

Pakistan Invests in Infrastructure, But Many Obstacles Stand in the Way of Construction



Among investments into Pakistan is the controversial \$56 billion China–Pakistan Economic Corridor, which includes the Gwadar Port.

Photo credit: China Overseas Ports Holding Company Pakistan (Pvt.) Ltd.

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Pakistan is striving to improve its ranking as the slowest for infrastructure expansion in the region, according to the World Bank, through a \$2.4 billion government investment for highways, power and transportation this year.

The investment is in addition to billions of projects being funded by the World Bank, Asian Development Bank (ADB), Gulf Council Countries, JICA and the \$56 billion China–Pakistan Economic Corridor (CPEC), which has been criticized for the high debt burden it will place on Pakistan.

Three metro projects are planned while several motorways and a revival of the circular rail in the port city of Karachi are also in the works. The Asian Infrastructure Investment Bank (AIIB) and the ADB have approved a \$500 million loan to Pakistan for construction activity. Prime Minister Imran Khan's has also announced a \$30 billion plan to rehabilitate and develop the dying River Ravi into a perennial freshwater body. That project is being managed by Singapore's Meinhardt Group.

But fundamental issues, such as safety, quality and contracting in the country, threaten to derail any progress, Said Mneimne senior vice president and managing director of Asia-Pacific for Hill International told ENR from Islamabad.

U.S. based Hill entered Pakistan's real estate sector in 2017 as a project coordinator when it was awarded the \$2.4 billion Crescent Bay 108-acre mixed-use development on reclaimed land at a seafront site about 12 miles from Karachi. Last year, the company was selected to provide construction consultancy services for the 2 million sq. m mixed-use development project called Elite Reverie, also known as Eighteen. The company is also pursuing opportunities in funded power and mass transit programs such as the Bus Rapid Transit in Karachi, Mneimne says.

"The consultant-contractor relationship in Pakistan, for example, is a tough one. Contractors treat themselves as labor demanding money every week instead of that laid out in the contract, or else threaten," to leave, he said. "The concept of project management is not used here as the environment doesn't justify it."

Additionally, construction technology is from the 1960s, cranes are old and excavations must be done manually. However, he said, some clients are beginning to understand the need for improvements.

The Asian Development Bank is encouraging improvements and providing funding for things such as smart technologies and innovative development approach. The Pakistan government has frozen or reduced some taxes for construction projects and has granted amnesty to those with undeclared money if they invest in construction. This will be "to offset the negative impact of the Covid-19 pandemic on the national economy," Prime Minister Imran Khan announced in January.

The government of Pakistan is also starting to focus on public-private partnerships. "Pakistan represents an opportunity for significant growth," Mneimne explained. "The government's attention to the construction sector, combined with the demographic realities of the population, means that urban development simply must occur."

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