PAKISTAN AT A GLANCE

The Islamic Republic of Pakistan is the sixth most populous country in the world with a population exceeding 180 million people. Pakistan is bordered by India to the east, Afghanistan to the west, Iran to the southwest and China in the far northeast. Its population are made up of the dominant Punjabi ethnic group at 44.68% and followed by Pashtun, Sindhi, Sariaki, Muhajirs and a few other groups. Punjabi is the most spoken language but Urdu is the official one, along with English. Islamabad is the capital city of Pakistan located within the Islamabad Capital Territory with a population of 2 million, yet the most populous city is Karachi with almost 23.5 million inhabitants.

Pakistan has some strong fundamentals for construction activity such as favorable demographics, good strategic location and high infrastructure deficit. It has a large and young population, estimated to bet 179 million strong in 2012 (with a median age of just 22.2 years). Also, the country is neatly located in the heartlands of global growth - between China and India and has easy access to the Middle East and Sub-Saharan Africa. Nonetheless, it is important to note that only a limited number of domestic companies in Pakistan have the know-how to undertake large-scale projects and as a result the construction sector is mainly dominated by international companies.

Security risk in Pakistan also looks set to remain critical over the coming years. The casualties from Pakistan's internal *war on terror* have been vast and increasing, with the number of civilian deaths on course to hit a record high in 2013. Large areas of the country remain unofficially controlled by insurgents and rebel groups, with terrorist attacks not just happening in the borders but also in major urban centers such as Karachi.

SWOT ANALYSIS

Strengths

- There are major investment plans underway in both the transport (roads) and power sectors.
- The industry is very open to private sector participation, with liberal foreign investment regulations and a range of incentives for FDI projects.
- High infrastructure deficit.

Weaknesses

- Pakistan's construction industry is at present very weak, suffering from many problems such as a lack of financial resources, skilled labor and expensive building materials.
- There is political instability and rampant corruption in Pakistan, which is having a negative effect on construction activity.

Opportunities

- The construction industry in Pakistan has tremendous potential; with a sizeable proportion trained abroad, today there are over 80,000 graduate engineers, 20,000 licensed constructors and 1,000 registered consultants.
- With massive population growth and severe overcrowding problems, the residential segment may provide impetus.

Threats

- Pakistan's construction industry is inadequately prepared to meet the challenges imposed on the country by the WTO; if adequate measures are not taken on an urgent basis to strengthen this industry, the possibility of growth will vanish.
- The government's fiscal position is a severe concern, and a renewed turn for the worse in general global market confidence could create a fresh public funding crisis for the country's infrastructure plans.
- Unstable political environment, with governments perennially facing constitutional and unconstitutional challenges and the judiciary consistently undermined by the vested interests of the military and the land-owning class.
- High security risks due to the presence of Islamic radical groups.

INDUSTRY FORECASTS

Construction And Infrastructure Industry Forecast Data (2014-2017)				
	2014	**2015**	**2016**	**2017**
Construction industry value, RM billion	18.55	20.65	21.7	22.75
Construction Industry value, % of GDP	2.2	2.2	2.2	2.2
Total capital investment, RM billion	110.95	124.6	134.4	142.45
Total capital investment, % of GDP	13.1	13.4	13.5	13.6
Construction industry employees as % of total labor force	2.8	2.8	2.8	2.8
Cement production (including imported clinker), tons	28,539,472.8	32,012,889.5	35,146,608.7	38,435,858.1
Cement consumption, tons	30,034,567.9	33,597,860.9	36,919,719.1	40,404,478.2

BMI expects Pakistan's construction sector to continue to slow in 2014. The year-on-year growth rate for 2014 is forecast to be 2.1%, down from 2.8% in 2013 and 5.2% in 2012. Although political risk in the country has been dampened following the strong showing by the more economically conservative Pakistan Muslim League-Nawaz (PML-N) in the May 2013 general elections and the August 2013 by-elections, Pakistan continues to present several characteristics that are non-conducive for construction growth. These characteristics are non-conducive monetary conditions, poor fiscal position, as well as considerable business environment and security risks.

Monetary conditions in Pakistan are also becoming increasingly non-conducive for construction investment. The Pakistani rupee remains very weak and has been on a depreciatory trend for more than a decade. Since the beginning of 2013, the rupee has fallen by about 11% against the US dollar to reach around PKR108.00/US$ at the end of November 2013 - and BMI expects this trend to continue over the rest of this decade. This weakness in the Pakistani rupee is also likely to dampen construction activity as it would make it more costly for companies operating in Pakistan to purchase overseas equipment and raw materials as well as repay their overseas debt borrowings.

Foreign direct investment (FDI) into Pakistan has also fallen to levels that are below the highs seen during the global boom years of 2004-2008. Other than poor political environment, the country's business environment is one of the weakest in the region, presenting numerous risks to investors and to project execution. In its 2014 Doing Business report, the World Bank ranked Pakistan at the 110th place out of 189, globally. The ranking is mainly related to Pakistan's poor performances in several key areas that facilitate project development such as electricity access and contractual rights.

MAJOR PROJECTS

Project Name	Value (RM mil)	Size	Unit	Timeframe Start	Timeframe End	Status
Gwadar port expansion project	35,000	-	-	2013	-	Approved
Four-lane M-9 highway expansion PPP project, between Karachi and Hyderabad	700	136	km	2016	2021	In tender/Tender launched (January 2013 - NHA cancels contract with a Malaysian firm)
Suvarnabhumi Airport Expansion Project, Phase 4	11,567.5	90	mil passenger/yr	2022	2032	At planning stage
Turkmenistan-Afghanistan-Pakistan-India (TAPI) Natural Gas Pipeline	26,600	1735	km	2017	-	At planning stage (May 2012 - Agreement signed; August 2012 - Seeking investors; Construction to start in 2017)
Gas Based Power Plant, Faisalabad	-	320	MW	2010	-	At planning stage (May 2012 - Gas supply agreement not signed, Installation work yet to start)
Diamer Bhasha Dam, Indus river	50,400	4500	MW	2011	2019	Feasibility studies/EIA underway (January 2013 - Land acquisition underway, Seeking financing from foreign governments)
Wind power generation project, 3 sites in the Gharo Corridor, Thatta district of Sindh, near Karachi	1,312.5	150	MW	2010	2012	Approved (Agreement finalized with government)
Wind farm, Sindh province	350	1000	MW	2011	-	At planning stage (JV established)
Two Reactors, Chasma	-	320	MW	2011	-	Approved (Received approval from International Atomic Energy Agency (IAEA))
Karot hydropower IPP project	5,600	720	MW	-	2018	Feasibility studies/EIA underway
Taunsa hydropower project	5,250	120	MW	2015	2019	Approved

Kohala hydropower project	-	1100	MW	2015	-	At planning stage
Punjab wind and solar project	-	-	-	2011	-	At planning stage underway
Bunji Hydropower project, Indus River	10,276	7100	MW	-	-	At planning stage
Coal-based power plant (including coal mine with 10mtpa capacity), Block I, Thar coal field, Sindh province	10,500	900	MW	-	2014	At planning stage
Nandipur combined-cycle power plant, Punjab	1,151.5	425	MW	2010	-	At planning stage
Sehra Hydropower Project, Poonch River, AJK	-	130	MW	2012	2017	Feasibility studies/EIA underway
Karot Hydropower Project, Jehlum River, AJK	-	720	MW	2012	2017	Feasibility studies/EIA underway
Chakothi-Hattian Hydropower Project, Muzaffarabad, AJK	-	500	MW	2012	2017	Feasibility studies/EIA underway
Asrit-Kedam Hydropower Project, Near Kalam/Swat River, KPK	-	215	MW	2012	2018	Feasibility studies/EIA underway
Azad Pattan Hydropower Project, Jehlum River/Sudhnoti, AJK	-	222	MW	2012	2018	Feasibility studies/EIA underway
Kohala Hydropower Project, Jehlum River/Kohala, AJK	-	548	MW	2012	2018	Feasibility studies/EIA underway
Kaigah Hydropower Project, Kaigah/Indus River, KPK	-	548	MW	2012	2019	Feasibility studies/EIA underway
Four nuclear power plants, the Taunsa Punjnad canal	-	1000	MW	2012	-	At planning stage
250MW Warsak hydropower plant expansion project (involves new 125MW underground power house), Kabul river	-	375	MW	2012	-	At planning stage
Ghazi-Barotha hydropower project, near Islamabad	1,925	-	-	2005	-	Feasibility studies/EIA underway (April 2012 - MOU for Technical study signed; Cost ballooned from RM847 million to RM1.75 billion)
Gas-based power plant	-	320	MW	2010	-	At planning stage
Coal-based power plant (including coal mine with 6.5mtpa capacity), Block II, Thar coal field, Sindh province	4,550	1200	MW	2012	-	At planning stage
Coal-fired power plant (including coal mine with 5mtpa capacity), Thar coal field, Sindh province	-	300	MW	2013	-	At planning stage
Block-V Underground Coal Gasification Project (involving construction of 100MW power plants), Block V,	-	-	-	2012	-	In tender/Tender launched

Thar coal field, Sindh province						
Karachi Nuclear Power Plant-3	-	1000	MW	2013	2020	At planning stage
Wind farm (two phases: first phase, 150MW; second phase, 350MW)	10,500	500	MW	2012	-	Approved
Dasu hydropower project, Indus River	-	4320	MW	2012	-	At planning stage
Jamshoro coal-based plant project, Sindh province	3,150	600	MW	2013	-	Approved
Four coal-based power plants, Port Qasim, Karachi	9,800	500	MW	2013	2016	At planning stage
Tenaga hydroelectric power plant	822.5	-	-	2013	-	At planning stage
Co-generation (biomass and coal) power plant, Muzaffargarh	822.5	118.8	MW	2013	2016	At planning stage
Hassan Hospital PPP, Karachi	-	120	beds	2013	-	In tender/Tender launched
Cairns Hospital PPP, Lahore	-	210	beds	2013	-	In tender/Tender launched
Sector I-11 Government Flats Project, Islamabad	1,564.08	5000	units	2013	-	At planning stage

INFRASTRUCTURE AND CONSTRUCTION PLAYER

National Construction was established in 1973 and currently one of the largest construction entities in Pakistan. It is placed under the administrative control of Housing and Works Division for handling sophisticated civil engineering projects at home and abroad. The company embark on work in the energy sector, as well as in housing, industrial works, infrastructure and general construction services associated with earth works and project management. National Construction has been working across Pakistan for over 30 years and has taken on some of the largest construction projects in the country. Its most recent projects are the RM23.8 billion Liaqatabad Flyover and the RM7.7 billion project at Port Quasim, Karachi.

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