

Construction sector's massive potential

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The construction sector has great potential to uplift the entire economy, as it generates an impressive chain of activity in more than 40 industries. Roughly 30-35% of employment is directly or indirectly affiliated with this sector. Although formally, the construction sector has contributed nearly 2.85% to Pakistan's GDP in the last five fiscal years, most economists estimate its value to stand between 10 and 12% of the total GDP. This is because it provides stimulus to over 42 ancillary sectors including aluminum, brick, cables, cement, fixtures, glass, kitchen and bathroom fittings, marble, paint, steel, tiles, transportation, warehousing and wood.

Renowned Lahore architect Abrar A. Siddiqui has pointed out that the sector employs a large proportion of Pakistan's unskilled labor force, while the main impediment to the sector remains the lack of a market for pre-fabricated steel and other parts. The pre-fabricated sector is the force behind countries such as China as well as in the West having immensely shorter lead times for the construction of buildings. Furthermore, Pakistan does not produce its own steel, so the import of steel adds to costs and slows the process down further.

Advanced technology and techniques for project management in the construction and preconstruction phases have made the industry far more efficient across the globe: a major construction project takes up to 7 years to complete in Pakistan while it can be completed in half the time in the US and maybe in a matter of months in China. Pakistan's industries have yet to implement new technologies in the construction realm that have greatly reduced project completion times in developed countries. In conversation with Mr. Khawaja Rizwan Qadeer, a civil engineer and leading builder who restored the Governor's House in Lahore, we learned that when western countries make high rise steel structures, they utilize pre-fabricated girders and beams. With these resources, the skeleton for a 60-70 story building is completed in a matter of 6 months. However, Pakistan does not have a good steel fabrication setup. There is very less steel construction, and nor is there a market for it. Our workforce also lacks the skills to adjust to these techniques, thereby remaining comfortable with the traditional way of doing things.

The cement industry has faced an unprecedented increase in demand despite the pandemic, leading to a significant increase in employment. It is important to note that each of the allied sectors relevant to construction has a major industry behind it - steel, cement, transport - each create jobs that in turn contribute to the growth of the construction sector, which is itself further supported by a large workforce ranging from laborers to craftsmen. Qadeer pointed out that oftentimes when the US economy faces a period of slowing growth, they look to the revival of their construction sector as a catalyst for the revival of the economy.

The country has a large demand for housing, and this sector has the capacity to absorb a substantial number of skilled and un-skilled workers. Furthermore, for every one house constructed two jobs of permanent nature are created either directly or through allied industries. Projects such as high rise residential and commercial buildings, public schools, parks, hospitals, colleges, libraries and universities

are helpful in producing multiplier effects in the economy, reducing unemployment, alleviating poverty, improving socio-economic indicators and the infrastructure of the country. Take Centaurus as an example - the shopping mall in Islamabad that employs roughly 3000 young Pakistanis and a total of about 10,000 workers.

The government announced a Rs. 100 billion relief package for the construction industry in April 2020 in order to spur economic recovery. This package was designed to bridge the affordable housing gap through the Naya Pakistan Housing Programme (NPHP) which was initiated in April 2019 with the goal of building five million houses in five years. It is also intended to jumpstart the economy by creating employment. To ensure these goals are met, the government has set up the National Committee on Housing Construction and Development (NCHCD). The Committee's objectives include monitoring the construction sector and ensuring that any hurdles that arise are overcome to ensure that construction activities continue to increase rapidly. Although the packages have led to a significant rise in activity and workload in the construction sector, it will take some time to see their results and effects on the economy. Projects that had been left on hold are being taken up once again and novel designs are being introduced.

However, the objective of boosting productive market activity requires more than what this package has to offer. The package does not address issues of over-regulation, poor policy formulation and thoughtless planning. City development, regeneration and innovation require linkages to a dedicated economic growth strategy. This should ideally incorporate fuel, energy and time efficiency, include mechanisms to reduce travel time, improve connectivity as well as inter-city linkages - all while remaining cognizant of the impacts on climate and striving to ensure a low-carbon footprint.

In many countries, the construction sector is considered the backbone of the economy: Brazil, China and India are countries that improved their economies by means of increased construction activity. Almost half of the world's population lives in cities, producing more than 80% of global GDP. Dense high-rise cities are more productive, more inclusive and more economically viable.

In order to transform cities into commercial hubs, Pakistan must:

- a) relax the zoning and building regulations to allow space for mixed-use activities, energy efficiency, and vertical expansion of cities,
- b) privatize unproductive state-owned land,
- c) encourage foreign developers to compete in the Pakistani market, and
- d) focus on research and development in low-cost energy efficient construction techniques.

In the words of Siddiqui, there is a need to fast-track the approval of drawings, ideally by introducing a computerized drawing submission mechanism. The current process is inefficient and is further hampered by numerous regulations - the file is stopped at a number of government desks and a fee is cut each time which delays the entire process unnecessarily, disheartening not only the consultants but the clients as well. To resolve this, the approval process must be shifted online where architects and consultants are able to access it easily and update their requirements.

Unfortunately, however, there is a rampant lack of professional construction project management implementation in the industry. In many cases, contractors do not have sufficient knowledge and understanding of technical standards. Some may not even have a copy of these standards. This is one of

the basic and common inadequacies among contractors. This begs the question of why skilled business graduates are not contributing to the sector.

Pakistan's oldest cities remain rife with problems of poor sanitation, fire hazards and other dated problems that must be resolved and modernized. For example, the entire old Lahore area has open sewage, as does the premier institution of LUMS in Defense - supposedly a developed area. These open sewers need to be shifted underground, yet they remain open, highlighting the misallocation of development funds over the past several years. A crucial aspect of thriving cities is an effective and organized waste management system. However, it requires a sense of civic responsibility to ensure cleanliness and recycling, which is yet to be inculcated in our populace.

New government initiatives such as the Ravi Riverfront Urban Development Project and Bundal Islands Project have a potential to uplift the major cities of Karachi and Lahore from the current ills of poor sewage and sanitation, waterlogged soil and numerous others. Moving forward, a focus on dense well-connected cities and communities to promote commercial activity will be instrumental, as connectivity is a crucial component of any economic growth plan. In this regard, private investors should be encouraged to participate in transport development projects as a component of promoting public-private partnership in the long-term.

Competition should also be encouraged at the domestic level by limiting regulators' role and increasing the focus on implementation and evaluation of projects. Furthermore, Pakistan must catch up with trends in international connectivity through automation. For example, the automation of customs posts can facilitate businesses considerably by reducing clearance time. Customs processes at dry ports should be computerized in order to reduce congestion at the seaports. The broader use of ICT services, if encouraged across the board in the public and private sectors can greatly reduce the costs related to transport and logistics.

Mortgage finance is a form of financial innovation that has had benefits for various economies over the past several years. It can serve as a key parameter for making housing affordable for the lower-middle, middle class and upcoming professionals. To start off, mortgage up to Rs. 10 million must be enabled for 10-year finance at a 0 percent interest rate and maximum 3 percent service charges by disbursing financial institutions, for the system to be effective.

Given that innovation and growth are generated from high-density areas, it is essential to make these areas more accessible to our youth so that they can effectively contribute to the economy while also obtaining a higher standard of living. Some banks have started to offer this option recently, which is a ray of hope for the future of housing in the country.

It is essential to note the issues with FBR's 2020 deadline for availing PM's Amnesty Scheme for the construction sector, and their having disallowed payment of fixed tax amount after expiry of the scheme on September 30, 2022.

All those who owned registered land since April 17, 2020 could avail this scheme when the Ordinance was promulgated. Now the registration with a designated FBR portal has been set at December 31, 2020 which is insufficient for effective implementation of the scheme. Therefore, the Amnesty Scheme must be extended by 1 year in order to promote much needed investment in the sector.

A focus on developing advanced, progressive cities that rise upwards will control the spreading sprawl, allowing us to preserve the sanctity of historic sites. It is crucial to freeze development in these areas to honor the history, heritage and sentimental value that these sites hold for the nation. Furthermore, the issues of waste disposal, overt pressure on water resources and oversaturated sewage systems must be alleviated with the help of modernized waste and sewage treatment plants. Public enterprise reform and privatization wherever possible, will make space for increased entrepreneurship which is the need of the hour.

The world is now in the knowledge-economy phase, as seen through changes in top companies and exporting players, while Pakistanis still industrializing. The industrial economy must be strengthened via policy support, improved efficiency and inter-city connectivity. Several markets require the government to move from producing and directly participating in markets to just regulation. For example, the current regulatory framework represses domestic commerce (retailing, warehousing, and transport) and construction and city development. Heavy government direct participation in agriculture, storage, transport, construction, to name a few, is stifling investment. Openness and city development, combined with focused public sector management would serve as crucial measures to foster innovative markets while allowing youth and new talent to make valuable contributions in the sector.