government of Khyber Pakhtunkhwa (GoKP) is poised to undertake a transformative modernization of its land administration system and is considering a series of strategic reforms.** These reforms aim to update and expand land records, integrate new technologies, and streamline processes to reflect the needs of both rural and rapidly urbanizing areas. The section concludes with a series of actionable recommendations that serve as a call to action for the GoKP to embrace a long-term vision that ensures the sustainability and efficiency of land administration services in order to foster growth and stability in the region.

C. HISTORICAL AND INSTITUTIONAL BASIS FOR LAND POLICY IN KP

a. Land recording and mapping.

104. **The current system of recording property rights in KP has a long history.** The existing system is based on the land revenue system implemented by the British after the defeat of the Sikh

⁴² The objective of the PASA is to carry out a land administration and public land and building assets management sector review in Khyber Pakhtunkhwa Province (KP) with a special focus on increasing revenue mobilization. The scope of the PASA encompasses three distinct components, each comprising a research and analytical phase, followed by a technical assistance phase. These components are dedicated to addressing specific themes: 1) Revenue, which entails a comprehensive review of land information, valuation, and taxation systems; 2) Public Asset Management, focusing on the efficient management of public land and building assets; and 3) Land and Geospatial, including a thorough examination of urban and rural land administration as well as the geospatial information framework.

Empire in 1849, which in turn was based on arrangements with a long history whereby rulers collected land revenue from farmers. KP was a dependency of Punjab until 1901 when the North-West Frontier Province (NWFP) was established. Therefore, the land records system in KP is largely the same as the system that operates in what is now Punjab Province in Pakistan. Punjab was partitioned in 1947, with West Punjab becoming part of the Dominion of Pakistan. West Punjab and NWFP became part of the Islamic Republic of Pakistan in 1955. The NWFP became Khyber Pakhtunkhwa Province with the passage of the 18th Constitutional Amendment in April 2010. In May 2018 the Federally Administered Tribal Areas (FATA) and the Provincially Administered Tribal Areas (PATA) were merged into KP under the 25th Constitutional Amendment.

105. During the colonial era, settlement was the process by which authorities investigated and documented individuals who had recognized rights to occupy and cultivate land. This process also involved assessing rates and determining the land taxes payable by these individuals. In Punjab, settlement was largely arranged directly with villages rather than through intermediaries as occurred elsewhere on the sub-continent. Settlement was only carried out for agricultural land and a “lal lakir” (red line) was drawn to demarcate residential and non-agricultural areas within villages, which were excluded from the process of settlement. The process identified three tenure types: state-owned land, privately owned land, and village common land. Additionally, tenancy rights were recorded during the settlement process.

106. Settlement produced several important documents that continue to be utilized today. These documents included: a) field maps (‘massavi’), generally produced at a scale of 1/2640 that mapped all the land parcels surveyed in the village with assigned parcel identification (‘khasra’) numbers; b) field books that contain the measurement details for each land parcel; and c) the information recording the khasra number, land use type, source of irrigation and other data that is used to prepare the land records (‘register haqdar-e-zamin’ or jamabandi) and the assessment of land revenue and rent. The settlement records are stored at district level (Tahsil). The land revenue system requires that settlement surveys be undertaken every 20 to 30 years due to the historical difficulty in maintaining the manual land records, but this has not happened in practice.

107. In Pakistan, the rural land administration system follows a hierarchical structure. The basic geographic unit for the land records system is the revenue estate or village (‘mauza’). A group of villages forms a Patwar Circle administered by a Patwari. A Patwari is a key administrative official in rural areas, tasked with maintaining land records, collecting taxes, and serving as a local authority. They uphold a tradition dating back to the Mughal era, crucial for rural governance. For administrative purposes, about 10 Patwar Circles are grouped into an administrative unit called a Kanungo Circle which is administered by a Kanungo responsible for checking the work of the Patwari. Two to three Kanungo Circles are grouped into a Revenue Officer’s Circle headed by a Deputy Tehsildar (‘Naib Tehsildar’) and 2 to 3 Revenue Officer’s Circles are grouped into a Tehsil. The land records are maintained at the Tehsil, which is headed by a Tehsildar who is responsible for supervising the functions of the Patwari and Kanungo, with the assistance of the Deputy Tehsildars.

108. Patwaris maintain a comprehensive set of land records related to rights, land classification, crop data, and ownership changes. The land records maintained by the Patwaris include: a cloth copy of the massavi (the ‘shajra kistrwar’) for the day-to-day use by the Patwari; the register haqdar-e-zamin or jamabandi that is the register of rights, land classification and land revenue linked to the khasra number; the register of mutations which sets out the changes in rights entered by the Patwari and approved by the Revenue Officer; the register khasra girdawari which contains crop data and changes in ownership and tenancy; the village note book (‘lal kitub’) which contains village statistics; the fard bach which contains the details of the demand for land revenue and cesses; the roznamcha waqiati or diary of land events and matters concerning land; plus a

number of other registers specified in the Land Records Manual that are of less significance. The Land Records Manual sets out the form and content of the land records.⁴³

109. The Patwari’s role also encompasses providing essential land ownership documents, updating records, and conducting surveys to ensure the accuracy and currency of land data. The Patwari provides a document showing ownership (‘fard malkiyat’) which is produced from the haqdar-e-zamin as updated by any mutations; corrects errors in the land records (‘fard badar’); conducts a pre-harvest crop survey (‘gardawari’); and maintains the mutation register to record any changes in the land records. The Patwari manually updates the land records for mutations in the records as they occur. This can be difficult to follow over time, and the law requires that a clean copy of the jamabandi is prepared every 4 years using the information in the mutations and other registers, referencing back to the Settlement records and any earlier jamabandi as necessary. This update of the jamabandi may not in practice happen as often as specified by law.

b. Land Policies

110. In KP, a collection of acts and ordinances, complemented by rules and manuals, governs land affairs. This legal framework includes the Easements Act and Transfer of Property Act, both from 1882, establishing rights and procedures for property transactions. The Land Acquisition Act of 1894 and the Stamp Act of 1889 regulate land acquisition and stamp duties, respectively. The KP Tenancy Act of 1950 and post-independence, the Land Revenue Act of 1967 have been pivotal in managing tenancy and land revenue. The Land Reforms Act of 1977 and the Pre-Emption Act of 1991 further refined land rights and sales. Additionally, the Land Records Manual provides comprehensive guidelines for maintaining land records, ensuring a structured approach to land management in KP.

Table 8: Legal Framework in KP

Act/Ordinance	Year	Description
Easements Act	1882	Extended to all of Pakistan, defines rights related to easements and licenses on immovable property.
Land Acquisition Act	1894	Governs land acquisition for public purposes and compensation for such acquisition.
Transfer of Property Act	1882	Deals with property transfer, sale, mortgages, leases, exchanges, and actionable claims.
Stamp Act	1889	Governs stamp duty, now a provincial tax, with amendments through provincial acts and ordinances.
Registration Act	1908	Concerns registration of documents, including land-related, with revenue officers as authorities.
Khyber Pakhtunkhwa Tenancy Act	1950	Consolidates laws relating to tenancy of lands in KP, regulates landlord-tenant relationships.
Board of Revenue Act	1957	Constitutes the Board of Revenue for West Pakistan during the one-unit period.
Urban Rent Restriction Ordinance	1959	Restricts rent increase and tenant eviction within urban areas of KP, excluding tribal areas.
Land Consolidation Act	1960	Facilitates exchange of land among owners for better agricultural yields, provides law for consolidation of holdings.
Land Revenue Act	1967	Adopted and amended by all provinces, deals with Record of Rights and land revenue.
Land Reforms Act	1977	Aims to manage individual holdings size, gives rights to ‘tenant-in-possession’ of property.

⁴³ PLRA has several chapters of the Land Revenue Manual for Punjab, which is largely the same as applies in KP, on their web page. <https://www.punjab-zameen.gov.pk/Laws>. Chapter 7 is the key chapter that sets out the form and content of the Record of Rights. <https://www.punjab-zameen.gov.pk/assets/documents/laws/CHAPTER%207%20Final.pdf>



Act/Ordinance	Year	Description
Pre-Emption Act	1991	Gives preferential rights to neighbors in land sale matters, operative by revenue department since 1972.

111. **The Registration Act 1908, established by British colonial rule, standardizes property document registration and mandates consistency between property deeds and land records systems.** The British colonial authorities consolidated previous legislation in the Registration Act 1908 to register documents relating to property. The act is implemented at the province level and applies in KP. The act sets out the documents that are registrable under the act, the procedure for registration and the administrative machinery provided under the act and the responsibilities of the different officials. Property deeds are registered at the Sub-Registrar levels, which is typically at the Tehsil level. The registration of property deeds under the Registration Act and the register of mutations under the land records system both record changes in property rights and there is therefore an administrative requirement to make the two systems consistent.

112. **The historical process of Settlement went through several phases in development but is largely as set out in the Punjab Land Revenue Act of 1887 as amended by Act III in 1928.** The current Land Revenue Act of 1967 merged the various laws including the Punjab Land Revenue Act of 1887 and the Sind Land Revenue Code of 1879 and repealed 24 laws. The new law is principally based on the Punjab Land Revenue Act of 1887 which was seen at the time as less stringent and more practical.

113. **The 25th Constitutional Amendment in 2018 eliminated the segregation of the province into settled and tribal areas.** In May 2019, the KP Government approved a comprehensive package for the development of the merged areas. The creation of a formal RoR through land registration is part of this package. This land registration activity has two main objectives: 1. Completing settlement in the merged areas using Geographic Information System (GIS) technology; and 2. Providing computerized transactional services to landowners.

c. The Board of Revenue

114. **KP’s BoR came into existence through an Act in 1957 and is the pivotal institution for land administration, taxation, and record-keeping, serving as the custodian of landholders’ rights and the highest revenue judicial authority.** The Revenue Department was the central institution established by the British colonial authorities to manage the land revenue system, aimed at generating income from cultivated lands. Currently, this institution in KP is known as the Revenue and Estate Department and is overseen by the BoR. The BoR is vested with general supervision and control over all Revenue Officers and is the controlling authority in KP for all matters connected with the administration of land, land taxation, and the preparation, updating, and maintenance of land records. The BoR oversees and ensures implementation and compliance with land acts, rules, and laws of the government, particularly those related to land revenue. The BoR is responsible for guiding the evaluation, renewal, and collection of taxes, stamp duties, and mutations, as well as the maintenance and appraisal of land records. It administers processes for settlement and consolidation, resolves boundary disputes, oversees land use, and maintains the RoR. As the protector of landowners’ rights, the BoR serves as the highest revenue court, adjudicating appeals and revisions against the decisions and orders of Commissioners and Executive District Officers.

115. **The BoR operates as a structured body with designated members and decentralized bureaucracy, overseeing the entire province’s land affairs.** The BoR consists of the Senior Member Board of Revenue (SMBR), who also acts as the Secretary to the Government, Revenue and Estate Department and Member of the Board of Revenue, who also serve as the judicial arm of the BoR. There are three Members of the Board of Revenue in KP – Member I who is the Chief Settlement Commissioner responsible for court work; Member II who is also responsible for court work; and



Member III who is responsible for administration. Issues regarding maintenance of land records, property deed registration and settlement in the province are handled by an attached wing, the Directorate of Land Records. At the divisional level the Commissioner is responsible for supervision and control of subordinates and acts as the appellate and revisional court. The Deputy Commissioner is the head of revenue at the district level with original, appellate and revisional powers. The Assistant Commissioner is the head of a sub-division of a district. In February 2024 there were 182 positions in BoR. The revenue staff at lower levels (Tehsildar, Naib Tehsildar, Revenue Officer, Kanungo and Patwari) are administered by the District Administrations. There are about 2,000 Patwaris in KP.

d. The Newly Merged Areas.

116. The Newly Merged Areas (NMA), previously recognized as the Tribal Areas, have a rich history marked by a unique system of governance deeply rooted in tribal customs, traditions, and practices. Historically isolated from conventional regulatory frameworks, these regions operated under a communal land ownership model, where most of the land was collectively owned by families and tribes, with individual ownership being quite rare. The use of these lands for any purpose required the consent of the respective tribes. This system was governed by age-old customs such as “Wesh,” the division of land based on inheritance, “Nikat,” a term for land inherited from one’s grandfather, and “Shamilaat,” referring to non-demarcated communal property held by tribes.

117. Despite the cultural significance of these traditions, the absence of formal land records has led to ambiguous and disputed land titles, hindering the potential development and utilization of these lands. The NMA have never been settled and hence, land has never been demarcated, leading to underutilization and major cause of longstanding conflicts and enmities between tribes and different clans. Resolution of customary land disputes within a community is dealt with by tribal dispute resolution through “Jirga” councils, a Tribal Council comprising of elders of the tribal locality.

D. IN-DEPTH ANALYSIS AND KEY CHALLENGES

a. Legal and Institutional framework.

118. The resolution of land disputes is not only a lengthy process but also imposes a substantial financial burden on the litigants. The revenue court system within the BoR has jurisdiction over disputes regarding land documents, tenancy, land revenue, and land transactions. Disputes are heard at the Tehsil level by the Tehsildar (Revenue Officer) and by the Director of Land Records. In settled areas, the Deputy Commissioner is the appellate forum at district level. The provincial BoR acts as the Appellate Authority at the province level. However, Pakistan’s formal court system also has jurisdiction and acts as the final authority in land cases. This dual structure of courts creates a parallel system, leading to a power struggle due to the lack of a clear institutional mandate. Land disputes are the most common disputes filed with the formal court system. It is estimated that there are more than 70,000 unresolved land dispute cases in KP, which is equivalent to more than 80 percent of court cases. Land revenue cases mainly fall into three categories: partition of land (71 percent), followed by eviction (14 percent), and inheritance (6 percent). The average stated value of disputed property in land revenue cases is approximately 17 million PKR, while the average annual income of the plaintiffs is in the vicinity of half a million PKR, which means that a litigant fights for a property whose worth is thirty years of his/her income. In other words, the value of disputed property exceeds total lifetime income of his/her productive life.⁴⁴

119. Inadequate enforcement of land laws and underutilized arbitration provisions have led to declining quality of decisions in revenue courts, potentially leading to revisions in the Land

⁴⁴ Khan, Saad S., Ambreen Ashfaq, Mahrukh Imtiaz, and Isra Imtiaz. "CRITICAL APPRAISAL OF LEGAL-INSTITUTIONAL STRUCTURE OF REVENUE COURTS IN PAKISTAN: MINIMIZING SLUDGE IN AGRICULTURAL PROPERTY CASES."



Revenue Act. The enforcement of land laws has been lacking, leading to ineffective provisions that fail to reduce litigation. Land Revenue arbitration provisions remain underutilized, while its penal provisions require modernization. Consequently, the quality of decisions from Revenue Officers and revenue courts is deteriorating, with arbitration rarely considered as a viable option. Complicating matters further, a recent High Court ruling has mandated the reassignment of specific cases pertaining to the BoR to the courts of civil judges.⁴⁵ The GoKP has challenged the decision, and the Supreme Court suspended the decision of Peshawar High Court until final decision. Nevertheless, there are questions being raised about the revenue and civil court systems and in the long-term policy makers are likely to seek major changes in the Land Revenue Act.

120. The recently established alternate dispute resolution system faces challenges in harmonizing with existing arbitration laws. In May 2020, the GoKP enacted an Alternate Dispute Resolution (ADR) Act (the KP Alternative Dispute Resolution Act 2020) to facilitate the efficient and cost-effective resolution of land disputes. According to this act, any court or Deputy Commissioner can refer civilian disputes for ADR, provided both parties agree. The ADR Council ensures confidentiality during hearings and other proceedings, aiming to decide cases within three months. In 2021, the GoKP extended the enforcement of ADR to merged areas. However, there remains uncertainty regarding how these complement or replaces the “arbitration” chapter from the Land Revenue Act.

121. Efforts to consolidate statutes and recent legislative measures aim to strengthen and enforce women’s property rights in Pakistan, despite cultural and systemic challenges. The Constitution of Pakistan guarantees that all citizens, both men and women, can own property in the country. The Shariah stipulates land rights for women. Yet, few women own land in Pakistan and even fewer effectively control land.⁴⁶ In Pakistan, inheritance commonly does not lead to the subdivision of holdings, but rather to co-ownership between heirs. Typically, the majority holders (male) continue farming and relatives including women hold shares in the farm or pass them to the primary holder. Thus, women’s land rights are often controlled by men and are dependent on their relationship to them. In 2019, the GoKP committed to raise awareness of land and property rights among both women and men. It introduced the Enforcement of Women’s Property Rights Bill that guarantees the protection of the rights of ownership and possession by women in the province. Under this legislation, the ombudsperson office is equipped to handle cases of women who have been deprived of their ownership rights to inherited movable and immovable properties. The ombudsperson has also been given the authority to enforce its decisions through the state institutions, including the District Administration, the police, and the Revenue and Estate Department.

122. The role of the BoR in land acquisition also needs to be strengthened and the processes of land acquisition should be reviewed to minimize challenges. The Khyber Pakhtunkhwa Land Acquisition Rules, 2020, allow for land acquisition via private negotiation. However, this method is rarely employed due to the high risk of disputes and legal challenges. The BoR has not completed any private acquisitions in the last ten years. Consequently, the government typically opts for compulsory acquisition based on valuation tables rather than market values. This approach frequently results in the government facing challenges in court, where compensation rates set by judges can be significantly higher, further complicating the situation for the government.

123. The implementation of land laws in the merged areas requires careful consideration due to the unique social and cultural contexts. The BoR has been implementing legislation that has a long history in settled areas which only constitute about 45 percent of the land area of KP. However,

⁴⁵ Sections 27, 80, 81, 82, 141, and 172 of the Land Revenue Act that relate to the judicial status of decisions made by Revenue Officers, penal provision for the recovery of land revenue, the role of Revenue Officers in deciding title and the exclusion of civil courts from matters under the jurisdiction of Revenue Officers
https://www.peshawarhighcourt.gov.pk/PHCCMS//judgments/W.P.No.4817-P-2019_Ali-Azim-Afridi_-Allowed.Vires-of-Land-Revenue-Act.pdf

⁴⁶

According to the Pakistan Demographic and Health Survey 2017–18, women are 25 percent less likely than men to own land.



the merging of FATA and PATA into KP has added different social and cultural contexts that test the application of existing legislation and the long-established procedures to implement the legislation. The introduction of official land documentation and land readjustment could incite community discord, as the tribal members are unaccustomed to formal legal processes, relying instead on the “Jirga” system. There are also established arrangements for the payment of royalties for the extraction of forest and mineral resources and any process to formally record land rights has potential adverse impact on these arrangements and this change will need to be managed. The challenge now lies in integrating these areas into a broader land administration system that respects traditional practices while establishing clear and undisputed land ownership to unlock the full potential of these lands and foster peace and development.

124. **The institutional structure for land administration needs strengthening.** There is a disconnect between the field revenue staff and village councils. There is a lack of coordination between the different institutions involved with the Transfer of Property Act, the Stamp Act, and the Registration Act. In Punjab the Project Implementation Unit (PIU) for Land Record Management Information System (LRMIS) project evolved into a new institution called the Punjab Land Records Authority (PLRA). This institutional arrangement could also happen in KP but at this stage the SMBR plans an incremental approach. The SMBR has proposed creating a New Member position within the BoR, who would possess expertise in emerging technologies. This role would be dedicated to concentrating efforts on the modernization of the land administration system in KP.

125. **The Record of Rights is maintained by Patwaris with little effective oversight.** The RoR is a manual, paper-based system maintained at the local level by the Patwari. The process for the mutation of rights and interests is not transparent. Detailed procedures for the maintenance of the RoR have been prepared but often are not being followed in practice. Revenue Officers are involved in the recording of changes in rights, dispute resolution, and oversight but, in practice, Patwaris have plenty of opportunity illegally to create, alter, destroy, or restrict access to records. The core strategy to address these issues is the computerization of the RoR, but computerization requires the cooperation of the Patwaris. A comprehensive change management program will need to be developed in KP to support the existing and planned computerization of land records.

126. **KP’s lack of clear policies hinders efficient land and geospatial data management and sharing.** There is no data exchange, no harmonized processes nor standards with other land institutions, such as Excise and Taxation and Local Government (ETNCD). KP lacks relevant policies including which department should collect land or geospatial data and for what purpose, as well as data sharing protocols with other stakeholders. Data sharing is a sensitive topic in KP. Ongoing security concerns significantly affect inter-departmental data sharing. Existing frameworks do not provide sufficient provisions for the provincial government departments to acquire data products, such as high-resolution satellite imagery in a consistent or timely manner. At the federal level, as per section 15 of the Surveying and Mapping Act, 2014, the Survey of Pakistan (SoP), as a federal entity, is responsible for establishing and maintaining a National Spatial Data Infrastructure (NSDI) with the support of key stakeholders. However, processes to receive geospatial data from the SoP tend to be bureaucratic and time-consuming.

b. Land records.

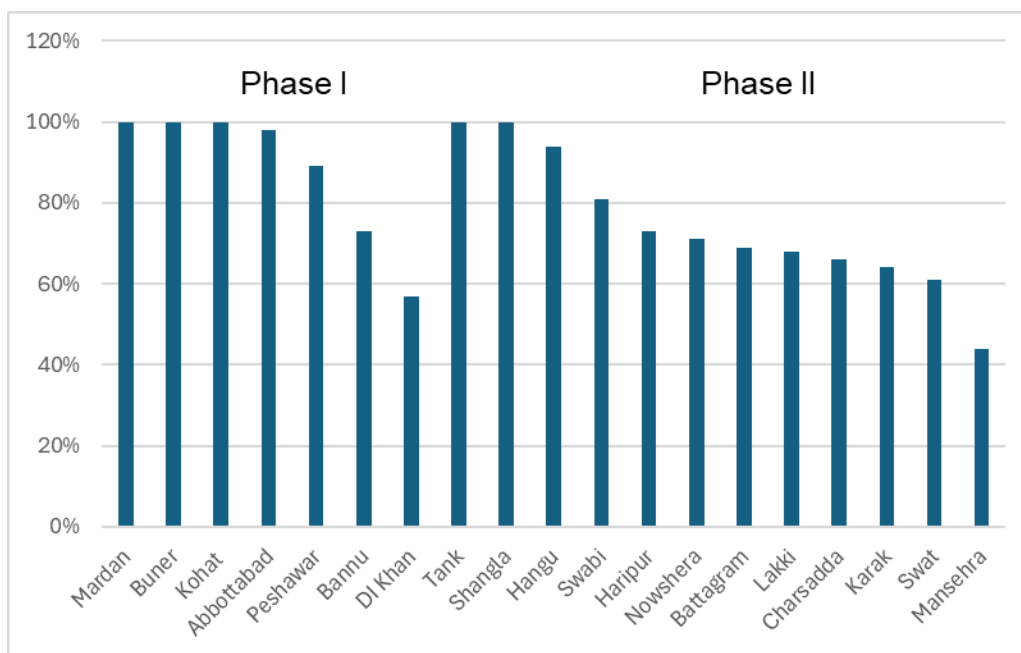
127. **Land records in KP cover less than half of the land area of the province.** The administrative division of KP consists of 7 divisions, 36 districts, and 105 tehsils. Out of the 36 districts, land records are available in 19, covering approximately 45 percent of the province’s land area. These records were generated through settlement and/or re-settlement surveys. The initial settlement surveys in these 19 districts mostly occurred between 1875 and 1905, with additional surveys conducted in 1982 for Buner, Swat, and Shangla districts.

128. **Over the past decade, the BoR has made significant progress in computerizing land records, with approximately 76 percent of records now digitized.** In 2013, a project was launched



to digitize land records in 19 settled districts, and the work is actively continuing. This project was implemented in two phases, with phase 1 covering 7 districts and phase 2 covering the other 12 districts. The land records in the 19 districts are recorded for 3,522 revenue estates (mauza). In April 2024 computerized land records were operational in 2,663 mauza or about 76 percent of the mauza in the 19 districts, 542 mauza were pending operationalization and 317 mauza had manual pending.

Figure 6: Status of Digitization of Land Records in April 2024 by Districts and Phases



129. **The computerization of land records is a labor-intensive and time-consuming task.** It begins with the digitization of the jamabandi, carried out by four private data-entry contractors. Revenue Officers then verify and validate the data entry printouts, making corrections as needed. Occasionally, discrepancies in the data entry stem from errors in the jamabandi itself, necessitating a review of previous records. After updating the data with any new mutations recorded since the last jamabandi, manual mutation recording ceases. Finally, IT and Revenue staff cross-verify the data before it goes live, enabling service provision at the SDCs.

130. **Urbanization has revealed gaps in land records, with fragmented systems for residential property transactions.** During the settlement process in KP, residential and non-agricultural land was excluded. Nonetheless, the expansion of urban areas into territories once designated as rural, along with the growing need for public services, has resulted in a heightened demand for fiscal resources. The ETNCD keeps a separate fiscal record and maps on urban properties which include land, buildings, and parts thereof. This department is tasked with the collection of Urban Immovable Property Taxes (UIPT) and conducts valuations for fixtures attached to land. Various entities - such as cantonments, housing development agencies, and cooperatives - maintain independent records for land plots and housing properties in urban neighborhoods and provide land register related services, but these records remain disconnected from the revenue records.

131. **A significant delay in the re-settlement survey schedule highlights the need for a more efficient land management system in KP.** Although re-settlement surveys were intended to occur every 20-30 years, they have been conducted every 50 to 100 years in practice. The most recent re-settlement surveys in these districts date back to 1926 in Charsadda District and 1929 in Peshawar District, with most falling between 1966 and 2001. Current re-surveys are underway in Havelian Tehsil of Abbottabad district (since 2011), Mansehra Tehsil of Mansehra District (since 2009), and Nowshera District (since 2013). Prolonged duration of the settlement process in these districts is evident. Recent

settlement surveys have been completed in Upper and Lower Chitral districts and are in progress in Malakand District, all of which were previously managed under manual settlement. However, settlement surveys have not been conducted in 4 district - Upper Kohistan, Lower Kohistan, Kollai Pallas, and Torghar - as well as in most tribal areas of the merged districts and many areas under manual settlement.

Table 9: Last date of Settlement (1st) or Resettlement (2nd or 3rd) per District

District	Settlement/Resettlement Date	District	Settlement/Resettlement Date
<i>Abbottabad</i>	3 rd 2011 (In progress in Havelian)	<i>Bannu</i>	2 nd 1995-96 (Except 6 Mouzas)
<i>Mansehra</i>	3 rd 2009–10 (In progress in Tehsil Mansehra)	<i>Lakki Marwat</i>	1 st 1995-96
<i>Battagram</i>	2 nd 1976-77 (Tehsil Alai)	<i>Tank</i>	2 nd 1966-67 (Except 7 Mouzas)
<i>Haripur</i>	2 nd 1981-82 (4 Mouzas)	<i>DI Khan</i>	2 nd 1966-67 (Except 29 Mouzas)
<i>Buner</i>	1 st 1982-83	<i>Charsadda</i>	1 st 1926-27
<i>Swat</i>	1 st 1982-83	<i>Nowshera</i>	2 nd 2013 (In Progress)
<i>Shangla</i>	1 st 1982-83	<i>Peshawar</i>	1 st 1929-30
<i>Kohat</i>	1 st 1974-75	<i>Mardan</i>	1 st 1991-92
<i>Hangu</i>	1 st 1974-75	<i>Swabi</i>	1 st 1982-2001
<i>Karak</i>	1 st 1974-75		

132. **USAID and BoR are piloting new land settlement approaches through technological and capacity training initiatives, but they are facing some challenges in the pace of progress.** The USAID is currently implementing the Pakistan Land Registration in Merged Areas (LRMA) program, which is supporting the BoR to extend land record and registration system in seven districts of NMAs in northwestern Pakistan. Settlement surveys are being undertaken in 7 Tehsils in Districts Bajaur, Bannu, Khel, Kohat, Kurram and Peshawar. The activity has also provided training for 166 Settlement and Digitization of Land Records (SDLR) staff and has developed training materials, manuals, and videos and provided support for a women’s call center and community meetings. Settlement activity is also being funded out of Annual Development Program (ADP)/Accelerated Implementation Program (AIP) in Dir Upper, Dir Lower and Swat Districts, outside the NMAs. For the latter, the BoR is using a GIS-based settlement approach, utilizing satellite imagery to expedite field surveying. Apart from this modern approach, the settlement process predominantly adheres to traditional methods, with non-agricultural regions excluded in the settlement activities. The progress of the work seems slow with the GIS measurement complete in only 10 of the planned 354 mauza to be covered by the work. This shortfall is primarily attributed to insufficient funding.

c. Mapping

133. **The BoR is digitizing cadastral maps (massavi) and working to integrate them into the land registry system but is progressing at a modest rate.** In the 19 districts currently undergoing computerization, approximately 42,000 massavi exist. As of April 2024, around 1,300 massavi have been digitized, which represents about 3 percent of the total. This includes 456 massavi in Pabbi Tehsil as part of the computerization initiative, 11 massavi in Pabbi Tehsil funded by the World Bank, approximately 170 massavi from the Dir Kalam project, and 270 massavi in the merged districts. In these projects, the BoR has successfully scanned and digitized the existing massavi from settlement and re-settlement surveys, incorporating the property number (khasra) details from the field books into the digital records. Additionally, there is improved data available on land partitions in KP. Nevertheless, it is evident that further efforts are necessary to digitize the remaining massavi and to integrate these digital maps with the land records.

Creating a province-wide digital cadastral map in Punjab.

The Punjab Urban Land Systems Enhancement (PULSE) Project was approved by the World Bank board on March 10, 2022. PULSE builds on the lessons, experience, and outputs from the LRMIS-P project and the cadastral mapping pilots that were funded by the federal government and implemented by the Survey of Pakistan in Islamabad, Lahore, and Karachi during 2020-2021. The Punjab E&TD has shared more than 4.2 million UIPT digital records with PULSE to be utilized as the initial urban parcel map information. Major land-record owning agencies, such as the Lahore Development Authority and the Cooperatives Department, have agreed to provide their land registry data to create seamless cadastral maps at the provincial level. PULSE is supporting the development of a seamless and multipurpose cadastral map linked to digital land records, facilitating land rights registration in the LRMIS, and supporting the regularization of unregistered lands in notified informal settlements through such activities as: (a) spatial framework for LRMIS; (b) systematic registration of peri-urban properties; (c) upgrading tax records to urban land records; (d) incorporation existing urban lands into a unified land registry; and (e) systematic registration of urban properties. In April 2024, the project reported that the digitization of urban land records and maps had started in collaboration with eleven private housing societies and seven external development authorities, including Cooperative Housing Authority Punjab, PHATA, LDA, FDA, RDA, MDA, and GDA. Over 815,300 land plots in 688 housing societies had been converted to digital maps.

Source: World Bank project documents - Project Appraisal Project and the PULSE Implementation Status and Results Report of 18 April 2024.

134. **The World Bank is supporting the BoR and the ETNCD to improve their mapping capabilities.** Through the “Land sector review in Khyber Pakhtunkhwa” activity, the BOR is piloting a unique parcel identifier (UPID) that can be used in both rural and urban areas. The initiative also includes the acquisition of high-resolution satellite imagery and the digitization of massavi maps that can aid in creating a comprehensive province-wide property map using a fit-for-purpose approach. This map would encompass urban properties, including those recorded in land records and those previously excluded due to being within the ‘lal lakir’ (non-agricultural land that was excluded from the process of settlement). The next step would be linking this map to the computerized land records. It will still be a major effort to chart rights recorded in the land records as shares in a khasra without the preparation of a partition map to define the geographic extent of the recorded shared rights. In addition, the World Bank’s KP Revenue Mobilization and Public Resource Management Program (KPRMP), is implementing a GIS mapping project to create a fiscal cadaster for ETNCD across three districts, having already completed the process in two.

135. **The BoR, with assistance from the SoP, is also working on mapping state lands. However, this process is slow and time consuming.** The Federal Government funded the SoP during 2020-2021 to pilot urban cadastral mapping in Islamabad, Lahore, and Karachi, as well as identification of state lands in the rest of the country. The BoR coordinated with provincial government departments to gather the necessary data and obtained the digital version of the state land data from the SoP. However, this data, derived from outdated massavi maps, remains unverified, and requires additional processing to ensure its accuracy. To address these challenges, the BoR has instituted an extensive field verification initiative in one tehsil (Pabbi), supported by the KPRMP. This significant undertaking is anticipated to span several years.

136. **While the SoP has recently overhauled KP’s geodetic reference points, the BoR still requires additional equipment and skilled personnel to advance its province-wide spatial mapping initiative.** As part of the federal project mentioned above, the SoP set up new geodetic reference points, improving the precision of spatial data. Nevertheless, the BoR has only 3 sets of geodetic-standard Global Navigation Satellite System (GNSS) equipment and 5 sets of electronic total stations (ETS) and will need significantly more of this equipment and skilled operators to scale-up the effort to maintain massavi maps, preparing new settlement maps, and to support any decision to establish a province-wide spatial mapping capability to support BoR and other GoKP departments.

d. ICT infrastructure and e-services

137. **Over the past decade, KP’s Land Information System (LIS) has undergone significant development, predominantly through the expertise and efforts of internal teams.** KP’s first LIS was the Land Record Management Information System (LRMIS) software, which was developed with support from UN-Habitat from 2012.⁴⁷ The first version of LRMIS was primarily designed to support the digitization of land records for the districts that were affected by major floods. In 2013-14 the functionality of LRMIS was extended by BoR to support the provision of land related services that were being provided by the SDCs. The BoR modified LRMIS in 2022 to develop a Centralized Land Records Management Information System (CLRMIS) with a centralized server available on the KP data center. CLRMIS supports the scanning of documents that support mutations and has access to the digital archive of the register haqdaran-e-zamin /jamabandi.

138. **USAID will support BoR’s efforts to upgrade the CLMRIS.** As part of the LRMA project, USAID is providing ICT equipment and establishing a data center at BoR. Moreover, the activity has reviewed the security and performance of CLRMIS and has advice to upgrade the CLMRIS. However, USAID only has the budget (US\$1-2 million) and time available to upgrade the existing software. The USAID contract ends in May 2025 so it is uncertain how much work will be completed in upgrading CLRMIS.

139. **Computerization has enabled the introduction of SDCs, which are enhancing customer service provision.** The GoKP launched the SDCs to modernize land record management in the first phase of the ADP Scheme for the Computerization of Land Records which started in 2012. In the first phase covering 7 districts, 22 SDCs were established and in the second phase, covering the other 12 districts, 36 SDCs were established. The services provided in the SDCs are: (a) the provision of certified extracts (‘fard’); (b) the processing of mutations, including the update of land records based on registered deeds; and (c) the correction of the record (‘fard-e-badrat’). Applications for partitions are still processed manually by the local Revenue officials (Patwaris).

Computerization of Land Records in Punjab Province. The World Bank supported a land records management information system (LRMIS) creation under the Punjab Land Records Management and Information Systems Project (P090501) that closed in 2016. Among others the project resulted to the creation of PLRA with a mandate to maintain a land record of all Punjab. The Revenue Record, which is now operated through the digital application LRMIS only historical rural areas. The record is currently fully digital and LRMIS is operated in all 152 Arazi Record Centers (ARCs) across the Punjab province as well as in 20 mobile offices. The textual revenue record is operated digitally in all offices, and the corresponding Revenue Map has been converted to digital operations in three districts of Punjab, and the rest were digitized for archiving. LRMIS covers 55 million landholdings and includes 35 million landholders and estimated 46 million land parcels. The shift from manual paper records and services to a fully digital LRMIS has been a nationwide recognized success story that has increased transparency, reduced land disputes, and reduced land transaction information request processing times from weeks to minutes, and property transaction times from months to days. LRMIS has increased revenues on land, reduced transaction costs and limited scope for corrupt practices, which were common in the past. LRMIS covers currently 92% of all rural land records, provides multiple services online and is opening a direct access service with Banks for ownership and mortgage queries. All in all, the LRMIS and ARCs provide a timely information and transaction service and enjoy continuously high customer satisfaction ratings.

Source: World Bank project documents - Project Appraisal Project and the PULSE Implementation Status and Results Report of 18 April 2024.

140. **As of May 2024, 57 out of the planned 58 SDCs are operational, but not all of them are using CLRMIS.** The SDCs provided over 65,000 fards and collected total revenue of nearly 1 billion Rs in 2022-2023 (see Table 10: SDC Transaction Details for the 2022-2023 Financial Year). Out of the 58

⁴⁷ Punjab province developed a software system called Land Records Management Information System (LRMIS) under the World Bank-funded LRMIS-P in Punjab Province - <https://projects.worldbank.org/en/projects-operations/project-detail/P090501>. This project started in 2007 and was closed in 2017. The software developed by UN-Habitat in KP in 2012 has no connection to the software in Punjab other than a common name.

SDCs, 23 were utilizing the CLRMIS, while 35 operated with LRMIS as isolated systems. The primary reason for this disparity lies in the unreliable access to essential power and communications infrastructure. The BoR intends to transition most, if not all, operational SDCs to CLRMIS. However, this transition is contingent upon the USAID's LRMA project supporting the CLRMIS and the necessary infrastructure, including the possibility of relocating to a BoR data center.

141. The BoR has established a GIS lab in KP to enhance geospatial information capabilities. This lab was created by the BoR to bolster geospatial information capacity in KP, and the lab is tasked with producing and maintaining digital cadastral maps, conducting GIS-based settlements, converting traditional maps into vector format, digitizing and validating state lands, and maintaining digital parcel maps from GIS-based settlements. In May 2024 it had 26 workstations and access to over 30 GIS technicians assigned in different parts of BoR. ArcGIS Enterprise is available but not fully functional due to the delay in establishing the data center/server computer which is part of the USAID commitment.

142. The Planning & Development Department has also introduced a geoportal that hosts an inventory service of public facilities and assets. The geoportal contains over 40,000 points of interest or polygon features with some attributes. However, due to security concerns, only approved government users (currently 190+ users) can access the geoportal. The geodatabase is updated regularly by a GIS officer of each local government at the district level under their jurisdiction. Despite the efforts, the establishment of a viable Spatial Data Infrastructure (SDI) framework in KP faces several challenges. Even though Pakistan has legislation in place for a national SDI, relevant policies and frameworks for country-wide geospatial data collection, management, and sharing are still lacking.

Table 10: SDC Transaction Details for the 2022-2023 Financial Year

Districts	Fards issued	Mutations Entered	Fards Revenue in (Rs)	Mutation Revenue (Rs)	Total Revenue of (Rs)	% Total
<i>Abbottabad</i>	13,223	4,037	6,304,805	114,391,806	120,696,611	12.1%
<i>Bannu</i>	2,384	1,171	764,500	47,029,762	47,794,262	4.8%
<i>Battagram</i>	987	437	358,355	9,879,486	10,237,841	1.0%
<i>Buner</i>	10,781	4,739	3,872,232	115,803,502	119,675,734	12.0%
<i>Charsadda</i>	1,150	453	676,390	8,446,768	9,123,158	0.9%
<i>DIKhan</i>	8,585	1,533	2,210,085	34,023,585	36,233,670	3.6%
<i>Hangu</i>	1,645	499	1,077,900	17,105,550	18,183,450	1.8%
<i>Haripur</i>	10,529	2,786	4,158,415	17,169,251	21,327,666	2.1%
<i>Karak</i>	681	277	362,625	1,233,470	1,596,095	0.2%
<i>Kohat</i>	5,703	320,939	3,328,275	42,352,993	45,681,268	4.6%
<i>Lakki Marwat</i>	3,218	742	1,372,275	7,681,864	9,054,139	0.9%
<i>Mansehra</i>	1,112	346	419,425	8,923,133	9,342,558	0.9%
<i>Mardan</i>	60,969	11,880	27,054,350	317,193,830	344,248,180	34.6%
<i>Nowshera</i>	3,231	542	1,531,150	42,524,599	44,055,749	4.4%
<i>Peshawar</i>	12,564	5,023	4,299,575	29,962,654	34,262,229	3.4%
<i>Shangla</i>	7,111	2,338	1,465,660	38,494,881	39,960,541	4.0%
<i>Swabi</i>	5,401	843	2,446,395	23,923,679	26,370,074	2.6%
<i>Swat</i>	7,866	1,428	3,340,491	47,147,461	50,487,952	5.1%
<i>Tank</i>	627	242	226,775	7,734,358	7,961,133	0.8%
Grand Total	157,767	360,255	65,269,678	931,022,632	996,292,310	100.0%

143. **The process of property deed registration in KP is transitioning from a manual to a digital system.** The deeds registration system records property transactions in KP and is administered by BoR and undertaken in the Sub-Registrar offices which are at Tehsil level in KP. There should be 36 Registrars but only 28 Registrars are sanctioned. Where there is no sanctioned Registrar, the Tehsildar functions as the Registrar. The current deeds registration process is manual with deeds writers copying deeds by hand into paper registers and it lacks any spatial dimension. In 2014 a pilot computerized registration process was implemented in Peshawar, but this pilot failed largely due to difficulties in digitizing and reconstructing the historical deeds archive.

144. **In 2022 an e-Stamp System was launched in Nowshera District, and this has now been extended to all Districts in KP, including the newly merged areas.** The system is currently being run by the Punjab Information Technology Board (PITB), but BoR is replicating the system with the support of the KP Information Technology Board (KPITB) and the Bank of Khyber. The printed stamp paper is still being used but the e-Stamp system is being used for denominations greater than 1000 Rs and the printed paper will be phased out. The e-Stamp system minimizes costs and prevents fraudulent practices such as back-dating stamp paper, however, the registration of deeds process itself is still manual and in paper format.

E. RECOMMENDATIONS

III. Adopting a long-term strategy

- **Recommendation 1 - Adopt a vision statement, document the key implications of the vision and detail for a phased set of short-, medium- and long-term actions necessary to realize the vision drawing on the other recommendations in this document.**

KP could adopt a Vision Statement such as:

“A single, unified, comprehensive, cost-effective and up-to-date system to record rights in land that ensures security of title to landowners and provides land parcel information to Government and private users.”

This vision sounds simple, but it has some serious implications, including possible changes in institutional arrangements, perhaps heading towards a single agency; the integration of the existing disparate systems (land records and maps, deed registration, development authority and housing association records) into one system; stopping processes that do not contribute to the vision and serve no useful purpose; changing work procedures with a focus on service delivery – perhaps by adopting a Service Charter; and implementing significant changes in individual work practices that will require a sound human resource strategy, including incentives and perhaps a Code of Practice.

- **Recommendation 2 – Prepare and cost an initial 5-year plan for a scope of activities necessary to lay the foundation for achieving the agreed Vision and seek funding from the GoKP and other development partners to implement this plan.**

The implementation of the strategic plan will need substantial resources and swift action. For example, if BoR develops a cadaster and not LIS, it will become obsolete in a few years. BoR should review the short-term activities set out in Table 5 and use this information as an initial input into a BoR proposal to realize the agreed long-term Vision for land administration in KP. Once BoR has a clear set of strategic actions, BoR should cost the activity and seek financing.



IV. Completing the digitization of existing land records and deed registry

- **Recommendation 3 - Prioritize the digitization of the 24 percent of the existing land records that are not digitized.**

In April 2024 computerized land records were operational in 2,663 mauza or about 76 percent of the mauza in the 19 districts. The Computerization of Land Records project budget was dropped in 2019 due to low utilization. BoR is using existing equipment and resources to complete this essential task, but it is estimated that it may take many years to complete the work with this approach.

- **Recommendation 4 - Computerize the deeds registration system in parallel with the digitization of the historical deed archives.**

The registration process in KP is a simple process and can be readily computerized. KP can build on the experience in Punjab in doing this. Computerization can be implemented to computerize deeds as they are presented for registration without having first to computerize the historical deed archives. There will be a requirement to check the historical deeds archive in some cases and this will be more effort if the deeds archive is digitized and indexed but there is no requirement that the deed archives must be digitized before a digital process can be implemented to register deeds. The new software should link to the NADRA personal identification system and have biometric verification of parties applying for the registration of deeds. The deeds registration system should automatically update the land records database, and the deeds registration system should be collocated in the SDCs. The system should link to the e-Stamp system and provide flexible arrangements for the payment of registration fees and stamp duty. The system should also link to the Federal Board of Revenue and the collection of Federal revenue fees based on the status of the applicant in paying Federal taxes.

V. Developing new settlement processes for rural, newly merged, and urban areas

- **Recommendation 5 – Adopt a fit-for-purpose land administration approach and prepare a detailed plan to implement this approach using the Global Land Tool Network (GLTN) Guiding Principles for Country Implementation.⁴⁸**

Technology such as high-resolution georeferenced imagery, GIS and GNSS will produce spatial maps that can be used to provide a spatial framework for the existing land records and the land records that will be produced by new settlement surveys. A fit-for-purpose approach will be needed to minimize the capital investment required to procure and maintain the technology and to establish and maintain the spatial systems to build the institutional and individual capacity to make best use of the technology. The survey and mapping technology will support the establishment of a spatial framework for deeds registration in KP and for establishing land records in urban areas which will be an important step in the establishment of a state-wide cadaster that provides a spatial framework for property rights. Adopting a fit-for-purpose approach to land administration and investing in new technology and new procedures will fundamentally change the way that the land administration system operates. Key revenue staff such as Patwari, Kanungo and Tehsildars will have new responsibilities and will require new skills.

- **Recommendation 6 - Develop a new Settlement process that can be specified, piloted and scaled-up.**

⁴⁸ Enemark, Stig, Robin McLaren, and C. H. J. Lemmen. "Fit-for-purpose land administration: guiding principles for country implementation." (2016).

Re-surveys are in progress in Havelian Tehsil in Abbottabad district (started in 2011), Mansehra Tehsil in Mansehra District (started in 2009) and Nowshera District (started in 2013). It seems clear that the settlement process is taking longer than it should in these Districts. These re-surveys are being undertaken with the traditional approach to settlement which excludes non-agricultural land and does not make the best use of new technology. New technology such as high-resolution image maps, GNSS and ETS survey equipment with a fit-for-purpose approach based will provide the basis for a new settlement process that covers both rural and urban land, generates a spatial reference for the existing and future land records and produces the spatial and land records data that can be input into and maintained in an improved CLRMIS such that there will be no future requirement for re-settlement surveys.

- **Recommendation 7 – Develop a new approach to specify an urban property rights system that is integrated with the existing property record systems in KP.**

The land records system only covers areas that were agricultural when settlement was undertaken. There are very poor records in urban areas and new procedures will have to be developed to adjudicate rights in urban areas, particularly in slum areas and areas on the urban/rural interface. Efficient, cost-effective procedures will need to be developed to use existing data from the deed’s registry, ETNCD, and records from other agencies such as development authorities and housing associations and evidence gathered from property holders to systematically adjudicate and register property rights in urban areas in KP. This will require the negotiation of data sharing and provision of service agreements between BoR and other agencies including ETNCD, the development authorities, housing associations, and local governments. Drawing from BoR pilots and experiences in Punjab under the PULSE initiative, a strategic approach should be piloted and subsequently scaled up to efficiently gather existing data and records, which will ultimately produce comprehensive urban land records.

- **Recommendation 8 – Undertake a thorough review of current settlement processes in the newly merged areas and design and pilot a new procedure using the process developed in Recommendation 6.**

Most of the land in NMAs is held collectively under customary tenure arrangements and there are complex land issues that will need to be addressed, including long-standing disputes between opposing interests in tribal areas. There are also established arrangements for the payment of royalties for the extraction of forest and mineral resources. As an immediate measure, it is advisable to invoke Section 2 of the Land Revenue Act, 1967, in the sensitive zones of the merged districts. This action would temporarily exempt these regions from the Act’s enforcement for a set duration. According to Section 2 of the Land Revenue Act, 1967, the government or the Board of Revenue (BOR) has the authority to exempt any area from the Act’s provisions if deemed unsuitable for the local context. Such exemptions, once declared, will remain in effect until the notification is rescinded.

It is recommended to reassess and revise the following: a) The West Pakistan Consolidation of Holdings Ordinance, 1960, to facilitate land redistribution and reduce plot fragmentation, necessitating a legal structure that honors traditional laws and practices. b) The Khyber Pakhtunkhwa Tenancy Act, 1950, to better define the tenant-landlord dynamics in the merged districts, particularly concerning occupancy tenants and their land rights. c) The Land Acquisition Act, 1894, to ensure it aligns with the local customs, traditions, and land rights documentation in the merged areas. A distinct procedure for allocating compensation is also essential due to the unique circumstances of these regions.

The comprehensive reform must integrate and respect customary laws and practices. Lastly, implementing the KP Alternative Dispute Resolution Act 2020, effective since May 2021, alongside the arbitration provisions of the Land Revenue Act, would be prudent. A gradual extension of laws

in merged areas is likely to be more favorable, aligning with the residents' customary reliance on the 'Jirga' system for settling disputes, including those related to land.

VI. **Generating a cadaster, and efficiently developing appropriate land information system technology**

- **Recommendation 9 – Develop a process to create a cadaster for the existing land records using georeferenced high-resolution imagery and digitized massavi and field books supplemented with field validation.**

The current land records system is missing a digital spatial framework, or 'cadaster.' However, it is possible to create one using the existing data and methods being tested by the World Bank Technical Assistance in the "Land sector review in Khyber Pakhtunkhwa." This includes digitizing traditional revenue maps (massavies) and updating land partitions to reflect accurate spatial locations - a strategy that has already shown success in Punjab through the PULSE project. Prioritizing land partitioning in areas that are quickly urbanizing, transitioning from agricultural use, is essential. This should be a citizen-driven process, rooted in community demand and consensus. A comprehensive cadaster for the entire Khyber Pakhtunkhwa province can be established by mapping every land parcel. This initiative should be clearly defined, tested in a pilot program, and then expanded on a larger scale.

- **Recommendation 10 - Design and implement a plan to expand the cadaster to a province-wide cadaster that supports the recording of rights for all properties in KP.**

The cadaster established for the existing land records by digitizing existing massavi and field book data validated by field inspections and measurements where required will serve as the framework for a province-wide cadaster that will support the creation of land records in areas that currently lack land records. These areas include urban areas, peri-urban areas, the newly merged areas, and other areas not covered by settlement surveys.

- **Recommendation 11 - Prepare a plan to establish the necessary additional SDCs, invest in the infrastructure necessary to support CLRMIS in all SDCs and further develop CLRMIS with additional modules.**

BoR is using information systems to manage electronic land records. BoR aims to fully migrate to CLRMIS but is waiting for USAID to update this system and procure server equipment. Once the USAID LRMA activity has finished upgrading the CLRMIS and the infrastructure that supports it.⁴⁹ BoR should develop an ICT system linking the cadaster to the land records and this system should update the cadaster on a transaction basis to reflect changes in parcelization resulting from applications to sub-divide or amalgamate existing land parcels or create new land parcels. This will mean that there will be no future requirement for re-settlement surveys. The modules that BoR might initially add to the existing CLRMIS include cadaster including the processing of partitions, property valuation, public land management, and an e-services portal.

- **Recommendation 12 – Develop policies for data standards and data sharing and promote the integration of ICT systems within the GoKP.**

Computerized land records are set to become a foundational layer of information, crucial for various government functions including rural and urban planning, building code enforcement, property tax assessment, and disaster risk mitigation. To support these functions effectively, there must be a consensus on the technology, policies, standards, access protocols, financing, licensing of data usage, human resources, and activities required to acquire, process, distribute,

⁴⁹ The current USAID LRMA engagement limits the scope of the recommendations that can be made in this policy note.

use, maintain, and preserve spatial data. This consensus should extend beyond mere data standards to enhance interoperability and minimize duplication in data collection. To achieve integration, land records could be accessed through a unified portal linked to CLRMIS encompassing rural, urban, cantonment, allotment, and cooperative areas. By linking a cadaster and land records system via unique IDs for each land parcel, and further connecting these records with other government databases such as NADRA, legal entity records, fiscal records, and address registries, the system can expand from land to property records, thereby reducing redundant government documentation. Ultimately, this approach paves the way for a long-term goal: the institutional consolidation of land records into a single, province-wide land registry and cadastral map.

VII. Amending policy and legal framework.

- **Recommendation 13 - Consider the USAID review of the legislation and the stakeholder feedback to this review and develop a phased strategy for legal reform.**

The USAID LRMA project has provided a thorough review of the legislation and provided recommendations and stakeholder comments for the GoKP. The legal reform that should result from a serious consideration of the LRMA report and recommendations will significantly change the way that the Revenue and Estate Department operates and how land administration services are provided in KP. The legal reform will address long-term issues (for example, the better integration of the registration of deeds and recording of mutations in the land records) and gaps (for example, there is no condominium law).

- **Recommendation 14 – Evaluate the possibility of BoR retaining some of the revenue collected to cover the cost of providing services.**

International experience demonstrates that the public is prepared to pay for efficient, effective, and affordable land administration services and the revenue collected from the provision of services typically more than covers the cost of the provision of services. BoR is establishing a network of SDCs to provide an increasing range of services, but BoR is experiencing difficulties under the current budget allocation process in ensuring that all SDCs have adequate connections to power and internet infrastructure.



Table 11: Recommendations: Modernizing land administration

#	Recommendations	Year					Comments
		1	2	3	4	5	
Adopting a Long-Term Strategy							
1	Adopting a Vision and preparing a plan to implement it.						The BOR drafts a comprehensive vision and corresponding implementation plan, presents it to the stakeholders, secures approval from the Government of Khyber Pakhtunkhwa (GoKP), and begins executing the plan.
2	Confirm funding to support the Vision and the short-term activities set out in this table.						Upon evaluating and adjusting the short-term activities outlined in this table, BoR will estimate the costs and pursue the necessary funding from the GoKP and development partners.
Completing the Digitization of Existing Land Records and Deed Registry							
3	Digitization for remaining 24 percent of land records that are in manual form.						BoR prepares a plan to complete the digitization of existing land records, obtains funding and implements the plan.
4	Computerization of Deeds Registration process.						BoR prepares a plan to computerize the deeds registration process in parallel with the digitization of the deed archive, obtains approval and funds, and implements it.
Developing New Settlement Processes for Rural, Newly Merged, and Urban Areas							
5	Adopting a fit-for-purpose approach to Land Administration						BoR undertakes a review of the fit-for-purpose (FFP) approach to land administration and prepares an implementation manual for KP using the GLTN manual.
6	New settlement process that covers all tenure and makes best use of technology.						<ul style="list-style-type: none"> Defining a new settlement process that adopts a Fit-For-Purpose (FFP) approach, along with its pilot testing to refine an efficient method ready for broader application. Crafting a comprehensive plan to broaden the new process, including the creation of supporting resources such as manuals, training guides, public information materials, and ICT software.



#	Recommendations	Year					Comments
		1	2	3	4	5	
							<ul style="list-style-type: none"> • Staged execution of the plan for the new settlement process, coupled with ongoing evaluations. This includes revising the process, the expansion plan, and the support materials, followed by the gradual implementation of the new settlement process's wider rollout.
7	Strategy and costed plan to produce urban land records and cadaster.						<ul style="list-style-type: none"> • Outlining a new procedure for generating urban land records and a cadaster, in collaboration with principal stakeholders. • Conducting a pilot of this procedure to establish a streamlined approach for creating urban land records and a cadaster. • Developing a strategic plan to extend the new procedure, along with preparing supportive materials such as manuals, training content, public awareness resources, and ICT software. • Phased implementation of the plan for producing urban land records and a cadaster.
8	Design, piloting and scaling up of a new process to register land rights in the newly merged areas.						<ul style="list-style-type: none"> • Conducting an in-depth analysis of the LRMA by USAID, alongside the BoR experiences in executing settlements in the newly merged areas. • Designing and assessing an enhanced procedure for the registration of land rights in these areas. • Formulating a detailed strategic plan to broaden the land rights registration process within the newly merged areas, with a gradual rollout post-approval. • Developing and deploying educational programs and materials to instruct settlement officers on communal land ownership (shamilaat), conflict resolution, and the specifics of the Forest Ordinance and Minerals Act, including a budgeted training agenda. • BoR undertaking a comprehensive evaluation of the benefits of using the Alternative Dispute Resolution Act versus the arbitration clauses in the Land Revenue Act for settling disputes in the newly merged areas. • Creating the requisite resources to facilitate the application of findings from the review.
Generating a Cadaster, and Efficiently Developing Appropriate Land Information System Technology							



#	Recommendations	Year					Comments
		1	2	3	4	5	
9	Develop a cadaster for existing land records.						<ul style="list-style-type: none"> The BoR will outline and evaluate a streamlined process to create a cadaster for current land records, employing an FFP strategy, leveraging existing records and ongoing pilot programs. This includes incorporating land partitioning methods proven effective by the PULSE project in Punjab. Following the establishment of an effective method, a comprehensive plan will be devised to expand this process. The plan will be executed incrementally to ensure thorough implementation.
10	Develop a province-wide cadaster						The BoR outlines a comprehensive cadaster for areas where there are not records, designed to document property rights in both rural and urban areas. A detailed phased plan is formulated to establish this cadaster, with the initial phase set in motion following approval.
11	Costed plan approved to invest in ICT hardware and software to support BoR.						<ul style="list-style-type: none"> Upon completion of the CLRMIS upgrade planned by the LRMA, the BoR will draft a proposal detailing the required investment in ICT hardware, software, and operational expenses to augment services across a designated network of Service Delivery Centers (SDCs). Following the approval of this proposal and the allocation of funds, BoR will commence the initial phase of the investment. Subsequently, the budgeted plan for further investment in essential ICT resources and operating costs will be reassessed, and the implementation of the second phase will proceed.
12	Policies for data standards and exchange.						<ul style="list-style-type: none"> Conduct a thorough analysis of the province's current utilization and requirement for land-related spatial and textual data. Engage stakeholders in a consultative process to reach a consensus on a detailed suite of policies that define data standards and facilitate data exchange.
Amending Policy and Legal Framework							
13	Develop a phased strategy for legal reform with stakeholder consultation.						The BoR reviews the LRMA legal review report, collaborates with key stakeholders to develop a staggered strategy for legal reform, and begins the phased implementation of it.



#	Recommendations	Year					Comments
		1	2	3	4	5	
14	Allowing BoR to retain some of the revenue collected to fund some of the cost of providing services.						Evaluate the fees for land services and forecast future transactions and income. Align this with service costs and create a model for the BoR to keep a portion of revenue for expenses like ICT upkeep and infrastructure. Submit proposals to the GoKP and enact a policy for revenue retention to fund land administration costs.