

7. Capital Development Authority (CDA)

The Cabinet at its meeting held on 2nd July 2019 decided that the Adviser to the PM on Institutional Reforms, in consultation with the Minister for Aviation and parliamentarians from Islamabad, will submit the proposals to reform and restructure to the Cabinet within one month.

In pursuance of this decision, Adviser to PM on Institutional Reforms held meetings with the Chairman and members of the Authority, SA to PM Mr. Ali Nawaz Awan, Mr. Asad Umar MNA, Sheikh Anser, Mayor and Mr. Humayun Akhtar, Chief Officer of Metropolitan Corporation of Islamabad (MCI) and Joint Secretary, Interior Division. The findings and recommendations in paragraphs below are based on the careful study of CDA Ordinance and Islamabad Local Government Act 2015. Secretary Communications and Secretary, Housing and Works were also consulted as a significant portion of CDA's present functions are proposed to be transferred to them besides MCI. Chairman, CDA was also consulted in his capacity as the Chief Commissioner.

Findings:

1. CDA was established in 1960 under an Ordinance for the following purposes: (a) planning and development of Capital (Islamabad) (b) to perform functions of a Municipal Committee, (c) to provide for cleanliness, health, education of inhabitants, supply of goods, articles of food and (d) to promote interest different sections of public. CDA has made a significant contribution in developing the residential and commercial zones, building the physical infrastructure and providing basic public services to the citizens of Islamabad. However, the success has also brought, in its wake, an overzealous concentration of power and gradual expansion by taking over of a wide variety of activities over time that have impaired the efficiency, effectiveness and efficacy of CDA. The present governance and organizational structure, business processes and indifferent attitude and apathetic responsiveness of its employees have failed to meet the evolving and emerging needs of the citizens and their expectations.

2. The financial model of selling residential and commercial plots by opening up sectors through acquired land and using the proceeds for meeting the current expenditure of the staff (highly overstaffed) and operational expenses is highly flawed. For example, in 2018-19, CDA receipts were Rs.18.7 billion, out of which Rs.13 billion were generated by auction of commercial plots and by collecting arrears for sale of residential plots. Of this, the spent only Rs.2.8 billion on development of land and sectors Rs.18.6 billion was spent on non-development expenditure. The collection from property tax and water charges amounted to a paltry sum of Rs.1.3 billion. The gap between non land receipts and non-development expenditure was Rs.15.5 billion. It is not obvious as to how the organization would survive financially once it has exhausted its land bank. Like other public sector corporations, CDA, would also, in future, have to fall back upon government subsidies if it is not restructured and reformed now.

3. The main functions being currently performed by the CDA can be classified in the following eight broad categories: -

- i) Land acquisition, disposal and development of sectors in Zone I.
- ii) Municipal Services (although transferred to MCI, certain overlapping and residual functions are retained by CDA and the employees of MCI have dual and blurred reporting relationships).
- iii) Town Planning, Master Plan Preparation and Execution, Building Control, Land use and enforcement of Zoning Laws and by laws.
- iv) Regulation of private sector housing societies.

- v) Planning and Developing Housing projects such as Park Enclave-I and Park Enclave-II.
- vi) Preparation and Execution of Development projects in Islamabad such as Roads and Highways, Access Corridors, Flyovers and Underpasses, Markets, Sewerage, Parks, Green belt, Playgrounds.
- vii) Construction and Maintenance of the Aiwan-e-Saddar, Parliament Lodges, Secretariat Buildings, Police Barracks, residential houses, etc.
- viii) Operation of Capital Hospital, Medical Services and Model School, Public Parks, Cultural assets etc.

4. A lot of significant developments have taken place since CDA was established which calls for a complete review of its mandate, functions and authority. Islamabad has now grown into a large city with 1.8 million people. Private real estate development industry has become quite active and aggressive. In 2015, a law on local government system created a Metropolitan Corporation of Islamabad (MCI) with an elected Mayor. The MCI's functions as enunciated in the Third Schedule of the Act cover the municipal functions that were performed by CDA until recently. The Federal Government has abolished the Capital Administration and Development Division (CADD) and entrusted the responsibilities for Education, Health, Social Welfare etc. to the respective line ministries. The agency functions such as construction, maintenance, repairs of Federal Government buildings, residences and quarters have not been performed to the satisfaction of its occupants. Financial viability of CDA in its present form is open to serious question.

5. It is, therefore, imperative to develop proposals for the future configuration of CDA so that it can focus on its core functions and activities and divest other ancillary or agency functions it has either acquired itself or been forced by the Government to assume from time to time. The proposed restructuring should be based on certain organizing principles which are enunciated in paras below.

Organizing principles for CDA Restructuring:

6. CDA's primary responsibility should be the updating and implementation of Master Plan, setting standards and enforcing building control, regulating private housing societies, monitoring and enforcing zoning laws and by-laws. CDA should no longer acquire private land for development of new sectors but continue to complete the development works on already acquired land preferably in public-private partnership mode.

7. Development projects for infrastructure under Public Sector Development Programme (PSDP) should be planned and executed by the relevant Federal Ministries or their agencies. IN 2018-19, the PSDP projects to be executed by CDA were targeted at Rs.8.4 billion.

8. Maintenance, repairs and operations of all Federal offices and residential buildings in Islamabad is an agency function performed on behalf of the Federal Government and should be reverted to it. Federal Government provides a maintenance grant of Rs.2.1 billion annually to CDA.

9. CDA should no longer operate any Hospitals, laboratories and schools etc., as they neither have the capacity nor expertise for this purpose.

10. Levy and collections of taxes such as property tax, cesses fees, tolls, user charges should no longer be assigned to CDA as the MCI is the appropriate body authorized under the 2015 Act to mobilize these revenues for providing essential services to the citizens of Islamabad.

Recommendations:

11. In the light of the above principles, the following recommendations are made: -

- i) The highest priority should be accorded to complete automation of processes, digitization of land records, web enabled access to the citizens for obtaining updated information, rules, regulations, by laws, uploading and downloading of forms etc.
- ii) The present governance structure of the Authority needs to be replaced by a part time Board consisting of eminent representatives from private sector and Government officials that would oversee and supervise the management of CDA. The Management should be headed by a Managing Director with Directors General heading the HR& Administration, Planning, Finance, Estate and Engineering wings. In case the above proposal is accepted the advertisement placed recently to fill in the Members and Chairman positions from the private sector should therefore be cancelled.
- iii) The following directorates and functions have already been transferred to the Metropolitan Corporation of Islamabad but their staff continues to remain on the strength of CDA and their salaries and allowances are being paid out of Rs.5 billion provided by CDA from its own resources. CDA is planning to discontinue this disbursement to MCI after December 2019. MCI does not have any financial resources to pay the salaries to these 11000 employees who have all been seconded by CDA. This is a serious issue that needs to be resolved quickly until it blows into a crisis after December. MCI does not have its own financial system or HR policies as it is without Finance or HR directorates. It relies upon the CDA for these support functions. CDA should bifurcate these directorates and transfer the staff dealing with the MCI matters to the Corporation. LG Board should finalize HR and Financial rules for MCI. Once rules are notified the administrative powers of posting and transfer will be exercised by the LG Board. To ensure stability and continuity the staff on deputation with MCI should be given an option to be absorbed into MCI on the same terms and conditions as they are enjoying in CDA or revert to the CDA for placement in a surplus pool that would extinguish itself through a process of attrition. New recruitment by MCI should be carried out according to the HR rules.
 - Sanitation Directorate.
 - D.G. Civic Management.
 - Bulk Water Management Directorate, Water Supply directorate, Sewerage Treatment Directorate, Water and Sewer Development.
 - Roads & Market Maintenance Directorate.
 - Directorate of Parks.
 - All Environment Directorates.
 - DG Sports, Culture and Tourism.
 - Material Quality Control Directorate.
 - Municipal Administration.
 - DG Health Services.

- i) The financial situation of MCI also needs to be streamlined. CDA is providing loan to MCI under directions of the govt. Property Tax receipts of Rs.2 billion is to recoup the annual loan of Rs.8 billion. MCI should prepare and get its annual budget approved and all revenue receipts and expenditures should conform to the approved budget. The account of MCI should be audited. Any expenditure incurred in the past need to be regularized.
- ii) The MCI has to generate its own funds and collect its revenue. CDA has in 2019-20 created a surplus of rs.3 billion.
- iii) The following Directorates and functions performed currently by CDA or MCI should be transferred to the Federal Ministries as suggested below: -
 - Capital Hospital and Health Services Directorate to the Ministry of Health. (SUGGESTION: Capital Hospital is an employee welfare Hospital and should be transferred to the Islamabad employees and social Security department as is the case in rest of the country).
 - CDA Model School to the Federal Directorate of Education to the Ministry of Education. (SUGGESTION; CDA School is an Employee Welfare Hospital and should be transferred to the Islamabad Employees and Social Security department as is the case in rest of the country).
 - Sports and Culture Directorate to the IPCC Ministry.
 - Zoo & Wildlife Management Directorate to the Ministry of climate Change.
 - Road Directorate, G & Lab, MPO, Special Projects to NHA under the Ministry of Communications.
 - Project Directors for NPA, H-11, Parliament Lodges, E&M Development, Aiwan-e-Saddar, Ministers Enclave, Federal government Residences & Lodges to a dedicated cell under the Ministry of Housing & Works.

Future Direction:

12. Once the new local government system and law is introduced for Islamabad, the CDA should be transferred from the Ministry of Interior to become an integral part of the new Metropolitan Government on the lines of Punjab where LDA and all other service and civic agencies are placed under the Metropolitan Corporation of Lahore. This arrangement would ensure clear responsibility and unity of command for provision of basic services to the citizens, accountability for results, and ease in mobilization of additional revenues as they would be visibly spent on the welfare of the citizens in that specific area.

DECISION

13. The Cabinet in its meeting held on 5th November, 2019 directed to prepare an Action Plan based on the recommendations made in the presentation, in consultation with the Advisor to the Prime Minister on Institutional Reforms, within a period of two weeks.

CURRENT STATUS

14. Action pending with Capital Development Authority.