

Prime Minister's Construction Package

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Introduction

The Pakistan Institute of Development Economics (PIDE) organized a webinar on the recently announced incentive package for the construction industry by Imran Khan, the Prime Minister of Pakistan. The representation from contractors, federal housing authorities, LDA, architects, urban planners, and academic researchers made it a viable dialogue between stakeholders and indicates the importance of the subject.

Key Messages

- Defining the construction industry, the panelists agreed on the broader definition of construction that recently assumed in media and policy circles. The construction industry, as per participants, must include the simultaneous planning of non-constructed amenities including having public spaces.
- Dr. Noman Ahmad, an academic Urban planner from Karachi, noted that the package clearly lacked the ideas about geographic spread as a result of construction. He further warned against the auxiliary concentration in 10 large cities having more than 54% of the urban population of the country. Abdul Hafeez Sheikh Pasha of Bismillah Group welcomed the announcement with careful anecdote that the package is a 'time bomb', and most projects shall not be completed in the discounted time by 2022. He also emphasized the need of installing loan packages by financial institutions for daily-wage workers of industry through their contractors as custodians.
- The Director General of Federal Government Housing authority Wasim Hayat Bajwa clarified that, through its various initiatives, the Naya Pakistan Housing Authority is open to





collaborations such as to provide land for construction; get land from private partners for construction and building its own projects.

- The fixed taxation regime shall encourage the investors to invest in the construction industry with per square feet tax-surcharge and withholding taxes only for the large corporations or suppliers including that of steel. However, the double tier taxation regime of provincial ticketing and federal taxation must be addressed as to bring clarity to developers.
- The participants however dismayed over the timeframe needed to get the necessary approvals and preparedness of FBR to green-signal the investments.
- With respect to the efficiency of the package, the participants raised the pertinent question of construction value chain; the extent to which the effects of this package be rippled into affiliate industries.
- 'We're in desperate need to deregulate the construction industry, along with reducing the number of regulatory authorities which impeded ease-of-doing business.' Said Dr. Nadeem ul Haque, the Vice Chancellor at PIDE. 'There is obfuscation in the commercial usage of resident properties and vice-versa; and needs to develop mixed use buildings to address this undeserved dichotomy.'
- Like most markets in Pakistan archaic regulations have seldom been reviewed and. The PIDE has long maintained that we need to re-imagine our markets. The construction industry is a very good example of how what is a leading sector in other countries has been killed by excessive regulation. PIDE has also argued (and in 2011 PC accepted this argument in FEG) that the path to high sustainable growth has to include a period of building in Pakistani cities. And this building has to be complex construction within cities not sprawl.
- To make this happen several ideas that we have examined and proposed are:
 - Make cities cohesive and defined. The promise of local government eludes us. But even with local government we have to ensure that cities have coherent jurisdictions and even defined areas. Lahore for example is divided into almost 5 overlapping jurisdictions (CHECK) and Karachi into 7 (CHECK). Moreover, there are no defined city limits and mere plot making stretches cities in strange directions.
 - Flat is the unit of living in large cities: Whereas in all large cities, the unit of living is a flat, in most of our cities (except perhaps Karachi) planners are holding on to the notion of a single-family home with a garden to be the norm. Surprisingly these planners remain unaware that with city sizes running into millions the poor cannot be accommodated in such single-family homes. It is for this reason that they developed a social housing program for the poor in the rural areas around Lahore (Ashaina). The same mistake is now being made in the NPHA.
 - Density gradients: Let city centers densify through development of flat living in high (10 or more floors) or midrise (less than 10 floors) buildings. And allow for mixed use there. Density gradually reduces as distance from city centers.
 - Deregulation of cities. It should be emphasized that contrary to popular belief the planner has not tools to develop clarity on where and what to build. Worldwide people are moving away from rigid planning of cities that is happening in Pakistan. More and more cities are now developing loose guidelines that allow markets to take decisions on usage, height and cityscape.
 - Mobile cities with limited cars: the planners have for decades favored cars making poor mobility almost impossible. If we want serious development and construction, our paradigm on how city mobility has to change. The current paradigm of excluding the poor is based on the use of cars and the paradigm of the suburbia.