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Pakistan's Policy Imperative for Urban Development Planning: A Comparative Analysis of Urban Development under CPEC in 4 Urban Centres in Pakistan

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ABSTRACT

The China-Pakistan Economic Corridor (CPEC) has become the guiding framework for cooperation between China and Pakistan in terms of development. The project is envisioned to effectively promote the socio-economic development of Pakistan through regional connectivity and integration of development strategies of Pakistan and China to transform the economic landscape of Pakistan. Due to this initiative, an aspect of development under CPEC has been the progression towards urbanization. For the purposes of this paper sustainable urban development variables relevant to CPEC project will be studied, and therefore, sustainable urban development will be defined as “a process whereby the government is allocating funds for the development of facilities whereby there is provision of education, health care, electricity, and infrastructure resulting in the improvement in the standard of living of citizens.” This paper aims at providing a comparative analysis of urban development pattern in the major urban centres amongst provinces (Lahore, Karachi, Peshawar and Gwadar) by discussing the distribution of assets as well as the utilization of funds and governance mechanisms, for the implementation of CPEC projects aimed at facilitating the process of urban development.

Keywords: CPEC, Sustainable urbanization, urban governance mechanisms,

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1. INTRODUCTION

The China-Pakistan Economic Corridor (CPEC) has become the guiding framework for cooperation between China and Pakistan in terms of development. The project is envisioned to effectively promote the socio-economic development of Pakistan through regional connectivity and integration of development strategies of Pakistan and China to transform the economic landscape of Pakistan. Due to this initiative, an aspect of development under CPEC has been the progression towards urbanization. Urbanization has the potential of driving Pakistan towards economic and social prosperity. To understand the facilitating role of CPEC in fostering urban development, one needs to bear in mind the outcomes of the three phases of implementation and the urban development variables associated with the completion of each phase. For the purpose of this paper sustainable urban development variables relevant to CPEC project will be studied, and therefore, sustainable urban development will be defined as *“a process whereby the government is allocating funds for the development of facilities whereby there is provision of education, health care, electricity, and infrastructure resulting in the improvement in the standard of living of citizens.”* This paper aims at providing a comparative analysis of urban development pattern in the major urban centres amongst provinces (Lahore, Karachi, Peshawar and Gwadar) by discussing the distribution of assets as well as the utilization of funds and governance mechanisms, for the implementation of CPEC projects aimed at facilitating the process of urban development.

The inter-provincial and urban centres analysis will provide a holistic understanding of the urban development pattern in Pakistan which is taking place under the CPEC regime along with providing an insight to the policy recommendations which can be implemented to ensure the sustainability of these projects across the urban centres in Pakistan. Lahore has made significant advancement with regards to urban development as compared to the other major urban centres (Karachi, Peshawar, Gwadar) in Pakistan with the initiation of CPEC. These four urban centres are chosen because of their strategic and economic significance in terms of CPEC as well as to develop an informed provincial comparative analysis for urban development policy options to be employed in the future. To understand the variation in the rate of urban development and economic growth in Lahore and the other urban centres, it is essential to understand the processes through which such a reality is made possible. To study the increased progress on urban development in Lahore, a two-level analysis will be provided: an inter-provincial comparison with regards to CPEC directed development in the major urban centres within each province and the discussion of the Lahore model to provide insights for

sustainable urban development planning policy to be implemented in other regions. Through interviews with stakeholders, an additional insight is provided to validate the facilitative nature of CPEC in fostering urban development. The purpose of the paper therefore is two-fold: first, illustrate the asset distribution and utilization of funds for the urban development process in place with regards to CPEC projects in all provinces and second, discuss the Lahore model and provide insights to sustainable urban development planning policy for other urban centres.

The paper aims to study the following three hypotheses:

1. CPEC impacts urban development in Pakistan
2. Urban Development in Lahore is a result of both direct and indirect development occurring because of the CPEC initiative.
3. The difference in urban development pattern lies with the differing governance mechanisms in the provinces.

The development associated with CPEC can be categorized into direct and indirect development. Whereas the former refers to the development projects that have been consensually agreed upon by the Pakistani and Chinese government, under G2G framework, the latter refers to the investment opportunities that have risen because of CPEC and the development projects taken upon by the individual provinces, under PSDP funded projects and private investments. The accelerated rate of development in Lahore can be attributed to the latter category.

2. CPEC AND URBAN DEVELOPMENT

The construction of CPEC can be categorized into three phases spanning over 15 years, 2015-2030: short-term (early harvest projects), medium term and long-term phase. Within the early harvest projects, primarily energy projects have been a central focus. The medium-term plan entails the construction of special economic zones and implementation of projects whereby economic growth can be propelled. The long-term plan entails developing an effective economic system and the completion of the CPEC regime.

First Phase of CPEC

As per the initial CPEC framework, energy projects were categorically placed within the short-term plan bearing in mind the energy crisis faced by Pakistan. The frequent energy shortages have plummeted businesses for industries in the major urban centres. The total investment for CPEC projects thus far has been estimated at \$54 billion.¹ This investment is divided between the energy

and infrastructure projects, with \$35 billion being allocated for energy projects, out of which approximately \$26 billion have been allocated, and approximately \$13 billion have been allocated for transportation infrastructure.² The focus of this framework, has been alleviating Pakistan from the energy crisis, and “almost \$15.5 billion worth of coal, wind, solar and hydro energy projects will come online by 2017,”³ whereas by 2018, the energy projects aim at placing 10,000 MW on the national electric grid by 2018.⁴ The increase in electricity generation between 2015-2016 has been 2%.⁵

Moreover, the transportation infrastructure is being developed to facilitate and enhance connectivity within Pakistan, to improve market accessibility. The primary target of enhancing the road connectivity is to establish a link between Kashghar (Xinjiang Province) and Gwadar, Baluchistan. Once the road network is finalized, the ease of doing trade between the countries shall massively increase. The massive volume of investment is distributed across all over Pakistan, specifically targeting Gwadar, Lahore, Karachi and Peshawar. However, the intrinsic impact has been an increase in the urban development in these cities.

Notwithstanding, there has not been a direct focus of CPEC on the housing and construction related projects in Pakistan, but there has been an indirect injection of investments in construction related activities across Pakistan, driven by the Chinese SOEs. Another indirect effect of CPEC has been drastic increase in employment of the local Pakistani labour force. According to the largest infrastructure state owned Chinese company, China State Construction Company working in Pakistan, more than 8000 local labourers have been employed in Sukkur-Multan Motorway, which is one of the largest sections of the Western Route of the CPEC.⁶

Second Phase of CPEC:

The mid-term plan includes the construction of Special Economic Zones (SEZs) and industrial cities, which are to be conceived and developed with the help of Chinese government and private enterprises. A special economic zone is “a specific area of the land used to promote industrial growth in a country by providing more lenient economic and tax policies as compared to general economic policies in a country-enhanced the openness through factor mobility, technology transformation and research and development activities around the world.”⁷ These SEZs are being developed to boost economic growth in Pakistan by elevating the manufacturing sector. The future of Pakistan is the SEZs, if made and operated efficiently. The impact on Urban Development of these SEZs shall be colossal.

3. LITERATURE REVIEW

The size of the urban economy is estimated to be approximately half of the national Gross Domestic Product (GDP) with a concentration of industrial and services sectors.⁸ Pakistan's urban population has increased from 43.0 million to 72.5 million between 1998 to 2014 and is expected to become predominantly urbanized by the year 2025.⁹ Pakistan has been able to achieve significant success in reducing poverty from 34.7% to 9.3% between 2001-2014, a 75% reduction in poverty over 14 years.¹⁰ According to Jo Beaul, appropriate policy intervention to urban poverty processes can be categorized as follows: encourage the productive potential of local urban economies, tackle income and consumption poverty, appropriate policy responses to urban poverty that relate to the living environment in low income settlements and tackling the lack of public safety and the growth of urban violence.¹¹

CPEC has contributed to the socio-economic welfare in different regions of Pakistan. According to a report compiled by the International Labour Organization (ILO) "CPEC projects would be adding 400,000 jobs for the 36 projects underway by the year 2030 to the Pakistani employment portfolio, boosting up Pakistan's GDP by approximately 2-2.5%.¹² A district level analysis was conducted by Pakistan Institute of Development Economics focusing on education, health and housing conditions under the context of Sustainable Development Goals and covered 115 districts of Pakistan.¹³

According to the survey, "the development vitality of CPEC project indicates that there will be 5.21% growth in social wellbeing in Pakistan, up till 2020,"¹⁴ and facilitate urban development of Pakistan. The construction of regional infrastructure facilitates in increasing the standard of living and poverty reduction by connecting isolated places and people with the major economic centres and markets, narrowing the development gap among a region.¹⁵ CPEC is aimed at facilitating geographical connectivity and creating job opportunities for locals in the proximate areas.

The lack of urban planning has created challenges for local planning agencies in Pakistan. The rapid urbanization and the continued failure of development plans necessitates investigating the actual cause of the problem. The incapacitated institutions along with vaguely defined powers and functions are causing mismanagement and confusion, therefore, to ensure an effective planning

and development within cities, perplexity needs to be eliminated through reassessment of institutional capacities, legal and regulatory support.¹⁶

4. FINANCING OF URBAN DEVELOPMENT IN PAKISTAN UNDER CPEC

The funding mechanism through which a project is financed is threefold:

- i. CPEC G2G funding; managed and implemented by the Federal Government
- ii. Foreign Directed Investment (FDI) from private companies (indirect impact of CPEC) directly invested in the country
- iii. Public Sector Development Program (PSDP) funds allocated from the Federal Government

Under the CPEC G2G regime, the first phase CPEC included the implementation of the early harvest projects, mainly associated with the Energy sector. The energy projects aimed at uplifting the country from the energy crisis by adding an additional 10,000MW of electricity on the grid, and these projects have been distributed across the country. The majority of these projects are located in the province of Sindh.¹⁷ The FDI from the China, which can be referred to as the indirect impact of the CPEC or the influx of the Chinese in Pakistan. The FDI registered significant growth of 17.1 percent in April 2017, and the major FDI inflows were from China (\$ 744.4 million).¹⁸

The PSDP funds are divided into two broad domains: Federal Programme (FP) and the Provincial Programme (PP), the ratio of their financial split is between 47:53 respectively. After the 18th amendment the provincial funds are to be used by the provinces autonomously, specifically targeting the social sector projects pertaining to education, health, population welfare, rural development, culture, sports, tourism, youth, clean water supply, drainage, local farm to market roads, etc. The infrastructure sector accounts for 32 % of the PP. Within the social sector allocation, the provinces have to spend 12% on Urban Development.¹⁹

The general misperception regarding the utilization of funds under the Federal Program lies mainly with it being used on districts who voted for the ruling party. On the contrary, the FP has been utilized in finishing the multi-purpose dams and ongoing mega projects, such as Kachhi Canal, Greater Thal Canal, Kurrum Tangi Dam. Similarly, in Sindh, the FP has been absorbed in the railway sector. However, the FP has been used for projects which may prove ineffective in the long run, such as in the case of Sahiwal Coal Power Plant, whereby the FP has funded the cost for laying down the rail network to transport the imported coal from Karachi port to Sahiwal. Energy

experts have shunned such a plant which relies on expensive imported coal from South Africa and Indonesia. The transportation cost of the coal is also detrimental and makes the project useless and ineffective, especially in the long run.

The financing of projects illustrates the various mechanisms through which allocation of funds can take place in provinces for improving the urban development variables. The problem however lies within the governance structure of each province which determines the variation in urban development pattern across major urban centres.

5. GOVERNANCE AND URBAN DEVELOPMENT: THE LAHORE MODEL

A major aspect pertaining to the urban development pattern across major urban centres in Pakistan is related to the governance structure for the distribution of assets and utilization of funds for implementing development initiatives in the respective provinces. For the purposes of this paper we will be discussing the variation in the allocation and utilization of funds which impacts the urban development variables relevant to the CPEC project thus far, namely, education, health care, electricity, and infrastructure in the four major urban centres: Lahore, Karachi, Peshawar and Gwadar/Quetta. The paper has already dealt with how CPEC initiative has impacted the provision of electricity. The division of electricity takes place through provincial quotas already established. However, the addition of megawatts on the electricity grid has greatly improved the electricity situation in the past four years. In order to address the variation in terms of education, health care and infrastructure, the paper relies on the district level data of the Pakistan Social and Living Standards Measurement (2014-2015), and the This data forms the basis of our analysis. Although the CPEC project has resulted in an increase of funds which are utilized for urban development, this paper argues that the governance structure and the distribution of funds across provinces since the inception of CPEC has been a facilitating agent in the variation for the urban development variable in the major urban centres.

The Lahore Model:

In the year 2016-17 more than half of the provincial budget was shared for Lahore, a total of PKR 324 million out of a PKR451 million, whereas the other major districts were allocated meagre funds, as shown in the table above. Since, the concentration of funds has been in Lahore, the major urban development in the Punjab has taken place in Lahore. The development trajectory of Lahore has witnessed paramount progress with several road, infrastructure, education, healthcare, water and sanitation projects being completed and others under construction - such as the Lahore Metro,

Safe City, Ring Road Project, Kidney Hospital, Lahore Knowledge Park, Sewerage System etc. The implementation of these projects has impacted urban development indicators in a positive manner.

The process through which Lahore has witnessed this development is due to the effective governance structure, importantly, the development of Lahore has been the crafting of corporate wing of the Punjab Government. This wing has acquired more than ten companies have been employed, mostly under the Planning and Development Department, that are directly supervising the projects pertaining to various sectors: Knowledge Park, Special Economic Zone, Power Project, Waste Treatment, and many other spheres of urban development. These companies, focused on improving a specific urban development indicator has created an effective implementation mechanism, thereby, enhancing the capacity of the government in achieving its mandate of fostering urban development.

One of the major instrument of this corporate wing is Punjab Board of Investment & Trade (PBIT). As envisaged by the Punjab Government, PBIT is developing itself to becoming a one-window solution for all companies and/or investors who want to work in the Punjab province. One of the major bottlenecks faced by the investors as well as the urban development trajectory is the lack of a one-window facility in either in the provincial or the federal government. Although the government bodies like Board of Investment (BOI), National Highway Authority (NHA) and Private Power Investment Board (PPIB) proclaim to provide a one-window facilitation, they provide limited services. For instance, the requisite approvals need to be approved from other agencies, therefore, these bodies prove to be ineffective and inefficient. Pakistan has immense business potential, however, getting approvals takes a tedious amount of time.”²⁰

6. IMPACT OF CPEC ON URBAN DEVELOPMENT: A COMPARISON WITH OTHER PROVINCES

The CPEC projects pertaining to energy and infrastructure are distributed across the provinces in an equitable manner. However, the lack of urban development progress in the major urban centres in Sindh, Khyber Pakhtunkhwa and Baluchistan is because of the inefficient governance structure as well as the limited provincial funds distribution. The lack of a one-window facility and ineffective strategies whereby funds are utilized for urban development means that the remaining provinces are lagging. Therefore, the reason for variation in urban development pattern is two-fold. Firstly, Lahore has witnessed a greater urban development trajectory because of indirect CPEC funding. Secondly, the governance structure in Lahore which provides a one-window solution provides for more effective mechanism for implementation of development projects which is lacking factor in the remaining provinces and urban centres.

Khyber Pakhtunkhwa:

The Khyber Pakhtunkhwa (KP) government has also envisioned several projects for urban development in the province following in the footsteps of the Punjab government and has therefore witnessed a positive urban development trajectory. The KP government has successfully managed, to develop a very strong corporate wing. Pakhtunkhwa Energy Development Organization (PEDO) and KP Economic Zone Development Management Company (KPEZDMC) are at the forefronts of nearly all the projects being conceived and executed in the province. The corporate structure of these firms has enhanced the capacity of the government and proven to be beneficial for successful implementation of development projects. KPEZDMC envisions to become the one-stop-shop for all the investors who envision to invest their money in KPK.²¹ With regards to the energy sector, PEDO stated that “more than 300 micro-hydro and 300 MW from small-medium hydropower projects shall be provided to the National grid by mid – 2018.”²²

Apart from the Suki Kinari (820 MW) which was implemented under the CPEC G2G framework, most of the projects pertaining to infrastructure and energy have been consolidated through direct investment or the provincial PSDP funds allocated for the KP government. A major drawback for Chinese investment in the region is that regarding the security aspect, therefore, most projects initiated in the region are non-Chinese or local investors.

The urban development indicators, education and health have been a major focus for the KP government for maintaining a positive urban development trajectory. In terms of education, the KP

Education policy is based on improving the already existing education facilities, in order to increase the enrolment and retention of students. In the province, the percentage of Out of School Children (OOSC) falling under the age bracket of five to sixteen years is second lowest at 35.9% after Islamabad.²³ (Pakistan Education Statistics - 2015-16). Moreover, in category of the Gross Intake Rate (GIR) in Primary Education and Gross Enrolment Ratio in Secondary Education, amongst the 4 provinces, KP stands out at 120% and 52.1%, respectively.²⁴ It is also of utmost importance to note that the GIR for girls in KP is at 120% compared to 113% of Punjab.²⁵ Whereas the road infrastructure and energy projects are being implemented on a priority basis to provide relief to the local populace and enhance urban development of the region, the investment in education and health sector is a positive step in the direction of fostering urban development.

Sindh and Baluchistan:

In the case of Baluchistan, most of the urban development has been absorbed in the epi-centre of CPEC - Gwadar. Gwadar will transform into a hub of economic regional connectivity, being the only node connecting the Silk Road Economic Belt (starting from Gwadar, Pakistan going north to Xinjiang, China and the Maritime Silk Road (sea route linking various ports including Gwadar). According to the Ministry of Ports & Shipping, Gwadar will be a *green-field* port; it's a port which can be further developed and expanded, and act as a transit port. This makes it Pakistan's first multi-dimensional port (not limited for export/import activities) and the impact of its development will be long-term as it will affect the dynamics of trade and economic relations among various countries.²⁶ The development of Gwadar will capacitate Baluchistan in achieving its economic, social and energy potential for further development of the province. In the case of Sindh province, there remains a lack of effort in utilization of funds for urban development initiatives.

7. CONCLUSION

The timely implementation of China-Pakistan Economic Corridor (CPEC) projects will aid in effectively promoting the socio-economic development of Pakistan. The projects thus far have been an integral component fostering urbanization and are leading towards sustainable urban development in the future. Through this paper, we have established the trend towards sustainable urban development as witnessed in the case of Punjab, along with the constraints facing the other provinces, which are lagging Punjab in utilizing CPEC as a tool for urban development. The comparative analysis of urban development pattern in the major urban centres amongst provinces (Lahore, Karachi, Peshawar and Gwadar) has been demonstrated by discussing the distribution of assets as well as the utilization of funds and governance mechanisms, for the implementation of CPEC projects aimed at facilitating the process of urban development. The differing patterns have

yielded important policy implications which need to be taken into consideration by the governing bodies responsible for implementing the CPEC projects in their respective provinces.

1. One window Solution should be improved in KP (KPEZDMC) and Punjab (PBIT) - whilst creating such bodies for the province of Sindh and Baluchistan.
2. To overcome the security concern for KP province, NDRC, MOFCOM and other relevant bodies of China should be taken in confidence, so they allow the Chinese investors to invest in the province, which till date, have not allowed for any non G2G CPEC investment in the province.
3. The in-depth comparative analysis of Lahore and the rest of the major urban centres (Karachi, Peshawar, Gwadar) with regards to urban development mechanisms will provide insights into the viability of the Lahore model and whether it's a model which needs to be implemented in other regions.
4. On basis of the provincial comparative analysis developed in this research, policies for prospective urban centres, after the on-ground implementation of the SEZs, could be chalked out.
5. The Lahore model can also provide insights regarding the political ramifications of the Lahore centric development and intra-Punjab variation in development and voter turnout. The same variation can be discussed with regards to other urban centres.
6. CPEC's contribution towards welfare projects and sustainable development goals, can provide lessons for other industrialization processes in the region and considerations which need to be kept in mind.

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