

## **Prefeasibility Study for the Development of New Economic City in Punjab, Pakistan**

### **Phase 1 – Market Demand and Analysis Report**

General comments discussed and agreed between Prof. Dr. Suleiman S. Abu-Kharmeh and Dr. Sebastian Elbe (Members of the Technical Committee of Experts to the Government of the Punjab Planning & Development Department regarding (TC) on P155963: Program-For-Results Operation: Punjab Jobs and Competitiveness, Pillar 2: Punjab Spatial Strategy (financed by Worldbank).

*September, 30th 2016*

### **Background**

Dr. Suleiman and Dr. Sebastian have been provided with the above mentioned report dated 12 August 2016 by Syeda Naqvi (via drop box) and went individually through the report as done for the RfP review. The following comments are joint comments which have been discussed and agreed.

### **General Comments**

The report is well structured and based on solid data and interviews from various stakeholders. The results derived from these interviews should be linked more clearly to the data analysed in Section 2 to reflect, assess and weight the findings from the questionnaires and interviews more intensively to get more information about the needs/demands which should be addressed by NEC. China seems to be in the core of the future development.

The report gives sometimes the overall impression that the NEC is a key solution for general problems regarding planning and economic development in Pakistan/Punjab (as well as other key bottlenecks like security, land allocation etc.). Although mentioned and discussed in the study there are no feasible proposals how to enforce urban planning laws and regulations to secure that the NEC is not going to copy the developments in the past.<sup>1</sup>

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<sup>1</sup> p.11: "Despite various incentives offered, most EPZs have failed to attract significant investment or boost export volume. (USTR 2014, Mukhtar, et al. 2013). Major impediments to the growth of EPZs have been investor concerns about security, inappropriate location and low quality human capital (Mukhtar, et al. 2013)."

p. 20: "Weak and insufficient infrastructure is a key challenge throughout Pakistan and Punjab (...). The situation is exacerbated by the large informal sector and poor spatial planning that places tremendous stress on infrastructure due to industrial activities being conducted in non-designated areas."

p. 22: "Limited spatial planning and limited land for industrial and commercial use: There is a shortage of well-sited industrial land in Punjab (The World Bank 2016). Despite the availability of industrial estates and a general shortage of industrial land (for example, only 6.5% of Lahore is zoned for industrial use), occupancy of many industrial estates is poor. For example, only 7 of 22 Punjab Small Industries Corporation Industrial estates having an occupancy of 60% or more, and Faisalabad Industrial Development & Management Co estimating only 40% occupancy on their sites (Shah, Malkwai and Mason 2015). During interviews, industry stakeholders shared that poor location, connectivity, and access to labour are some of the reasons that businesses are choosing not to move into certain industrial estates."

In addition, it should be put more emphasis how to embed the NEC into the overall spatial development of Punjab to show which demand the city should address.<sup>2</sup>

Minor issue: Figures and references should be checked (e.g. Figure 3 (p. 8): The title of the table contains Pakistan, India and China but in the table itself it is Sri Lanka instead of India)

## Section 2 Current State Analysis

Section 2 is well structured and based on solid data. Some of our comments regarding Section 2 are already mentioned above and linked to the general comments (see footnotes). One additional and major comment is linked to the question how the NEC should be embedded into the overall spatial development of Punjab. The study refers to the planned Punjab Spatial Strategy (PSS)<sup>3</sup> and presents a timeline for the PSS implementation (p. 42):

- Year 1: Recommendations from the pre-feasibility study for the possible new city (validated by the expert panel) followed by the government (whether or not to move forward with a full feasibility study based on the potential demonstrated in the prefeasibility study).
- Year 2: Punjab Spatial Strategy validated by the expert panel and approved by Cabinet
- Years 3–5: 80 percent of the value of the large infrastructure investment presented to the expert panel and all industrial estates in line with the Punjab Spatial Strategy as determined by the expert panel.

The study presents a two years timeframe for the development, validation and approval (by Cabinet) of the PSS. Compared with other Spatial Strategies of this scale this timeframe is more than ambitious. The timeframe should be revisited.

Key Regional Developments: High expectations are put on China and therewith dependency especially regarding

- CPEC (there is no source for the estimated investment of US\$46 billion, p. 44 as well as no guarantee for the listed planned infrastructure projects laid out in the appendix),
- outsourced low value processing activities, especially as labour costs rise in China,
- Chinese investments/FDI.

Other options are not analysed that detailed (e.g. hub function to middle east etc.). This could be added to give a more balanced picture also reflecting the demands which could be addressed by NEC.

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<sup>2</sup> p. 32: "Urbanisation and the associated urban sprawl is occurring at a similarly rapid pace in Punjab, where more than one-third of its population resides in either Lahore, Faisalabad or Rawalpindi (Central Intelligence Agency 2016). It is estimated that there will be 1 million additional urban residents per year till 2030 (Urban Unit 2016). With 60% of its 139 million population living in urban spaces by 2030, there will need to be rapid development of urban space to accommodate approximately 40 million new urban residents between 2015 and 2030, equivalent to building one city the size of Faisalabad every year."

<sup>3</sup> p. 39: Punjab Spatial Strategy: "The Government of Punjab's Urban Unit is commencing the development of the Punjab Spatial Strategy (PSS). The PSS will enable the coordination of investments across the province through assessment of the potential of Punjab's growth corridors and nodes. The strategy will provide a foundation to inform large public investments in connectivity infrastructure, urbanisation and the development of industrial estates. Moving forward, the NEC needs to be aligned with the PSS framework to ensure coherence with local needs and market demands."

In addition, on p. 46 the figures presented are mixed up with opinion based results from consultations (PCJCCI). The evidence based sections should be not mixed with opinion based ones.

### **Section 3: International Benchmarking of Selected Planned Cities**

The three-step methodology is well and detailed described (questionnaires in the annex). Key takeaways from the six analysed planned cities are well structured and comprehensible as well as the summary of the analysis in the sub-section "Analysis of Benchmarked Cities" (p. 109). The findings provide a rich basis of aspects to be taken into account when taking the next steps for the NEC although important aspects are not discussed or used as a filter for the selection of the cities:

- environment (pollution, land consumption) and nature protection are not addressed or only indirect (water supply, sewage treatment, energy consumption, waste).
- Political system and planning system
- Human capital

### **Section 4: Demand Assessment for New Economic City**

This Section (p. 116-135) was expected to be the core of the report "Market Demand and Analysis Report" but has 20 pages only. The benchmark Section 3 has about 70 pages.

The method used (enterprise and citizen surveys) is well described (including the questionnaires in the annex) and added by so called "Insights from Discussions with Institutional Respondents" (p. 129ff.). The results are documented in the sub-section "Market Potential for Development of the NEC" (p. 131-135).

Although this section is a very good summary and precise in its raised issues it would be worth thinking to link the results from the two surveys and the "insights from discussions" with the results derived from statistics in Section 2 and the ones documented in the annex. In doing so it would be possible to reflect, assess and weight the findings from the questionnaires and interviews more intensively to get more information about the needs/demands which should be addressed by NEC.