

Construction conditions in Pakistan

1. General status of construction conditions

- Pakistan's construction market size increased 13.1% year-on-year in fiscal 2015/16, accelerating its upward trend due to the housing construction boom that has continued since 2010
- The Pakistani government applies various tax breaks to the construction sector - cuts in land prices and acquisition taxes for housing construction purposes, cuts in sales tax related to construction materials (brick, stone), and cuts import duties of heavy construction equipment (truck, crane, etc.) by 20-30%
- The Pakistani government has set the resolution of power shortages as its top priority and is actively promoting the expansion of hydroelectric power plants to solve the chronic power shortage problem
- Pakistan experiences 270,000 housing shortages every year, accumulating 7 million - Pakistan's government is pursuing policy to build low-income residential apartments
- In the case of large highway construction, projects connecting Pakistan's Gwadar to Central Asian countries such as Tajikistan are active
- In the case of road construction projects, most of them are carried out in a Build-Operate-Transfer manner due to Pakistan's poor financial conditions
- The construction of hydroelectric power plants reflects the Pakistani government's willingness to solve the people's livelihoods - more than half of Pakistan's people do not have 24-hour power supply, and thousands of deaths are caused by frequent power outages and heat waves in summer
- Construction of hydroelectric power plants using abundant water resources in northern Pakistan in the 2000s was popular as power shortages adversely affected households as well as industrial production
- A number of Korean companies, including Sambu Construction, Namdong Power, and Water Resources Corporation, have also entered the market to build hydroelectric power plants and are carrying out local projects
- According to the Pakistan Statistical Office, imports of construction equipment as of fiscal 2014/15 were estimated to be about \$64 million - especially those of used products exceeding 90% of the total imports of construction heavy equipment
- As of 2015, Korean used construction heavy equipment worth \$15 million was imported

2. Architectural design status and designer

A. Designer

- In Islamabad, the CDA is the building permit authority, and the licensing period takes up to three months
- The Faisalabad Development Authority (FDA) oversees the building permit authority or school building, and the FDA is one of its members, and the licensing period takes up to three months
- The level of Fire-Prevention is determined according to the owner's request, and an additional 10-15% of the construction cost is usually incurred
- When applying for power expansion, the agency in charge is IESCO, and electrical drawings are reviewed during the approval process

B. Local design level and status

- Architectural design costs in Islamabad are determined by 4-5% of construction costs or Unit Cost
- The construction cost of Puthlabad is usually determined by 3% of the project cost or Cost Plus Basis (a structure in which services are performed at a fixed cost under initially set conditions, but additional service costs are charged in the event of a change in period and cost)
- Many Lahore architectural design companies are active due to the relatively weak level of architectural design in Faisalabad
- Automatically report construction after obtaining a construction permit (in some cases, on-site visits by government offices are required)
- Bid announcements are made through newspaper announcements

3. Construction status and construction company

A. Construction company

- The construction period generally takes about twice as long as that of Korea
- Construction heavy equipment rental/sales price is more than twice that of Korea, and supervision system is not mandatory, but optional by the owner
- Pakistan has completion documents when the construction is completed, but there is no completion review, and quality is entirely responsible to the owner
- 20% or more loss rate of building materials during construction

B. Local construction level and status

- Unstable electrical supply (voltage) requires spare generator, UPS, and stabilizer
- Urban gas pressure is uneven and requires a static compressor or tank

- In general, Income Tax is not included unless specified when calculating labor costs
- Construction companies are rated C1-C6, CB, and CA, with a total of 8 levels, of which the highest level is CA
- Imported building materials are subject to tariffs of 5% to 25%, and finished products are subject to higher tariffs
- Due to the delay in the payment of construction costs, the construction of the government office takes two to three times longer than scheduled
- Even for public buildings, VAT (GST, 10-17%) and Income Tax (7.5%) are required for construction costs
- The general local construction deposit of local construction companies is 10% of the construction cost
- Except for a few exceptions, most of the site operations and management conditions are incomparable to Korea, such as poor concrete quality due to poor management of concrete site bibimbap, poor mold maintenance and site arrangement, and poor roof railing construction

4. Status of construction project management (CM) and supervision system

- The supervision system is legally required only for special purpose buildings or for total construction costs of more than 100 million rupees
- Supervision service costs are usually determined at the same level as design costs, and CM costs are charged to Man-Hour Basis
- Pakistan does not have a legal institutionalized construction project management system and plans to legislate it as a necessity in the future. It is currently qualified by the PEC (Pakistan Engineering Council), and some multinational engineering companies operating in Pakistan are also conducting construction project management