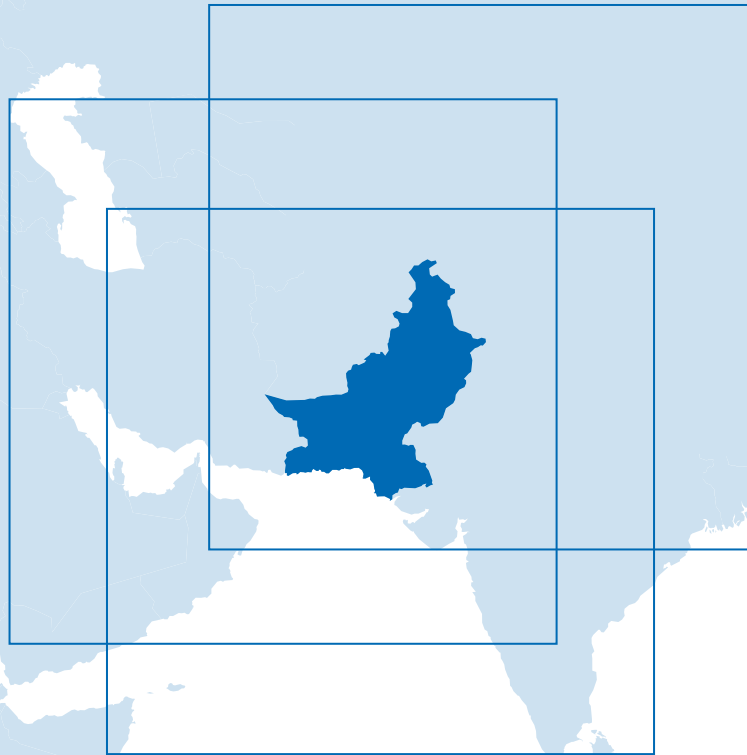




International
Labour
Organization



MARKET SYSTEMS ANALYSIS

PAKISTAN

Market Systems Analysis
for Afghan Refugees in Pakistan

MARKET SYSTEMS ANALYSIS

PAKISTAN

**Market Systems Analysis
for Afghan Refugees in Pakistan**

Copyright © International Labour Organization 2018

First published (2018)

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: rights@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with a reproduction rights organization may make copies in accordance with the licences issued to them for this purpose. Visit www.ifrro.org to find the reproduction rights organization in your country.

ISBN: 978-92-2-031227-8 (print)

ISBN: 978-92-2-031228-5 (web pdf)

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

Information on ILO publications and digital products can be found at: www.ilo.org/publns.

TABLE OF CONTENTS

ACRONYMS.....	VI
SECTION 1:	
INTRODUCTION.....	1
1.1 THE CONCEPTION	1
1.2 RATIONAL OF THE ASSESSMENT.....	1
1.3 ASSESSMENT METHOD	2
SECTION 2:	
SOCIO-ECONOMIC AND CONTEXT ANALYSIS.....	5
2.1 THE CONTEXT	5
2.2 REFUGEE LIVELIHOODS.....	6
2.3 RULES AND REGULATIONS	10
2.4 BASIC SERVICES AND SUPPORT SERVICES	12
SECTION 3:	
SECTOR SELECTION	15
3.1 IDENTIFYING AN INITIAL LIST OF SECTORS	15
3.2 SELECTION OF VALUE CHAIN	16
3.3 SYNOPSES OF VALUE CHAINS UNDER SCRUTINY	19
SECTION 4:	
VALUE CHAIN ANALYSIS	21
4.1 MARKET DYNAMICS	21
4.2 DEMAND-SUPPLY SITUATION	22
4.3 AFGHAN REFUGEES IN INDUSTRY CONTEXT	23
4.4 SIGNIFICANCE OF CONSTRUCTION INDUSTRY IN THE CONTEXT OF REPATRIATION	24
4.5 THE HOUSING CONSTRUCTION MARKET SYSTEM IN KP AND BALUCHISTAN.....	25
SECTION 5:	
CONCLUSIONS AND RECOMMENDATIONS	43
5.1 CONCLUSIONS.....	43
5.2 FORWARD STRATEGY.....	43

ACRONYMS

ARC	Alien Registration Card
BISP	Benazir Income Support Programme
CBT	Competency Based Training
CNIC	Computerized National Identity Card
DACAAR	Danish Committee for Aid to Afghan Refugees
FGD	Focus Group Discussion
GoA	Government of Afghanistan
GoP	Government of Pakistan
HH	Household
IDP	Internally Displaced Person
IGA	Income Generating Activity
IRC	International Rescue Committee
ISAF	International Security Assistance Force
KI	Key Informant
KP	Khyber Pakhtunkhwa
MoU	Memorandum of Understanding
MSF	Médecins Sans Frontières
NADRA	National Database and Registration Authority
NARA	National Alien Registration Authority
NAVTTTC	National Vocational and Technical Training Commission
NRC	Norwegian Refugees Council
NTN	National Tax Number
PCM	Proof of Registration Modification
POC	Person of Concern
POR	Proof of Residence
PPVR	Population Profiling and Verification of Afghan Refugees
RAHA	Refugee Affected and Hosting Areas
RV	Refugee Village
SSAR	Solutions Strategy for Afghan Refugees
TC	Tripartite Commission
TEVTA	Technical Education and Vocational Training Authority

INTRODUCTION

1.1 The conception

As part of its Integrated Livelihood Promotion Plan, UNHCR will partner with the ILO in implementing market assessments, value chain analyses and development of livelihoods interventions in selected countries to improve the livelihoods of refugees and other persons of concern (POC) to UNHCR while in the country of asylum and assist them with acquisition of skills that will help them enhance their livelihoods upon return to the country of origin. The objective of the cooperation between UNHCR and ILO is to integrate the results and recommendations of an ILO market system analyses into UNHCR livelihoods programming in order to inform and strengthen the impact and sustainability of UNHCR livelihoods interventions. In other words, the collaboration will lead to promote self-reliance and equip refugees with skills and knowledge for further self-employment by understanding the labour market trends in selected sectors and identifying support measures to improve the overall market access of refugees.

Under this collaboration, similar analyses have already been conducted in Egypt, Costa Rica, Zambia and South Africa. This assessment focuses on Afghan refugees in Pakistan. Afghan refugees will benefit from this UNHCR/ILO cooperation through applying their skills and understanding of the market trends in places of their habitual residence upon return to Afghanistan. Thus, the acquired skills and knowledge will be beneficial for them while in refuge in Pakistan and upon return to homeland.

One of the requirements is that UNHCR Operations conduct a socio-economic assessment and context analysis as well as a livelihoods market analysis in order to develop a context-specific livelihoods strategy and properly design, modify and target livelihoods interventions. Consequently, two separate but interlinked analyses, a socio-economic assessment and context analysis, and a market analysis with value chain analysis were conducted in Pakistan targeting the Afghan refugees.

1.2 Rational of the assessment

Traditional livelihoods development projects for refugees usually focus on providing direct assistance, skill development without considering the broader market systems that the refugees are part of. This broader market system includes the sectors they are engaged in or may potentially get

engaged, the support functions for those sectors to grow and also the rules and regulations that govern those sectors. This is confirmed by a recent study on “Refugee Economies” which concludes that “Interventions that aim to promote refugees’ sustainable livelihoods must be based on a sound and comprehensive understanding of existing markets and the private business sectors within which refugees are making a living”.¹

While these traditional projects can succeed in promoting short-term income opportunities for refugees, they often encounter challenges to generate sustainable impact in the long run, and particularly when implemented on a large scale. Also, these short-sighted project approaches often lead to negative spill-over effects on members of the local host community that are already engaged in those sectors. Therefore, having a clear understanding on the broader market systems or in other words, understanding of the overall socio-economic and context analysis is critical to develop a livelihoods program that will not only address the needs of the refugees to get growth-oriented income earning opportunity but also creates an environment where host communities do not see the refugees as a threat to their livelihoods.

Therefore, interventions should be aimed at combining “push” and “pull” factors. “Push” factors aim at building capacities of the target group to engage with the market, for instance through skills development, transfer of assets or strengthening social networks, while “pull” factors focus on developing market systems to expand and diversify market opportunities available to the target group as well as the local host community. While “push” interventions usually focus on working with the target group directly, “pull” interventions tend to work with a wide range of market actors. It is important to note that while push and pull interventions work from different angles and potentially with different actors, they should be linked and complementary to build a holistic approach that is founded on a thorough understanding of needs of the target group as well as market realities and trends.²

1.3 Assessment method

The assessment applied a mix of qualitative and quantitative approach in data collection and analysis to capture not only the static part (the situation at a given time and compared with another earlier time) but also the dynamics of how the changes took place. Extensive desk research (both quantitative and qualitative data) helped develop the general understanding of the socio-economic context to prepare investigation tools for primary level data collection.

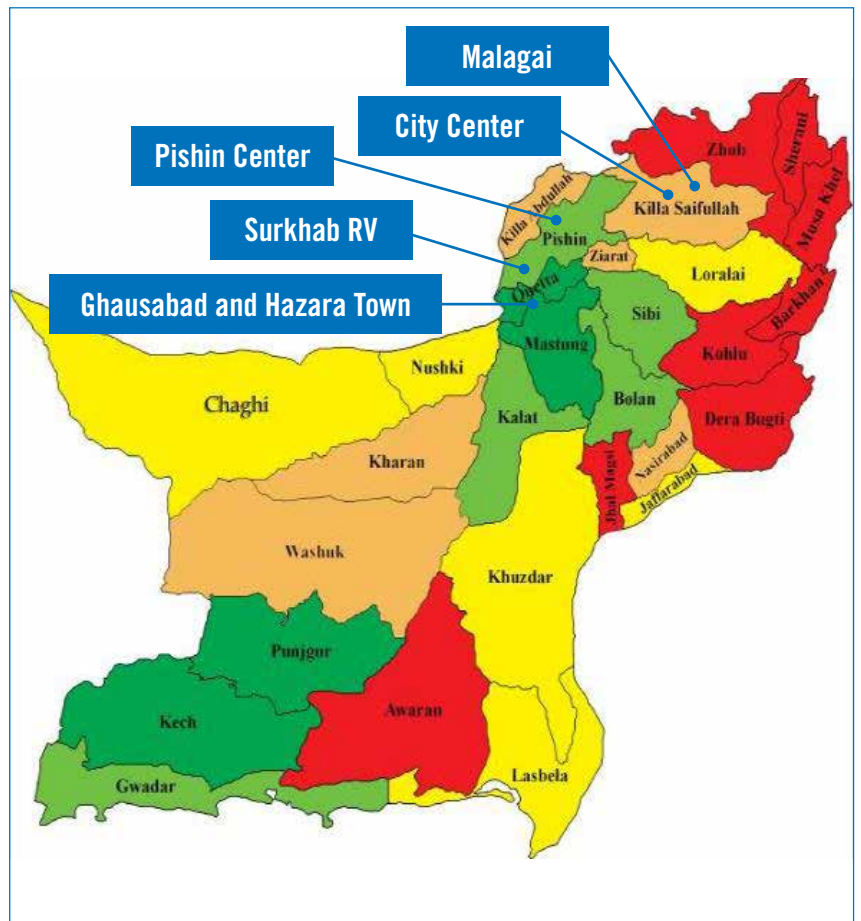
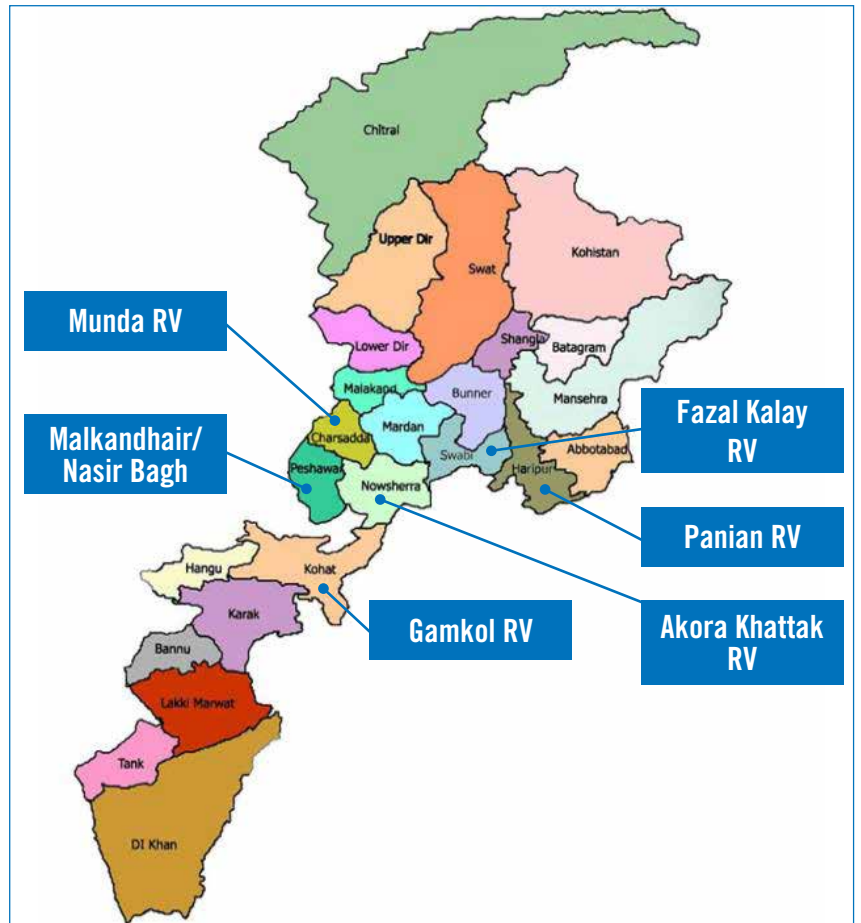
Because of the limited time and resources, the assessment did not apply a large-scale survey for primary data collection rather used a purposive method to unfold the dynamics of refugees’ socio-economic status. Consequently, Key Informant (KI) interviews, Focus Group Discussions (FGDs), in-depth household (HH) interviews and field observation created the source of primary information. As refugee and also host communities are affected by the changes in the market systems, both groups were covered for primary data collection. The sampling was purposive in nature. Khyber Pakhtunkhwa (KP) and Baluchistan houses the largest number of Afghan refugees and consequently, these two provinces were considered to gather primary information.

1. Humanitarian Innovation Project, Oxford University (2014): Refugee Economies - Rethinking popular assumptions

SEEP Network (2010): Minimum Economic Recovery Standards

2. USAID (2015), LEO Brief: A framework for a push/pull approach to inclusive market systems development

Figure 1: Areas explored in KP and Baluchistan



SECTION 2

SOCIO-ECONOMIC AND CONTEXT ANALYSIS

2.1 The context

After more than three decades of protracted displacement, afghan refugees still constitute the second-largest refugee group and the world's largest protracted refugee situation, with some 2.6 million persons dispersed across more than 70 countries. 95 percent of this population (approximately 2.5 million) continue to be hosted by just two countries – the Islamic Republic of Iran and Pakistan where the latter hosts³ more than 1.5 million registered refugees by August 2015.⁴ However, there are an estimated equal number of non-registered Afghans who are also living in Pakistan.⁵

Pakistan is not a party to the 1951 Convention relating to the Status of Refugees or its 1967 Protocol. At present, Pakistan has also not enacted a domestic legal framework for the protection of refugees and, consequently, has no domestic refugee status determination procedures or institutions in place.⁶

Most registered Afghan refugees in Pakistan are ethnic Pashtun (85 percent) with smaller numbers from other ethnic groups, including Turkmen, Uzbek, Tajik and Hazara. The majority (82 percent) reside in the Khyber Pakhtunkhwa (62 percent) and Baluchistan (20 percent) provinces bordering Afghanistan. Since the late 1990s a significant number of Afghan refugees have moved out of refugee villages to semi-urban areas. Today, 67 percent live in urban or rural areas, while the remaining 33 percent reside in 54 refugee villages.⁷ The discontinuation of living in refugee villages was mostly due to the discontinuation of food assistance in the camps.⁸

More than half of the Afghan refugee population in Pakistan is under the age of 15, 64 percent of whom are children between 5 and 14 years. Youth (15-24 years old) make up another 20 percent of the total Afghan refugee population.⁹ Majority of young refugee population was born in Pakistan.

In July 2013, the government of Pakistan agreed a new National Policy

3. Khan, M. A. May 2014: Pakistan's national Refugee Policy. Afghanistan's displaced people: 2014 and beyond

4. UNHCR, 2015-16: Solution Strategy for Afghan Refugees

5. Refugee Rights Network Pakistan, <http://rrmpk.org/>

6. UNHCR, 2015-2017 Protection Strategy

7. UNHCR, 2015-16: Solution Strategy for Afghan Refugees

8. Khan, 2014

9. UNHCR Population Profiling and Verification of Afghan Refugees (PPVR), 2012

of Afghan Refugees, in synergy with the multi-year Solutions Strategy for Afghan Refugees (SSAR), which focuses on voluntary repatriation in safety and dignity, sustainable reintegration inside Afghanistan, and assistance to refugee host communities. A Tri-Partite Agreement between Pakistan, Afghanistan and UNHCR guides and regulates voluntary and gradual repatriation of registered Afghan refugees from Pakistan. Over 3,840,000 Afghan refugees have voluntarily repatriated since March 2002 under this agreement, with each returnee now entitled to US\$200 from UNHCR.¹⁰

Voluntary repatriation continues to be the preferred durable solution for the vast majority of Afghan refugees. After a continuous decline in numbers over the past several years hitting an all-time low in 2014 with only 12,991 returnees, more than 56,000 refugees have repatriated to Afghanistan until November 2015. While the establishment of a new Government of National Unity in Afghanistan at the end of 2014 pursuing an agenda for reform and development triggered hopes for greater stability in the country and thus improve return prospects for Afghan refugees, the security situation has become more volatile following the withdrawal of the International Security Assistance Force (ISAF) from Afghanistan (with a much smaller remaining international security contribution through the Basic Security Agreement (BSA) with the US). In such a complex situation, Pakistan regularly extended the Afghan refugees' stay in the country for at least 12 months every year. In June 2016, however, an extension of only six months was offered until December 31, 2016. Then that deadline got extended to until the end of 2017.

2.2 Refugee livelihoods

Refugee households were found to remain engaged in a wide range of occupations, however, two major occupations are prominent - daily wage labour in construction, and agricultural activities – be it as labourer or farmer. The former, mainly in urban setting while the latter in rural. Following table provides a snapshot of the major livelihood means of the refugee population visited in contrast to their host community household members.¹¹

10. Khan, 2014

11. It is not essential that household members have to reside in the same area. Here, the occupations of the refugee and host community household members were recorded irrespective whether they live in that place or working elsewhere

Table 1: Major occupations of the refugees

Region	Location	Socio-economic setting	Major occupations ¹	
			Refugee population	Host community
KP	Malakandhair Nasir Bagh, Peshawar	Rural (non RV), about 20-25 km from district center	Trading and retailing agro- commodities and clothes, transport goods (fruit, vegetables, other food items, construction materials) between Afghanistan and Pakistan, taxi driving, retailing (grocery stores, butchery, restaurants, juice shop etc) , tailoring, auto-mobile repairing, masonry, carpentry, plumbing, electric works, painting, construction material supply, daily wage labor (construction, agriculture, loading/unloading)	Agriculture, livestock rearing , property dealing, formal jobs in universities, banks, hospitals, schools, government agencies, private sector, NGOs
	Fazal Kalai, Swabi	Semi urban (RV), about 8-10 km from city center	Daily wage labour in agriculture and construction industry, retailing (grocery, fruits, vegetable) , wholesaling and retailing of the clothes, carpet weaving, embroidery, tailoring, driving, auto repairing, electric works, refuge collection	Agriculture, livestock, formal jobs in public (police, education, health) and private sector (school, tobacco companies), NGO, skilled (auto repairing, electric works, driving, carpentry) and unskilled daily wage labor, trading (grocery, to-bacco commission agents), construction contractor etc.
	Panian, Haripur	Semi-urban (RV), about 10-12 km from district center	Daily wage labor in agriculture and construction, vegetables farming, cloth trading, retailing (grocery store), labor at brick kilns , masonry, electric works, carpentry, painting, refuge collection	Agriculture, poultry, Formal jobs in public and private sector (plastic industries, cement industries, chemical and processing industries), auto repairing, electric works, driving, carpentry, construction contractor etc.
	Gamkol, Kohat	Rural (RV)	Daily wage labor in construction and agriculture, vegetables farming, cloth trading, retailing (grocery), honey bee farming , auto repairing	Cereal farming, formal jobs in public sector, migration abroad for skill based jobs, retailing (general store)
	Akora Khatakk, Nowshera	Rural (RV)	Refuge collection, cloth trading , vegetables farming, retailing (grocery store, fruits and vegetables, butchery) , daily wage labor in construction and agriculture	Vegetables farming, formal jobs in public and private sector
	Munda, Charsada	Rural (RV)	Livestock trading, vegetables farming, retailing (grocery store) , driving, auto repairing, tailoring, daily wage labor in construction	Power loom, farming, livestock management, formal jobs in public and private sector
Baluchistan	Surkhab, Pishin	Semi-urban (RV), 10-12 km from district center	Daily wage labor in construction and agriculture, trading, electric works, welding, auto repairing ,	Agriculture (orchard, vegetables), Formal jobs in public and private sector, cooking, business
	Pishin Center	Urban (non-RV)	Daily wage labor in construction, loading/unloading, fruits trading, retailing (grocery, fruits, vegetables), domestic workers, cleaning	Shop keeping, formal jobs in public and private sector
	Qilla Saifullah Center	Urban (non-RV)	Daily wage labor in agriculture and construction, cattle farming and trading, general trading, auto repairing, construction business	Trading, agriculture, cattle farming
	Malagai, Muslim Bagh	Rural (RV)	Mining, agriculture, daily wage labor in construction	Agriculture, mining, construction business, formal jobs in public and private sector, small businesses
	Quetta	Urban (non-RV)	Retailing (fruits, vegetables), trading, farming (orchard), daily wage labor in construction	Formal jobs in public sector, small businesses

1. Higher level of engagements are highlighted in bold fonts

Several key observations can be made regarding the livelihood means of the refugee and the host people.

Refugees are hardly engaged in formal sector. A distinct differentiating feature between the refugee population and the host people is their level of engagement in formal sector. Refugee people are hardly engaged in formal sector – be it public, private or development (NGO) sector while many host community people are engaged there. In all the FGDs with the refugee communities, the participants endorsed this very fact and substantiated their demotivation to pursue higher education which could lead to formal jobs.

Refugees are considered as more efficient in low-end labor market. In most areas visited, refugees were found to remain engaged in low-end non-skilled based jobs, mainly in construction or in agriculture sector. Most host community people (except the very poor segments) usually avoid such occupations. There is also a common perception among both refugee and host community people that in labor intensive low-skilled jobs, refugee people have higher demand in the market as they are perceived to be more committed and efficient in their work compared to local people.

Most refugees could not stick to their occupations they were engaged in Afghanistan. However, exceptions could be seen only for those who had specialized skills such as electric works or grinding grains (capitalized immediately after migration). The type of occupations before migration (mainly agriculture, livestock) indicates that the most refugees belonged to rural setting where they needed physical resources (land, animals) to earn their living. Getting these resources in a refugee situation had not been easy and hence, many shifted from those occupations. However, once they settled down and spent significant time, many started to do farming by leasing lands or sharecropping. Following figure shows the change of livelihood means of all the refugee households interviewed – from both rural and urban setting and is a good indication to see how their occupations changed in course of time.

Refugees are also engaged in agricultural production, not as labourers but also farmers. Though many refugees' primary occupation was agriculture in Afghanistan, not so many started the same even after a long time since they migrated. Seasonality, barrier to land entitlement and low return compared to other occupations restricted many to embrace farming. Still, some refugees started cultivation, by taking lease of agricultural land or by going into share-cropping arrangement with land owners. An interesting observation is such that while they were cultivating mainly cereal crops in Afghanistan, they embraced more commercial crops in Pakistan such as vegetables, orchards etc. Their presence in such commercial farming is remarkable when compared with local people. One key reason to uptake such commercial farming can be attributed to the economic factor – the benefit-cost ratio. Since they pay lease money for the land or share part of the harvests, high return crops are their first choice. Besides, the refugee households have excess physical labour to spare in the field and so they go for vegetables farming or orchard management which are more labour intensive. However, income from agriculture farming alone, in most cases, do not provide sufficient earning to cover the family expenditure.

Economic return in agriculture is lower compared to that in other sectors. The engagement in agriculture has been an easy entry for the refugees at the early stages, however, the wages are relatively lower in agriculture. If they work as a caretaker of a farm, they get PKR 5000 – 8000 and a house to live in. The wages as daily labor in agriculture is slightly lower (20% less)

than they get in construction. As a farmer, they can get land on lease or on share-cropping basis. However, many households do not go for farming as it involves full time engagement, while number of family members would go for seasonal labour in other areas and sectors (primarily construction or mining sectors) leading to insufficient labor for farming.

Multiple occupations are prevalent among the refugees who are engaged in agriculture. Not only the farmers but also the daily wage labourers engaged in agriculture sector, search for alternative jobs during off-season. They mostly engage in construction sectors, as daily wage labourers.

Seasonal or temporal migration of household members is commonplace. Among the households interviewed, seasonal or temporal migration is well prevalent. Even long-term migration to Iran (from Baluchistan) was also recorded. Refugees with skill-based occupations such as masonry were found to migrate temporarily to different districts when they get jobs outside their residing area – they go for weeks, complete the job and return home. Seasonal migration is more prominent for refugees who depend on daily labour – in agriculture or construction, observed more in Baluchistan though. People migrate from their place during winter and go to big cities like Lahore, Karachi for work, stay for 2-3 months and come back.

Most refugees learned their current occupation by learning-by-doing. Incidents of receiving vocational training from formal training institutions or development assistance and adopting the same profession afterwards are rare. Almost all the refugees learned the skills (whatever the level of sophistication of skill is) of their current occupation by learning-by-doing. This means, they get engaged to the job at the entry level (as apprentice and/or with very low salary) and gradually learned the skills which they capitalized on later to become self-employed. In very few cases, refugees received formal training and exploited the skills to earn a living. It was not possible to check the extent of absorption of such formally trained refugee population in the job market (and it was not the purpose of the study). The common trend, however, shows that they learn the skills by getting into the job directly.

In most local economies, refugees are integrated strongly; and seen positively by the host people as a part of the economy, however, signs of friction are there. Host communities played a significant role by allowing the refugees to use their limited infrastructure and resources. If these host communities are not supported alongside the refugees, the conflict between the two is inevitable.¹² In most of the areas visited, the refugees were seen to be absorbed in the local economy very well, their presence in the formal job market, however, could not be

Case 1: In some areas, refugees have acquired a better position in local economy

Due to refugee status, Afghans became hard workers and more opportunity seekers compared to the local people. FGDs with refugees and host people (cross-validated) also reveals this fact.

Quotes from refugees in Qilla Saifullah, Baluchistan:

“Most of us are involved in construction and agriculture labour sector, shop keeping and cattle farming. Most of the trading businesses are also occupied by us. We can say, 75% of the jobs are occupied by the Afghans in the district center. We have learnt our skills here in Pakistan. We travelled around the whole country while working in different sectors and that is how we developed our skills.”

Quotes from host community people in Qilla Saifullah, Baluchistan:

“Refugees, we think, are better than us - they have almost captured the economy. If we go to the market, 80% of the shops are owned by them – they are butchers, restaurant runners, shopkeepers and what not. Out of 1600 shops, 1400 are run by the Afghan refugees in the market here.”

12. Khan, 2014

traced. Though they are engaged mostly in daily wage labour based jobs (construction, agriculture, loading/unloading) or very low-skill jobs such as refuse collection, brick kilns; in cases and in few sectors, the presence drives the sectors compared to that of local people. For instance, in many places afghan refugees dominate cloth trading business. In agriculture, vegetables farming or orchard management or honey bee farming or retailing of agro-commodities (vegetables, fruits) are other domains where Afghan refugees surpassed local people. Auto repairing is a skilled based sector, where refugees show remarkable presence. Whatsoever, in most areas refugees are not seen as threats for the jobs of local people as they hardly have access to formal jobs. Besides, most of the jobs refugees are engaged in, are not preferred by the locals. However, in areas where refugees strongly influence the local businesses, a silent grudge can be observed among the local people.

While employing others, skill level is the main concern, not the origin of the person. This was found true whether the recruiter is a refugee or a local person. Not so many refugees interviewed were found to hire people as many of them rather work for others. However, those who were engaged in skill-based occupations such as masonry, electric works, tiles fitting etc. were found to employ people. While hiring people, they look at mainly level of skills, trust worthiness and obedience. However, in case of recruiting for daily wage labour, local people shared their inclination towards hiring refugees as they find them more hard working and efficient.

Specialized skill-based jobs and small businesses yield higher income. While there is a wide range of occupations refugee population is engaged in, a comparative analysis was conducted among the households interviewed. The general trend shows, low-end jobs such as domestic worker, daily wage labour etc. earn a low level of annual income in the range of PKR 180,000 – PKR 220,000. On the other hand, skill based occupations such as masonry, tiles fitting, electric works, honey bee farming etc. and small businesses such as cloth trading, shop keeping (grocery store), contract farming (agro commodity trader) etc. earn larger amount. Agricultural production provides a mixed picture of income level. It obviously depends on the household ability to lease land and also deploy labour amount for sharecropping.

2.3 Rules and regulations

This section describes not only the formal rules and regulations but also the informal rules of the community/society the refugee population lives in.

2.3.1 Legal environment

In refugee household interviews and as well as in FGDS, protection problems (arrests, detention, harassment, restriction in mobility etc.) came on the surface, irrespective of their place of living – whether in refugee villages or outside. This problem is accentuated in recent time following the increased pressure for repatriation. A recent study¹³ also found similar information, however, stating the problem is more acute in urban setting compared to refugee villages (90% respondents in urban areas are victim while 40% in refugee villages).

The refugee population seems to be very much aware of the need of PoR (Proof of Residence) to access different basic services including public healthcare and schools. It is also perceived that the card is a legal paper for them to move freely. This is also endorsed by the same study.

13. UNHCR Pakistan, 2015: Participatory Assessment Report, Pakistan

Refugees cannot own any property which needs to be registered, be it a house or a vehicle. Still, many refugees own such properties under the name of local people by having an agreement in a legal paper between them and the local people. However, when any conflict arises the refugees always remain in the back foot as they cannot go for any legal action. The current repatriation efforts have worsened their situation as many of them are forced to sell their properties at a very minimal price.

In terms of accessing natural resources for public use such as fishing, forestry etc. the refugees claimed to not face any difficulty.

The UNHCR study identified few other aspects under regulatory environment:

- a) Some refugees think that the PoR card is not only an identity card certifying their legal stay in Pakistan but also as a travel document based on the fact that it allows them to easily cross the border to attend to family matters (weddings, funerals etc.) in Afghanistan. They specifically mentioned that unregistered female Afghans can easily enter Pakistan if they are accompanied by a family member who holds a PoR card.
- b) When it comes to civil registration requirements (marriage, divorce, death, and custody rights), for most refugees it is not part of their customs and that the added value of such registration is not evident to them. The only exception appears to be the birth certificate for new born children, which the majority recognizes as an important document. However, the distance to the Proof of Registration Modification (PCM) centers run by the National Database and Registration Authority (NADRA) where registration activities are carried out and birth certificates issued, a lack of understanding of the requirements and of a hospitable atmosphere at the PCM centers result in a certain reluctance among refugees to apply for birth certificates.
- c) The majority seemed to be aware of the registration exercise that the Government of Pakistan is planning to launch for undocumented Afghans based on an agreement with the Government of Afghanistan. Most considered this as the appropriate solution, but were also aware of the option to apply for asylum with UNHCR for persons who are unable to return to Afghanistan, because they fear individual persecution or other risks for their life.

2.3.2 Refugee access to labor market

As described in the livelihood section, refugees hardly have any access to formal job market - public or private. The most visible presence and easy access for them is low-end unskilled labour market, be it in construction or agriculture or simply loading/unloading tasks in market places. In this low-end labour market, no discrimination of wages between refugees and local people were observed. Rather, refugees were found to have a better image as labourer among the recruiters. Most refugee households have seasonal migrants (particularly in Baluchistan) to other big cities during winter to work as daily wage labor. However, recent repatriation efforts have reduced this mobility as refugees mentioned about increased harassment by the law enforcing agencies during travel.

While many refugees were found to be skilled and self-employed in the areas of auto repairing, masonry, carpentry, welding, electric works etc. none of them were found to be employed by either public or private sector as the

refugees cannot obtain a CNIC (Computerized National Identity Card) under their legal status. CNIC is a requirement for jobs in the formal sector. The statutory requirements now also include a national tax number (NTN) which can be issued to both residents and non-residents but not refugees. Similarly, social protection, insurance, old age benefits providing organizations also require CNIC as a minimum requirement for recruitment.

In skill based informal economy in the two regions covered, a significant influx of local skilled migrants from Panjab was visible. Many refugees seem to have worked with them, learned the skills and became independent at a later stage.

In the informal economy, refugees seem to have equal access to that of local and in some areas and sectors they outperformed locals. Harassment in movement puts them in a disadvantageous situation compared to locals as it costs extra money adding up to the business. In terms of market access, price information and so on, they seem to have equal access like host people.

2.3.3 Informal rules and social norms

Nearly all households interviewed and the participants in the FGDs opined that they live side by side with local people and take part in different social gatherings without any discrimination. They invite local people in their ceremonies (wedding, funeral etc) and vice versa. However, a fine line exists when the social status is considered. Marriages between Afghan refugees and locals rarely take place though the refugees have been living there for decades and many young refugees are born in Pakistan. Low-skill based jobs (such as daily labour, refuge collection, domestic worker etc.) are viewed mainly as the domain of refugees where locals' presence is very low – only the very poor segment is involved.

Having a PoR seems not to be enough for free movement. The norm is such that if a refugee cannot show her/his PoR, s/he will be harassed or arrested by law enforcing people unless bribe is offered. Showing a PoR will only reduce the amount of bribe. It has become a norm that refugees are supposed to pay an amount if they come across police. Since this has become more acute these days, physical movement of the refugees has reduced.

Though in general, the refugees receive services in public hospitals but a subtle difference can be observed in terms of delivery of the required service. The refugees claim they do not receive the service as quickly as the locals receive. They have to wait longer to avail the service.

2.4 Basic services and support services

2.4.1 Education

There are four types of institutions that the respondents have been referring to - a) schools at camp/refugee villages – meant for refugees only and all refugees have equal access to these schools; b) public sector primary schools – both registered refugees and local communities have equal access; lower middle class and poor households avail education services of public schools; c) religious schools/madrasas - poor and lower middle income host and refugee households have equal access and these are usually free (run by charities); and d) private schools – middle income to rich host and refugee households have access to this type of education. For higher education and vocational training - access is not equal among host and refugee students. In institutions of higher studies access is subject to

national identity, provincial quota, merit while very few institutions have admitted a certain number of refugee students under MoU (Memorandum of Understanding) with UNHCR.

2.4.2 Access to financial services

Opening a bank account requires a valid national identity document or alien registration document. Refugees earlier could open and operate a bank account using a refugee card/PoR. During the study, Afghan refugees invariably reported that they are unable to open and operate a bank account. It was noted that few banks did open a bank account if a person had a valid Alien Registration Card (ARC), a proof of registration issued by National Alien Registration Authority (NARA). It was revealed that many Afghan refugees either faced difficulty in renewing their cards or even did not have it which made it impossible for them to open or operate their accounts. As it is essential to present a valid proof of registration, therefore Afghans prefer to take help of host people when services of banks are required.

Credit and financing is not provided to refugees by formal financial institutions. They mostly rely on informal sources – relatives, friends or clients/suppliers for such services.

2.4.3 Access to technical, vocational skills and language classes

Livelihoods of Afghan refugees can be improved through enhancing their technical and vocational skills. The institutional framework for technical and vocational training in Pakistan currently do not allow those who have not gone for any formal education or school dropouts (which most Afghan refugees are) to continue skilled based learning. The minimum entry level for technical and vocational education is middle qualified (grade 8). The regional Solutions Strategy for Afghan Refugees (SSAR) identifies skills and vocational training as a key solution to allow Afghan refugees to sustainably support their livelihoods in refuge and upon return. The legal status of Afghan refugees will not allow them to pursue technical and vocational education on a formal basis in the case of an expired POR card, or for those who are unregistered. UNHCR's intervention will be required to facilitate entries to formal TVET. The students also anticipate stipend or opportunity cost of the TVET as in most cases the livelihoods are vulnerable and require sustained income.

Training for vocational training is acquired in anticipation of public sector or corporate sector jobs which refugees do not have access, most refugees go for apprenticeship rather than formal vocational training/education from formal institutions. The refugees again want a steady daily income and therefore do not go for a training that involve a gestation period of several months without any income. Education is dropped in favor of daily wage labour to keep the livelihood going.

There are government and private technical and vocational training institutes. Refugees mostly go for evening classes of language and computer courses while some refugees have gone to vocational institutions through an MOU signed between UNHCR and the concerned institutions. The technical and vocational education in Pakistan is institutionally under the auspices of the National Vocational and Technical Training Commission (NAVTTTC) which at the provincial level is managed by Technical Education and Vocational Training Authority (TEVTA).¹⁴

14. KP-TEVTA and Blochistan TEVTA

The scope of the TVET covers various industries including (i) agriculture; (ii) chemical, petroleum, rubber and plastic goods; (iii) food, beverages and tobacco; (iv) metal and metal products; (v) mineral products; (vi) other manufacturing industries; (vii) paper and paper products; (viii) textiles, weaving, apparel and leather products; (ix) wood and wood products; (x) others.¹⁵ The trades in which trainings have been provided are largely based on the need assessments and not a systematic sub-sector and labour market assessment. The institutions largely run courses providing stipends to students from poor households through the Benazir Income Support Programme (BISP) whilst refugees are not eligible to get enrolment under this category. Similarly, the industrial scope of the TVET may not be very relevant to the needs of Afghan refugees primarily with regards to the labor market needs in Afghanistan.

There are fewer institutes/centers having women instructors. This hinders the access of prospective women students to access technical and vocational training. Afghan refugees also largely do not qualify the entry requirements and if are not sponsored by any project, usually do not go for the technical and vocational training.

In general, the public sector institutions lack the capacity to provide experiential learning opportunities to students. With obsolete skills learnt, the graduates often find it hard to compete in the labour market. The institutes also attract students largely from lower income population in anticipation of getting a stipend rather than pursuing a career-based on skills.

For Afghan refugees, development assistance provided by various donors through UN agencies (notably UNHCR), international and national non-governmental organizations (NGOs) can be considered as the largest contributor for technical and vocational skills. UNHCR has been providing support to Afghan refugees in developing their vocational and technical skills through various partner organizations. Other organizations providing support to Afghan refugees include Norwegian Refugees Council (NRC),¹⁶ Danish Committee for Aid to Afghan Refugees (DACAAR),¹⁷ International Rescue Committee (IRC),¹⁸ Médecins Sans Frontières/Doctors without Borders (MSF) etc.

UNHCR under Rehabilitation of Afghan Refugee Hosting Areas (RAHA) programme has rehabilitated a number of public schools, health facilities and recently established a Women Technical Training Center for women in Loralai in Baluchistan and has initiated skills development programme for women and men refugees.

15. NAVTTC, Government of Pakistan.

16. NRC assistance cover support to refugees in education, food security and WASH (water, sanitation and hygiene).

17. DACAAR programme scope include Water, Sanitation and Hygiene, Natural Resource Management, Small Scale Enterprise Development, and Women Empowerment as well as the National Solidarity Programme. DACAAR is based out of Afghanistan and assist returnees and communities in general.

18. IRC has been providing humanitarian assistance to refugees.

SECTOR SELECTION

3.1 Identifying an initial list of sectors

A wide range of potential value chains were identified during the FGDs and interview with refugee and host community people while conducting the socio-economic and context analysis study. Market observation and desk research enriched the identification of initial candidates of VCs for final selection. However, all sources converged to a few value chains as mentioned below:

- Tomato
- Onion
- Cucumber
- Apple
- Citrus
- Construction
- Marble/gemstone
- Dairy
- Livestock (small ruminants)
- Livestock (large ruminants)
- Auto-repairing
- Wood works
- Hand-made carpets
- Embroidery

3.2 Selection of value chain

In order to select the most potential value chain/s for the target people, a set of selection criteria and sub-criteria was designed as per the given criteria:

Table 2

Criteria	Sub-criteria	Explanation
A. Sector relevance	A.1. Number of target group members active (or potential)	How many target people are currently active in different tiers of the value chain or can potential get engaged if the VC grows
	A.2. Nature of the target group's participation	How remunerating the value chain is to the target people
	A.3. Decent work deficits faced by target groups	How conducive and safe the work nature of the target people in the value chain
B. Potential for inclusive growth	B.1. Likelihood of VC growth	How is the potential for the value chain to grow in future
	B.2. Scope for improving target group employment	How is the potential for creating decent work for the target group
	B.3. Engagement of women	How is the potential for the women to get engaged in the value chain
C. Feasibility for intervention	C.1. Capacity of implementing agency	Prior experience and familiarity with value chain for the implementing agency
	C.2. Capacity of market actors	Presence of lead firms or large players to drive the change in the market systems
	C.3. Willingness of market actors to change	Does improvement or growth of the VC show clear incentives for the VC actors to drive positive changes
	C.4. Likelihood of distortion	Whether other development programmes are subsidizing or offering free services and supports refraining private sector providers to grow

Each of the value chain was then assessed through the lens of the set criteria. Accordingly, primary data and information was collected from both the regions.

Each criterion was given a total weightage of 6 and the weightage was divided into respective sub-criteria according to their importance. The following matrices show the result of the VC selection assessment. **In both the regions, construction (housing) appeared as the most potential value chain for the target people.**

Table 3

Sub-Sector Selection - Balochistan																													
Criteria	Weight	Tomato		Onion		Cucumber		Apple		Grapes		Construction		Mining (Cromite/ Coal)		Dairy		Livestock-Small Ruminants		Livestock-Large Ruminants		Auto-Mechanics		Wood Works		Carpet (Hand Made)		Embroidery	
		Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score
A. Sector relevance																													
Number of target group members active (or potential)	3	3	9	2	6	2	6	2	6	3	9	4	12	3	9	3	9	3	9	3	9	2	6	2	6	2	6	2	6
Nature of the target group's participation	2	3	6	2	4	2	4	2	4	2	4	3	6	2	4	2	4	2	4	3	6	2	4	2	4	3	6	3	6
Decent work deficits faced by target groups	1	1	1	1	1	1	1	1	1	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
B. Potential for inclusive growth																													
Likelihood of subsector growth	3	4	12	3	9	3	9	2	6	3	9	4	12	2	6	3	9	3	9	3	9	2	6	2	6	2	6	2	6
Scope for improving target group employment	2	3	6	2	4	2	4	2	4	2	4	4	8	2	4	2	4	2	4	3	6	2	4	1	2	2	4	2	4
Engagement of women	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	3	3	3	3	3	2	2	0	0	3	3	3	4	4
C. Feasibility for intervention																													
Capacity of implementing agency	1	2	2	2	2	2	2	2	2	2	2	4	4	1	1	2	2	2	2	2	2	4	4	4	4	4	4	4	4
Capacity of market actors	2	3	6	4	8	3	6	3	6	3	6	3	6	3	6	3	6	3	6	3	6	2	4	1	2	3	6	3	6
Willingness of market actors to change	2	3	6	4	8	3	6	3	6	3	6	4	8	2	4	3	6	2	4	2	4	2	4	1	2	2	4	2	4
Likelihood of distortion	1	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	2	1	1	1	1	1	1	1
Aggregate Weighted Score	18	51	45	41	38	45	60	36	45	47	45	60	36	36	45	47	45	45	47	45	34	28	34	28	41	41	42	42	42
Rating: Highest - 5 Lowest - 1		2	4	4	9	9	11	11	11	11	5	1	1	12	12	6	6	6	6	3	7	7	13	14	10	10	8	8	8
Score: Maximum Weight x Rating																													

*WS – Weighted Score **Note:** Score is given in a 1 to 5 scale where 5 being the highest and 1 being the lowest.

Table 4

Sub-Sector Selection - Khyber Pakhtunkhwa																								
Criteria	Weight	Tomato	Onion	Cucumber	Apple	Citrus	Construction	Marble/ Gemstone	Dairy	Livestock-Small Ruminants	Livestock-Large Ruminants	Auto-repairing	Wood Works	Carpet (Hand Made)	Embroidery									
		Score	Score	Score	Score	Score	Score	Score	Score	Score	Score	Score	Score	Score	Score	Score								
A. Sector relevance																								
Number of target group members active (or potential)	3	3	9	2	6	2	6	2	6	2	6	2	6	2	6	2	6							
Nature of the target group's participation	2	3	6	2	4	2	4	2	4	3	6	2	4	2	4	3	6	2	4					
Decent work deficits faced by target groups	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1					
B. Potential for inclusive growth																								
Likelihood of subsector growth	3	3	9	3	9	3	12	4	12	2	6	3	9	3	9	2	6	2	6	2	6			
Scope for improving target group employment	2	3	6	3	6	3	6	4	8	2	4	2	4	2	4	1	2	2	4	3	6			
Engagement of women	1	1	1	1	1	1	1	1	1	0	3	2	2	2	0	0	4	4	4	5	5			
C. Feasibility for intervention																								
Capacity of implementing agency	1	2	2	2	2	2	2	2	4	2	2	3	3	3	4	4	4	4	4	4	4			
Capacity of market actors	2	3	6	3	6	3	6	3	6	3	6	3	6	3	6	2	4	1	1	3	6	3	6	
Willingness of market actors to change	2	2	4	2	4	3	6	2	4	4	8	2	4	2	4	2	4	1	1	2	4	3	6	
Likelihood of distortion	1	2	2	2	2	2	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Aggregate Weighted Score	18	46	41	43	38	44	62	37	48	45	43	34	26	42	45	45	45	45	45	45	45	45	45	
Rating: Highest - 5 Lowest - 1		3	10	8	11	5	1	12	2	4	7	13	14	9	6	6	6	6	6	6	6	6	6	6
Score: Maximum Weight x Rating																								

*WS – Weighted Score **Note:** Score is given in a 1 to 5 scale where 5 being the highest and 1 being the lowest.

3.3 Synopses of value chains under scrutiny

3.3.1 Baluchistan Province

Construction Sub-Sector: In the province of Baluchistan construction is one of the important sub-sectors which engages a large number of refugees (in rural and urban areas) as investors, skilled labour, unskilled labour and contractors. Refugees were found to travel to other cities in Pakistan as well as in Afghanistan to work in this sector. Over the past decades, the sector has grown significantly in the sub-urban areas and is likely to continue creating opportunities for jobs and income generation for refugees and local population of similar profiles. The engagement of women is limited to the post construction activities only and to the bricklaying to a limited extent. The sub-sector represents feasibility with regards to the organizational capacity of market actors and implementing agencies as well as willingness of actors to change and innovate.

Tomato: The sub-sector is important in the rural areas where refugees are engaged in farming or farm labour but also with relation to rural aggregators who are mostly afghan refugees consolidating supplies in wholesale and retail trading. The sub-sector has grown and is likely to expand further thereby creating potential for employment and business opportunities. There are also opportunities for cross-border trade in the sub-sector while involvement of women is limited to family farm labour and processing tomatoes at the household level. The subsector offers feasibility on account of capacity of the implementing agencies and market actors. Most actors including farmers have commercial orientation and there is willingness to bring about changes and innovation in the sub-sector. The government administer retail prices by issuing price lists of fruit and vegetables including tomato in comparison with wholesale prices which distorts the market to a limited extent.

Livestock (small ruminants/sheep and goats): The sub-sector traditionally involves afghans tribe of “kochi” who used to live nomadic life while grazing livestock between Afghanistan and Pakistan. The refugees in rural areas and refugee villages are still involved in this occupation. The sub-sector has grown steadily and is likely to grow though at modest pace owing to successive droughts in the province. There are opportunities for the creation of employment for refugees in this sub-sector especially in farming, trading of live animals and byproducts (especially wool). Women engagement is limited to wool extracting and selling at the local level. The sub-sector is relatively complex to engage with as most farmers are constantly migrating from one area to the other. There is limited willingness of market actors to changes and innovation while distortion of the market is to a limited extent – indirectly influenced by the control of retail prices of mutton.

Other Sub-Sectors: In the context of Baluchistan, a number of other sub-sectors were identified wherein refugees are engaged either as labourers or having different kinds of business enterprises/self-employed. The sub-sector identified during the socio-economic and market assessment included; onion, grapes, dairy, livestock (large ruminants), embroidery, cucumber, carpet weaving, apple, mining (chromite/coal), auto-repairing and wood works. These sub-sectors engage relatively lesser number of refugees and in limited varieties of roles. The sub-sectors have varying degree of growth and employment creation opportunities. The gender-sensitive growth is represented by embroidery, carpet weaving and dairy sub-sectors but to a limited extent by the other sub-sectors. The sub-sectors can be targeted to achieve specific impacts in relation to a location or specific trades with the sub-sectors.

The willingness of organisations and actors vary but can be considered limited in scope and magnitude. There is generally some level of distortion in agricultural sub-sector but not in the non-agricultural sub-sectors.

3.3.2 Khyber-Pakhtunkhwa Province

Construction Sub-Sector: Based on the scoring criteria for prioritization of the sub-sectors, construction emerged as the most promising in view of its relevance, potential for growth and feasibility of intervention. The sub-sector is relevant as a large number of refugees are involved in this sector (both rural and urban), the nature of involvement ranges from investors to skilled and unskilled workers and service providers. The construction sub-sector was reported to have experienced a strong growth in the past and has high scope for the employment of refugees (in Pakistan and upon return to Afghanistan), however, women have limited opportunities to get engaged. In terms of feasibility for intervention, the subsector is positioned well. There is sufficient scope to improve the capacity of market actors; the sub-sector actors also showed willingness to change whilst there is a likelihood of some degree of distortions owing to public sector housing schemes.

Dairy Sub-Sector: Afghan refugees especially in the rural areas and refugee villages were reported to be engaged in livestock farming – especially dairy. Their involvement includes trading of dairy animals, production and marketing of dairy products (notably milk). The sector has grown considerably, a trend which is likely to continue creating potential for engagement of the refugees both in Pakistan as well as upon their return to Afghanistan. There is significant potential for engagement of women in the sub-sector. With regard to intervention, the sub-sector offers feasibility on part of both UNHCR and market actors. There is not much distortion in the sub-sector except the price regulation by the district governments.

Tomato: Tomato is one of the important horticulture crops of the province wherein a good number of refugees are engaged as farmers and unskilled dairy wage labourers. The sub-sector has high growth potential but is location specific yet have scope for creation of seasonal employment opportunities for refugees as well as engagement of women (in both farming but also processing tomatoes). There is limited distortion in the sub-sector with market committees determining retail prices relative to the wholesale prices which are competitively set.

Other Sub-Sectors: Other sub-sectors that emerged during the socio-economic and market assessment includes livestock (small and large ruminants), citrus, embroidery, cucumber, carpet weaving, onion, apple, marble and gems stone, auto repairing and wood works. These sub-sectors have relatively lesser engagement of refugees compared to the three prominent sub-sectors of construction, dairy and tomato in Khyber Pakhtunkhwa province. Some of the sub-sectors such as embroidery and carpet weaving have the highest potential for women engagement. However, the growth potential and scope for further employment and engagement of women in these sub-sectors are limited by the size of the sub-sectors, their orientation to either being rural or urban centric and varying degrees of growth prospects. With regard to feasibility of interventions, it also varies in view of the capacity and willingness of market actors.

VALUE CHAIN ANALYSIS

4.1 Market dynamics

Pakistan spends USD 5.2 billion on construction in a year. According to the Federal Bureau of Statistics, construction output accounts for 2% of GDP, with housing representing less than half that total.¹⁹ The cost of construction has been rising; as a result, smaller builders of housing projects lag behind due to the rising costs and the difficulty in accessing finance. High land and input costs, combined with the lack of financial depth of the local construction sector, has significantly impeded growth. A positive step taken by the government has been the formulation of the National Housing Policy and the measures taken to implement it. The objective of the policy is to create affordability of owning a housing unit, especially for the middle- and low-income groups in both urban and rural parts of the country.

By all projections, Pakistan's construction industry – on the back of increased Foreign Direct Investment (FDI), China-Pakistan Economic Corridor (CPEC) infrastructure projects, and a robust demand for housing – was expected to reach new heights in 2016. But because of the new Federal Budget 2016-17 in June, 2016 property taxes were increased. This brought a new level of depression in the construction industry of Pakistan. On top of that, recent fueling of Afghan refugees' voluntary repatriation has contributed further to this depression.

It is estimated that investment of around USD 110 billion is required over the next five years to fund the infrastructure projects that will serve the needs of Pakistan's growing population. The Infrastructure Project Development Facility (IPDF) team has stated that around 11 projects, valued at around PKR 200 billion (USD 2.9 billion), are in the development stage.²⁰

A unique aspect of Pakistan's real estate market is that the industry hits record highs and lows within a span of a few years. Elsewhere in the world (barring the 2005 sub-prime mortgage crisis), the real estate industry more or less follows a steady growth rate (five to eight percent per annum is the average). In Pakistan, however, when bullish trends are witnessed in the market, monthly growth rates of more than 10% are recorded, which are unprecedented. This was the case post 9/11, when FDI by expatriates

19. Government of Pakistan, The Ministry of Commerce, 2016. Real Estate in Pakistan. Study on the state of domestic commerce in Pakistan

20. International Development Group, IDG, 2013. Focus on Construction Sector. Country Report – Pakistan

increased, and again, between 2011 until the announcement of the Federal Budget 2016-17.²¹

The government’s aim is to increase the flow of foreign investments for infrastructure projects. A revival of significant private sector activity in the country’s construction industry is pivotal to any hope of a return to higher growth rates. Indeed, liberal investment laws are in place that allow for 100% foreign equity in the manufacturing and infrastructure sectors, in a bid to convince foreign investors that politico-security risks in the country should not be regarded as the ‘be all and end all’ when making investment decisions.

Since residential and commercial properties are not documented at their current market values in Pakistan, it is an impossible undertaking to determine the worth of the construction and real-estate sector. However, Federal Board of Revenue (FBR) released data and industry surveys estimate that the industry is worth around USD 700 billion. Real estate and construction, together, account for approximately two percent of Pakistan’s total GDP. Not only does it generate a high level of direct employment, the sector also stimulates demand in more than 250 ancillary sectors, including cement, steel, paint, brick, building materials and consumer durables, to name a few.²²

4.2 Demand-supply situation

INDUSTRY OUTPUT INCOME DRIVERS		
HOUSING (70% of the demand, facing downturn, high-growth potential)	NON-RESIDENTIAL (10% of the demand; less competitive, shopping mall oriented)	PUBLIC INFRASTRUCTURE (20% of the demand, no articulated urban plan, rampant corruption)
INDUSTRY INPUT COST DRIVERS		
WORKFORCE (15% of the cost, skilled local labour, unskilled Afghan refugees)	EQUIPMENTS (20% of the cost, mostly imported)	BUILDING MATERIALS (65% of the cost, 40% imported)

The income drivers within this industry is mostly fuelled by housing, and in small cases, non-residential and public infrastructure projects. The housing industry contains mainly single-family building unit, multi-family building unit, and large housing development. The customers are mostly high and middle income groups, a significant portion of that includes Afghan refugees. Projects are mostly run by individual contractors, and in some cases, small and medium size construction firms. In the case of non-residential projects (e.g. hospitals, schools, hotels, restaurants, offices, shopping centers), small and medium size construction firms hold most of the sways here. But public infrastructure projects are mostly sourced by large construction firms (international and national), and the clients are international donors and the Government of Pakistan. The infrastructure projects include roads, railways, bridges, tunnel, power lines, pipelines, irrigation systems, sewer systems, disposal plants, pumping stations, refineries, and chemical plants.

21. Shaikh, Ayesha, 2017. Pakistan’s real estate divide - Is the country’s real estate market too elitist?. Aurora - Dawn, [Online]

22. idem

The cost drivers of the industry mostly comprise of building materials, and workforce and equipment at lower margin. Among the workforce, though managers and skilled labourers hold only a small percentage of the total workforce, they extract almost 60% of the total wage pool. And the rest of it goes to unskilled labourers, most of whom are Afghan refugees. In the equipment department, light equipment is made locally, but had to be delivered from other provinces (e.g. Sindh).

Advanced light equipment and heavy machineries are imported from China, Turkey, and Iran. Concrete, gravel, sand, brick, marble, paints, steel, plaster, wallpaper, masonry materials, doors and windows, plastics, pipes, and timbers are sourced locally. On the other hand, moisture protection, cement, electrical equipment, sanitary-wares, tiles, decorative, high-quality timber, and ornamentals are fully imported.

4.3 Afghan refugees in industry context

After the Soviet Union's invasion of Afghanistan in 1979, Afghan refugees started to pour into Pakistan. It is estimated that over the last thirty years, about three million Afghan refugees have moved to Pakistan.²³ A large part of the registered Afghan refugees has lived in Khyber Pakhtunkhwa and Baluchistan province and the rest are scattered all over the country.

As per the context built from the previous paragraph, Afghan refugees had significant investment in the housing market of both Baluchistan and Khyber-Pakhtunkhwa. They have historically purchased 15-20 acres of land on a mutual basis to develop new housing societies. Booking offices and site offices are erected there to conduct any external sales and planning. Once the township is developed, televised advertisements are developed to attract customers. So, boom in the real estate business in these two regions can partly be attributed to the investment of Afghan refugees. Industry insiders even claim that the amount of Afghan investment can attribute to almost 70% in these areas. And during the timeline of the last 5 years, the price of property units got almost doubled due to high demand. The new constructions at Baluchistan and KP are done for residential purposes. About 90% of the population in these new townships and peripheries are Afghan refugees.

But over the last couple of years, Pakistan has intensified its efforts to repatriate Afghan refugees. The Pakistani government's attempts in this regard have surged with more than 200,000 refugees repatriated in the year 2016.²⁴ Due to this action by the government, the price of housing units got crunched down by almost 40% in KP and Baluchistan, especially in the satellite towns around big municipalities. Even the general real estate investors are reluctant to invest because of the risk of losing their money in the case of constant retribution in the property prices. Because of this sudden halt in the property market, the construction value chain has been negatively affected by it.

This fiasco has also been fuelled by the nature of statelessness of the Afghani refugees where they are systematically not allowed to align themselves with the national streamline. As they are not allowed to open a bank account, hold any formal jobs, or even hold a Computerized National Identity Card (CNIC) in their names. This added insecurity is powering the drive behind Afghan refugees selling off their property at a very low rate. But most of

23. Danish, Jamil, 2016. Plans to repatriate 3 million Afghan refugees are dangerous and misguided. *The Guardian*, [Online]

24. Jamal, Umair, 2016. Why Is Pakistan Expelling Afghan Refugees? *The Diplomat*, [Online].

the local real-estate investors are reluctant to take this opportunity because of the turbulent nature of the market as well as the associated legal hassles.

Though the dearth of Afghan investment in KP and Balochistan's real estate sector cannot be contested, this also does not corrode the immense potentiality of the construction industry of Pakistan, in general. The increased trend of buying luxury apartments has been reported all over Pakistan, as well as the supply demand gap of almost 12 million low-cost housing units. Real-estate industry veterans conclude that the housing market of Pakistan is ripe for a major upward surge, and this particular phenomenon is further hopped-up by some major upcoming infrastructure projects, most notably the China-Pakistan Economic Corridor. All of them combined, has poised the construction industry up for a guaranteed bet for the future. The State Bank of Pakistan's quarterly report predicts that construction will remain one of thrust sector of the overall national economy, and the growth in the construction sector is also likely to remain robust. On that note, interventions designed to stopgap the negative impact of repatriation, as well as developing inclusive skill development projects; will posit the construction industry to champion Afghan refugees and local workforce alike; ushering in an unprecedented era of economic growth and sustained upward mobility.

Apart from the investor's side, a lot of low-income Afghan refugees are working in the construction sector, mostly as unskilled labourers. Their representation among the ranks of architects or contractors are significantly low. But due to their reputation being hard workers, and their comparatively lower wage demand than their local counterparts; Afghan refugees are the first choice among the contractors to be hired as unskilled labourers in the construction sites. Many second generations Afghan refugees have started to get into skill-based occupations (e.g. painting, plumbing, electric works, masonry, RCC (reinforced concrete column) filling), but the domination of Punjabi skilled workers in the market has cornered their services into an increasingly competitive landscape.

4.4 Significance of construction industry in the context of repatriation

At the verge of the enforcement of voluntary repatriation, selection of an appropriate value chain is critical which can enable the refugees to exploit their skills and human capital in their own country upon repatriation. The selected sector also must have the capacity to absorb a large number of people in Afghanistan as the refugees upon return will add up to the increasing number of youths entering the job market every year. Construction – housing and other types, is such a sector which holds high growth prospect also in Afghanistan.

In the past decade, Afghanistan experienced unprecedented growth in its construction industry. The construction sector holds the highest amount of private sector investment as compared to other sectors. With the US and NATO's decision to extend the availability of their troops in Afghanistan beyond 2016, the construction sector will experience further growth. Opportunities for investment lie in construction materials, which are extensively imported from the regional countries. Other than government expenditure on developmental projects, there is a huge demand for houses in the capital and the provinces.

In 2014-15, 729 buildings were constructed valued USD 169.6 million and another 523 buildings were under construction in the same year. The de-

mand for new residential units is estimated to be at 500,000 housing units annually.²⁵ The construction sector contributed 7-10% to GDP in recent years. According to the Ministry of Commerce and Industries (MoCI), 25-40% is valued from the local margin, local labour and traders and 60-75% is valued from construction materials, supervision, and international over-heads.

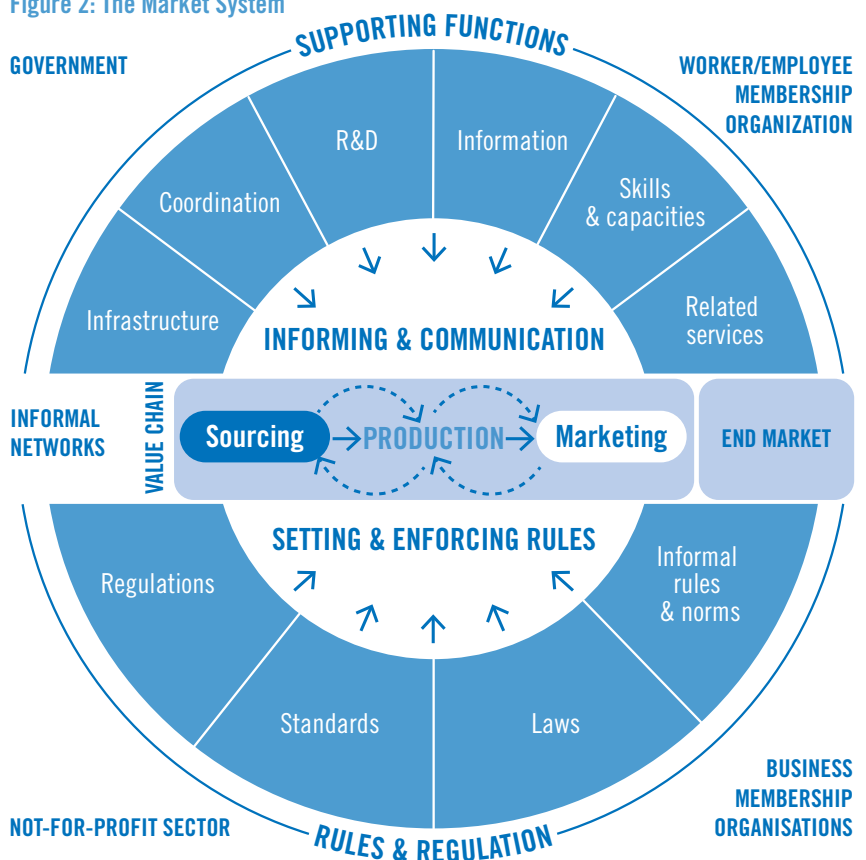
In the past decade, Afghanistan saw large and significant construction in the development of townships in the major cities of the country. Rapid urbanization and strong population growth are the main elements that will increase demand of housing markets for many decades to come.

4.5 The housing construction market system in KP and Baluchistan

4.5.1 The market systems

The market system of housing construction value chain consists of three major items: value chain, supporting functions, and rules & regulations. The value chain consists of the value chain actors who are the integral part of the market system. The value chain can be separated into three consecutive parts, each part has its own defined agenda and efficacy system. The sourcing part involves three key functions: land acquisition, design & engineering, and input supply. Next comes the production part, which in this value chain: becomes the construction part. The construction consists of excavation and foundation, structural works, and finishing works. Finally, the marketing part consist of the function of promotion and maintenance.

Figure 2: The Market System



25. <http://investinafghanistan.af/en/>

The supporting functions provided to the value chain are varied and include infrastructure, financial services and skills training, among others. The presence of these functions can improve the performance of actors in the core value chain. Equally, the underperformance of the chain can often be traced to a lack of, or weaknesses in, these functions. In the case of Pakistani housing construction value chain, the support system consists of a range of stakeholders e.g. transport, District Development Authorities (DDA), Engineering Universities, and Banks to name a few.

The other key components of the market system are the 'rules of the game', which govern the way that actors in the value chain operate. These include labor legislation, regulations at all levels of government, quality standards and government policies. They also include informal norms and values, which are the customary rules of behavior that shape interactions and ideas about what is good, right, fair and just. These may be explicit or implicit. Absence or inadequate rules, or poor enforcement can reduce the performance of a value chain. For example, the increase of property taxes in the recent budget have made an overwhelmingly negative impact within the value chain functions.

4.5.2 Value chain functions

Within the construction (housing) value chain, a number of functions are involved including site acquisition of land/plots, preparation of the layout and architectural design, material input, excavation and foundation works, erecting of structure/civil work, shuttering and formwork, RCC filling, finishing and promotion. Each of the functions is described briefly below.

Land and plot acquisition

For the construction (housing activity), the identification and selection of site/plot is one of the most important considerations. This step may take several months. The plots/sites will be either sourced on cash or paid in instalments. The former is the case when plots are purchased from individuals or real estate investors. The latter is mostly in the case of housing schemes marketed by relatively bigger housing developers. Households and businesses increasingly prefer buying plots in the housing projects which offer the advantage of amenities and better infrastructure as against buying plot in an unplanned area.

Design and Engineering

The need for developing layout maps and architectural design depends upon the area where the construction is taking place. If it is an individual constructing a house or commercial building in an unplanned area, a map may not be required. However, in the urban areas and planned townships it is an essential part of the process of construction. In the urban centres, a municipal corporation, municipal committee or a development authority reviews the map and approve it before commencement of the construction. In the case of developers of commercial housing schemes and public housing projects, maps are developed and approved before starting construction on the ground.

Input Supply

For construction activities, a number of inputs are required which are arranged according to the requirement in sequence. The key inputs needed include cement, sand, gravel, iron/steel, bricks or cement blocks,

water supply, lime stone, paints, electric wiring wares, sanitary wares, plumbing items, wood/timber and related items, tiles and flooring items, ceilings etc.

The necessary inputs are organized according to the stage of construction from various different input suppliers. The mode of payment is usually cash, however, contractors often get inputs on credit and pay in instalments. In the case of individual constructors, inputs are organized from many different input suppliers while contractors may use general order suppliers who can organize supplies according to demand and transport it to the construction site.

Excavation and Foundation work

Once the map is approved, the first activity is laying down foundation for the construction. Usually foundation is made for the walls and pillars only while in certain areas and towns it is obligatory to have a foundation for the entire covered area as a base. The foundation work involves the services of excavation machinery, masons and unskilled labourers.

Structural Works

The structure is made of bricks, cement blocks only or a combination of reinforced concrete beams/pillars and walls made with bricks or cement blocks. In multistoried buildings, the structure is made of RCC. Bricks and cement blocks are fixed using mixture of sand and cement as binding agent. The ratio of mixing of cement with sand or crushed stone depends upon the client's requirement. The structural work depends on the number of floors and continues after each roof is completed. Usually the services of masons and unskilled labourers are involved for the structural works.

Formworks and False Work

Formwork is done for molds in the roofing into which concrete or similar materials are poured. The shuttering molds are supported by false work. The shuttering material is usually wooden or iron slabs while the false work is either wooden beams or iron pipes. Shuttering work is done by contractors who specialize in this work while the material is rented on a per day basis. Once the shuttering work is done the steel columns and beams are laid down.

Finishing

A number of sub-functions takes place while finishing the construction project. These include plumbing, electric works, sanitary fitting, white washing and painting, wood works (door, windows and cupboards etc.), tiles and/or marble fitting, grinding and polishing marble, false ceilings and furnishing. Each of the specialized work involve input supply and skilled and unskilled labour engagement.

Promotion and Maintenance

Once the building is ready, it is either occupied by the owner or is offered for sale. Marketing is usually done through property agents who sell properties charging commission to both sellers and buyers (2% from each). Bigger housing projects engage marketing companies to undertake advertisement and maintain site offices for marketing. Some housing developers offer sale of houses and flats on instalment basis.

4.5.3 Value chain actors

There are several value chain actors under each of the value chain functions. The characteristics of each of these actors are described briefly below

Architects/ Architecture firms

Architects at Khyber Pakhtunkhwa and Baluchistan region vendor their services either individually or by being attached to an architectural consulting firm. Both firms and individual architects bid in housing projects, though public sector biddings provide larger share of the profit pie. There are significant shifts observed in the architectural service market, where new entrants from Punjab or Sindh often move to Baluchistan or KP region to enjoy better work opportunities. In terms of profit out of these opportunities, in-house architects profit around 1-2% of the overall bid total. But the general trend among the architects is to start their own architectural consultancy firms as it ensures greater exposure as well as greater share of the profit pie. These architectural consultancy firm at Pakistan usually consists of architects, surveyors, and draftsmen. The firm may try to accommodate in-house civil and electrical engineers in their staff roster. But if it is not financially sustainable, then the engineers are appointed on an ad-hoc basis.

Engineers

Engineers are needed during the design and engineering phase of the construction. They, in general, cater their services to the owner or the contractor directly. An agreement is always made between contractors and engineers before providing any consultation service from the time of foundation to the final finishing.

During constructions, engineers recheck the drawing and designing of the intended construction, as well as supervise the quality of the materials used at different stages of the construction. But the engineering consultation process always start with testing the soil where the construction is going to take place.

The quality test of input materials of every kind (e.g. steel, cement, bricks, concrete) goes on alongside of the construction process. For testing, the engineers depend on the University laboratories in their respective vicinities. These tests check PSI (pounds per square inch) strength of the materials, and usually costs around PKR 800-1000. Engineers generally prefer private sector as compared to public sector to avoid the constructions sector downturn that happens seasonally. They usually charge on a monthly basis, depending on the size of the construction unit.

Cement and steel dealers

Cement and steel dealers in the selected provinces provide their materials directly to the construction site. The cement is mostly delivered by the respective representatives of the company. The local brands of cement costs PKR 530 – 540 for a bag while a bag of Iranian cement costs PKR 470. Because of cost-effectiveness, majority of the contractors prefer Iranian cements over Pakistani ones. The profit margin in Iranian cement is almost double (PKR 20) than the local cements (PKR 10). Though Iranian cement distributions take 3-4 days to deliver the cement, local cement distributor can deliver their cement the next day. In the case of structural irons, they are sourced from wholesalers who have set up shops at most municipalities. The iron is priced at PKR 70,000 per ton for the last 2 years. During downturn, the price can decrease to PKR 58000-60000 per ton. During regular

pricing, dealers enjoy around PKR 1000-1500 profit per ton. Dealers, at the time of importing the goods, mostly pay by cash on the border or sometimes make payment to Iran through informal channel.

Most of the dealers in this industry are Pakistani citizens, where the representation of Afghan refugees is minimal at best. Afghan refugees are instead used as unskilled labourers as a substitute for loading/unloading purposes. Cement dealers are facing the trade depression because of investment vacuum created by Afghan refugee repatriation. Also, the seasonality downturn (at winter) affects their businesses every year.

Gravel, sand, and brick dealer

Gravel, sand, and brick dealers deal directly with the owners or the contractors of the projects. Though their opinions vary, most of the dealers prefer to work with private contractors as public sector payments are often halted and delayed for a prolonged period. These input material are purchased in bulk quantity as well as on need basis, according to the requirement and available space of the customer. The dealer procures these materials on cash based transactions. But the prices of these building materials have not been stable. The price of brick increased from PKR 5,000 to PKR 7,000 per a thousand bricks. The shortage of bricks mostly occurs in the months of July and August due to monsoon rains and in the months of January-March due to cold weather and rains. Similarly, the prices of gravel increased to PKR 2,800 per cubic feet because of a high-court order to block the operations of any gravel machine in Baluchistan. The price of sand remained stagnant at PKR 15,000 to 20,000 per trolley.

There is minimal representation of Afghan refugees among the dealer population. Only for loading and unloading materials, Afghan unskilled labourers are used. The dealers usually own a loader machine, a dumper trolley, and some tractors for loading and unloading gravel, sand and bricks. But mostly they use manual labour. Access to finance is a major constraint for the dealers as they always need capital infusion to procure machineries.

Marble stock dealer

Demand for marble has been increasing on par with the growing construction industry. There are 20 different varieties of homegrown marble available in Pakistan whereas around 100 different varieties are found around the world. Marble stocks are generally used for porch areas and the slabs are used to decorate kitchen and bathroom spaces. Durability of marble made them a natural choice to use them in the floors of the houses. On the other hand, Iranian tiles are used on the walls. Dealers often bring different types of marbles (in the form of sliced slabs) from the quarries (e.g. Lasbela-Khuzdar region) and prepare them according to the required measurements by the customers. The marbles are sold at a wholesale rate. And the delivery time varies according to the demand volume and seasonality factors.

Afghan repatriation process is adversely affecting the marble industry, as the real-estate prices have almost halved over the period of two years. Though the price of petroleum dramatically decreased over the years, it did not portray any positive impact on the marble prices.

Sanitary-ware dealer

Sanitary-ware dealers basically deal with sanitary accessories and ceramic tiles. Ceramic tile is the most selling product for the sanitary-ware dealers. The dealers mostly deal with the private building contractors. The public-sector

contractors usually hold off paying the credit for a long period of time. But no additional interests are accrued during this time. Other than Chinese sanitary parts, ceramic tile is the most selling product for the sanitary-ware dealers. The dealers mostly like to deal with the private building contractors as the public-sector contractors usually holds off paying the credit for a long period of time.

There is no obligation from any regulatory authority against the sale of Iranian products because the customs duty is paid at the time of import. But the huge custom duty on sanitary parts and tiles (20%) is hindering further profit output. The Afghan refugee repatriation has also emerged as a big constraint. Most of the commercial plazas are constructed by Afghan refugees and there is a huge demand of ceramics results from there. The representation of Afghan refugees in marble and tiles dealing is significantly low. The dealing business is not labour intensive. And most of the workforce recruited in the industry are local citizens.

Paint and hardware dealer

Paint and hardware dealers essentially vend paints and hardware to households and private sector contractors. As the demand for imported paint and hardware is high, the dealers need to keep a regular inventory of imported goods at their roster. Foreign hardware is mostly imported from China, which constitutes around 80% of the total hardware sales. And the local hardware is mainly sourced from Punjab (Lahore, Gujranwala, Gujrat), and Sindh (Karachi) province. In terms of selling paints of multinational corporations, they tend to give the dealers a percentage on the MRP (Maximum Retail Price) which varies from 15-20% depending on the product, while the national companies give a certain lump-sum value.

Machinery provider

The machinery providers usually rent out construction machineries to contractors or individual owners on daily-to-monthly basis. As this business requires only a capital infusion and no particular skills, machinery providers face stiff competition in the municipalities. The payments are made on a weekly basis in the case of private contractors. Because of delays in payment by the public contractors, most of the machinery workers prefer to work with the private contractors. The machinery providers experienced positive shifts in the market for the last five years. But because of the recent Afghan expatriation scare, the market is at on a standstill, and that is adversely affecting the machinery providing business.

Contractor

Private contractors are at the forefront of developing new housing societies and gated communities. Construction of new housing used to receive a sustained boost of 15-20% every year. And the current trend is for contract-based construction. Contractors usually follows the instruction of the appointed civil engineer or architect to supervise the construction works. As a supervisor, contractors usually utilize head masons to ensure proper usage of the building materials and maintain design accuracy.

Contractors usually depend on known faces when they form their team of carpenters, masons, electricians etc. Most of the skilled labourers hired are local (Pakistani). On the other hand, tough jobs like digging, roof filling, and RCC filling works are entirely done by Afghan refugees. Contractors usually hire groups of Afghan refugee labourers according to the construction

needs. Food and accommodation for these labourers are managed by the contractor as well. Mostly the contractors hire construction machinery, excluding a few major construction companies. None of the contractors owns a mixture plant, as they usually outsource the filling work (RCC) to Uzbeks who bring their own mixture machines. Contractors predict that in the case of Afghan repatriation, the real estate market will dramatically collapse. The suburbs are mostly populated with Afghan refugees. And if they repatriate, then the houses in these suburbs will be left unattended.

Mason

Masons can both work on contractual basis or on daily wage basis. Generally, one mason needs two unskilled labourers for plaster works, RCC filling works, and other construction-related duties according to the design. They usually get a daily wage around PKR 1,000 and the charges for construction of walls vary from PKR 20-30 per foot whereas the charges of filling RCC in roofs are PKR 180 per square feet. All the additional required works of shuttering, plaster works, mixture machine etc. are also arranged by them. Masons do not procure any input materials on credit basis, usually this task is being done by the owner or the contractor of the building. The quality standard of masonry services is monitored by the owner or the contractor as well. No heavy machineries are being used by the masons. Only light tools e.g. trowel, mason's hammer, levelers, jointers, chalk line, blocking chisel, and scales are used.

At least 70% of the masons working at KP and Baluchistan are Afghan refugees. Most of the Afghan masons have learnt their trade by working as apprentices under skilled masons from Punjab province. During the off-season, most masons shift to other trades (e.g. selling fruits/vegetables) for sustained income generation. They are also skilled in constructing houses made of stones and mud, which are popular in the outskirts of Baluchistan and KP municipalities.

Because of the upcoming Afghan refugee repatriation, the number of job opportunities have significantly decreased after enjoying a sustained growth over the last 10 years. Though they are aware of the negative impact, e.g. leaving the business contacts made in Pakistan; they are also confident on generating work opportunities at Afghanistan due to the shortage of skilled labour there.

Excavators

Excavators are used for digging purposes. Most of the excavators use heavy machines that they have bought, and they rent their services to contractors all over the province. The service of excavators is outsourced on hourly basis at the rate of PKR 2,500 per hour. Limited availability of machineries as well as poor access to finance is crippling the excavators' ability to scale. Limited technical knowhow on the trade is also affecting the quality and the timeframe of the final product.

Welder and metal worker/ steel fabricator

The welders work directly with private contractors as well as wholesale supply dealers for their product. Advance payments are asked at the time of receiving purchase order. Also, credit facilities are given to trustworthy clients. The raw material (steel sheets and pipes) is procured on cash as well as credit basis for which no additional charges are claimed but only the actual credited amount is returned. However, the prices of the raw material have

increased ten times during past 5 years. Most of the raw material used in steel works is sourced from Lahore, and the steel rods used for welding are imported from China. The design of the doors is totally dependent on the choice of the clients.

The number of recent welding assignments got crunched by almost half of the amount it was in the previous year. The uptick in usage of wood and aluminum works in construction sector is considered to be one of the major reasons behind the downfall of welding works. But also the investment vacuum caused by the recent rumor of Afghan repatriation is also one of the major contributors. Though most of the skilled welders are local, the unskilled workers working in the welding workshops are Afghan refugees. They have not gotten any formal technical school training, but the skill transfer happened through apprenticeship. A welder's weekly wage varies between PKR 2,000-4,000 depending on their skills. An unskilled apprentice draw around PKR 5,000 per month.

RCC fillers (Mixture machine owners)

The concrete roof filler or filler workers in Pakistan usually also retain a mixture machine of their own. Their value offerings basically revolve around filling the structural frame and also prepare the foundation of the buildings in RCC. They charge around PKR 4,000 each for lifter of mixture machine which becomes PKR 8,000 per task. The machine is usually sourced from Karachi, and that is the only source of income for the RCC fillers. Before this, RCC filling were usually done manually with the help of spades, carts, and pulleys. The marketing of services usually relies on business cards and referrals. RCC fillers also prefer individual owners of the houses than contractors because the owners prefer to pay in cash, and they do not stave off payment to a later date.

Almost 80% of the RCC fillers are Afghan refugees (Uzbek and Tajik community). RCC filling is not a complex trade to learn, as unskilled person can learn the trade within a week. Afghan RCC fillers are waiting for a final repatriation order from the government before they invest more on their businesses and new machineries. RCC fillers are interested to take bank loans, but Afghan RCC fillers are not eligible for one. No apex body of regulators are currently in effect to regulate or organize the RCC filling sub-sector. An attempt to organize a union has failed because of internal squabbles. There are some constraints in term of using traditional methods and inefficient mixing machineries for RCC filling works. There are also the problem technical expertise as well as lack of qualified workforce.

CASE 2: The awkward representation numbers of Afghan refugees in the construction industry

Afghan refugees have, since Soviet Invasion in the 80's, have come to Pakistan in droves. And a large portion of that unskilled, low-income segment got into the construction industry (and the other one is agriculture). Though they have maintained a sustained presence in the construction industry since the era of Soviet-Afghan war, the resultant representation numbers are a bit problematic. At the Afghan-bordered provinces of KP and Baluchistan, the primary investors in the real estate development are Afghan refugees. But in terms of skilled and semi-skilled labour employed in the industry, the participation numbers of Afghan refugee are remarkably low. Capital intensive professions e.g. cement and steel dealer, were never a forte of the Afghan refugees. Also in terms from professions which require high-touch skill transfers, Afghan refugee representations in there is also significantly low. However more than 90% of the unskilled labour pool are representative of Afghan refugees.

HIGH CAPITAL NEEDED	HIGH-TOUCH SKILL TRADE	LOW-TOUCH SKILL TRADE	UNSKILLED TRADE
(Most dealers e.g. cement and steel dealer, marble stock dealer)	(Specialized skills that require a professional degree or longer apprenticeship period e.g. Architect, Electricians, Welders; mostly dominated by Punjabi workers)	(Comparatively shorter apprenticeship period, or mostly require specialization on one heavy machinery e.g. Masons, Plumbers, RCC filler)	(Manual labour with no skills, mostly needed for heavy construction works and loading-unloading purposes)
0-5% Afghan refugee presence	5-10% Afghan refugee presence	30-40% Afghan refugee presence (For RCC filling, it's 80%)	95% Afghan refugee presence

This mismatch has put forward several constraints in the open air. The government regulation of barring Afghan refugees to be a part of the state-system has deeply hurt the general trajectory of upward mobility. It becomes more stark, as their access to finance is mostly limited, and there is no state-sanctioned interventions to develop the skills that is required for them to become integrated with the industry.

In that caveat, wage fluctuation has also remarkably affected this phenomenon. Afghan refugees are more prone towards job switching because of the fluctuation. This becomes more pronounced during the poppy harvesting season (May-June) where a significant portion of the labour population migrates back to Afghanistan). As their margin stays low, during the seasonal construction downturn (winter) they often have to consent to fruit-vegetable vending.

Shuttering workers

In shuttering works, wooden and steel shutter sheets are used to support the structures of beams, and roofs of a construction frame. Regular shuttering for flat roofs usually get charged around PKR 20 per square feet and framed shuttering works are being charged at PKR 23 per square feet. The charges of these works are interdependent with the charges of other constructional works. If there is an increase in the rental amount of shuttering goods, then the service charges will be raised as well. The daily labour wage of shuttering revolves around PKR 1,000.

The representation of Afghani refugees in shuttering work is negligible. And the overall job opportunities have reduced due to the process of repatriation of Afghan refugees. Though it is supposed to increase as people are more prone towards using concrete for their housing foundations. Access to finance is limited, and private contractors are sometimes the only source of credit for the shuttering workers. They often have to save some finances in order to purchase shuttering tools.

Electricians

Increasing trend of urbanization is also compelling the electrical subsector to grow. The new constructions are focusing more on well-organized safety-complied electrical framing. Existing houses are renovating their electrical wirings too. Both these income opportunities have made the electrical subsector to grow substantially. The electricians prefer to work directly with individual owners rather than contractors or firms as the payments get frequently halted for the latter. The leads are usually generated through referrals and word-of-mouth. Business cards sometimes are the only means of marketing tools employed by the electricians. New electricians may need to visit the construction sites and network with contractors to generate leads. As electricians become more experienced, they tend to prefer maintenance works in the households and offices because of better profit opportunities.

Afghan electricians are a rarity in the municipality-based industry. Approximately 30% of the electricians are Afghan refugees and they mostly exist in the areas where Afghan refugees are densely populated or in rural areas. The market is experiencing a downturn due to upcoming Afghan expatriation. And also they experience seasonal downturn during winter season in lieu with the construction sector downturn.

Plumbers

The plumbing operation is not very labour intensive as a typical construction assignment requires one plumber and four semi-skilled helpers to complete. The work usually begins after the plasterwork and interior/exterior structural works are done. No advance payments are given before the plumbing operation begins. Due to the recent increase, the plumbers charge around PKR 8,000 for installation of sanitary accessories at six different points. Whereas the charge of kitchen installation hovers around PKR 4,000. The labour wage of a helper is PKR 500 a day in plumbing subsector.

Most of the pipes and accessories are being imported nowadays (mostly from China and Iran). The pipes and accessories are arranged by the owner or the contractor of the building. Sometimes the accessories can be bought on a credit basis. The owner or the contractor is also responsible for supervising the quality standards. No heavy machineries are needed for plumbing operations. Light tools like hammers, drills, pipe wrenches, cutters, nuts and bolts drivers, and grinder machines are used for plumbing. Advance machineries like grinder machines are sourced from Karachi. Most of the plumbers source their leads either from private contractors or from sanitary ware shop-owners. But it is more profitable for the plumbers to source leads from the contractors. Plumbers rely on business cards and referrals for lead generations and they do not employ any other formal marketing tools.

Almost half of the plumbers working at Baluchistan and KP are Afghan refugees. Afghan plumbers offer their trade in lower prices than local plumbers. The skill transfer happens through long-apprenticeship as there is no formal technical school that offers courses to be plumber. Although the plumber community is interested to further hone their skills in a proper technical training facility. Plumbing works has hit stagnancy due to the impact of repatriation. Before that, the plumbing opportunities kept increasing by at least 50% in the past 5 years. Power outage is one of the major constraints of plumbing operations. No formal loans were required for running a plumbing business. No apex body of regulations, nor any unions are currently in effect to regulate or organize the plumbing subsector. No safety regulations are in place either. There is no regulatory body responsible to gauge the standards and quality of the sanitary accessories.

Carpenters

Carpentry as an industry depends mostly upon the constructions sector. As the whole construction market is experiencing a downturn (due to Afghan repatriation), the carpenters are also facing a reduction in available work opportunities from last year. The lack of assignments become significant in winter season while it experiences more uptick in summer.

Carpenters are usually recruited in the construction process to make doors, cupboards, windows, ceiling decorations, and wooden grills for steps and stairs. They usually can make better profit if they have the authority to arrange the input materials (wood). The labor charges for making a cupboard vary from PKR 100-200 per square feet but after arranging the input materials on their own, the rate can jump to PKR 400-650 per square feet. The usage of pure wood is unpopular due to its high cost. The prices of input in carpentry has increased by 20-30%. Because of cost effectiveness, carpenters are switching to imported woods. Products made of imported woods are being charged at PKR 250-300 per square feet but in the case of products made of fine local woods, it is being charged at PKR 600-800 per square feet.

The carpentry leads are generated usually through referrals and word-of-mouth. The physical signboard of the shop, and the business cards are usually the only marketing tools employed by the carpenters. They usually prefer to do business directly with the clients as contractors usually charges specific commission for employment. Band saw, combination machine, planner machine, drum sander, bench grinder, and jointer machines are used frequently in carpentry. Most of the cutting and decoration works are done through machines and are preferred because of their eco-friendliness, portability and cost-effectiveness. The availability of internet unlocked numerous designs that are demanded by the clients, which were done through printed catalogs before.

Almost 90% of the carpentry subsector as well as hardware store owners are Afghan refugees. No formal registration process is there for carpenters to register their shops. An informal practice of using stamp paper as agreements are widespread across the industry. Due to recent uptick in service registrations, Afghan carpenters are compelled to register indirectly in a Pakistani citizen's name. The power dynamics usually works against the favor of the carpenters as public construction contractors and influential landlords often block or delay scheduled payments.

Because of upcoming Afghan repatriation, vendors of input materials (wood and hardware accessories) are wary of keeping credit in the market. Local carpenters enjoy greater trust in terms of credit payment. Banks do not offer any facilities or services to the Afghan refugees. Thus the financing ecosystem consists of an informal credit flow that controls the market. Most of the input materials required for carpentry can be purchased on credit basis, as well as the service charge of fixing any machineries can be done on credit.

Tiles fitting worker

Though marble and tiles fitting is part of masonry work, sometimes it requires specialized skill-sets and that is where the tiles fitting workers come in. Most of these works originate from the municipalities (70-80%) whereas the rest of them are from outside of general townships. Private housing mostly demands tiles and marble fitting expertise. The materials are provided by the owner or the private contractor. But if the tiles fitters are given authority to bring their own materials then they can bring them on a few

days' credit. Advance payments are made by clients based on previous goodwill. Some clients also provide credit in case of emergencies.

Referrals and visit to the construction sites are the ways to generate leads for the tiles fitting workers. Also the workers make linkages with marble and tiles dealers so that they can make recommendations to the buyers. The main tools that they use are grinders, cutters, drill machines, hammers, and other simple masonry tools. The number of tiles fitting assignments have seen a boom in the last five years, but currently experiencing a recession due to upcoming Afghan expatriation. Power outage is also adversely affecting the productivity of tiles fitting workers.

Whitewasher and painter

Whitewashers and painters usually prefer to work with individual owners rather than contractors as contractors haggle for the daily wages. Sometimes whitewashers and painters have to settle for half amount (PKR 500 daily) than what they can earn by working with individual owners (PKR 1,000 daily). If the work is based on previous contracts, then the charge may vary from PKR 8-15 according to building design and work pattern. Whitewashers and painters usually gather at specific points at the municipalities to be recruited by contractors on a daily wage basis.

The skills that majority of white washers and painters depend upon are emboss works, Pico works, color mixing etc. A novice can adopt these skills in 4-6 months. The main tools that majority of white washers and painters use are emery papers, brushes, iron-sheets. Spray pumps, gunner drums, and stairs are rented if the assignment demands. Painting on steel works is more difficult compared to painting of walls and doors. The demand for whitewashing and painting has dramatically decreased during recent times, due to upcoming Afghan refugee repatriation. The average earnings of whitewashers and painters revolve around PKR 20,000-25,000 monthly. At least 50-60% of the whitewashers and painters in this subsector are Afghan refugees.

An interesting point to note is that a significant number of houses in KP and Baluchistan are rented by Afghan refugees. As they often move from Pakistan to Afghanistan and vice-versa, the average years of occupancy by each Afghan refugee family beyond refugee villages will fall around 1.5-2 years. And when they leave their rented house, the house needs to be painted over. Thus, Afghan refugees have indirectly benefited the whitewashing and painting business.

Marble grinder and polisher

Marble grinder and polisher basically comes in at the finishing phase of the construction. Essentially the marble fixing and polishing works are mostly sourced from the private sector construction facilities, and the payments are made on a weekly basis. Marble grinders and polishers usually charge PKR 10-12 per square feet for vertical polishing of marble whereas PKR 18-22 per square feet is charged for marble polishing. The chemicals needed for fixing and polishing works are almost always provided by the owner or the contractor. Sometimes, the owner or the contractor, at the time of giving contract, includes both service and inputs (marble and other materials are provided by the grinder/polisher too). But most of the times, the materials are provided by the owner or the contractor, and the grinder/polisher are hired to only provide the service of grinding and polishing. The main tools used in this trade are grinder/cutter, drill machine, hammer, and other small

masonry tools. This particular service category had at least 50% Afghan refugee presence, but after the Afghan refugee repatriation scare, the numbers significantly dwindled as most of the skilled Afghan marble grinders and polishers moved back to Afghanistan.

Labourer

Majority of the skilled labourers working in Baluchistan and KP area belongs to Punjab province while Afghan refugees work as unskilled labourers. In terms of statistics in construction sector, 95% of the unskilled labourers is Afghan refugees while 5% of the labour migrate to Baluchistan or KP in search of work. Over time, the Afghan refugees develop their skills in construction e.g. Uzbeks mostly control the RCC filling works and are working as contractors for roof filling works.

The number of skilled Afghan refugees working in the construction sector is very low (2-3%). This phenomenon is due to two reasons: firstly, after their skills are developed, Afghan refugees tend to migrate to Afghanistan because of greater market opportunity. Secondly, because of wage-fluctuation, Afghan laborers switch their professions regularly. Also, the labourers make seasonal migration to Afghanistan during the poppy harvesting period and then come back to Pakistan to work as a daily labourer at any sector they can get a job in. Tough jobs like digging, roof filling, and RCC filling works are entirely done by Afghan refugees. Contractors usually hire groups of Afghan refugee laborers according to the construction needs. Food and accommodation for these labourers are managed by the contractor as well. The Afghan refugees labourers remain confined within their workplaces and would avoid commuting back to their homes from work in order to avoid security check points. There is a shortage of labor in the transport business but no Afghan labor are usually available for unloading the trucks. An Afghan refugee would charge PKR 6,000 for unloading whereas the locals charge PKR 15,000 for that purpose.

Property developer/ Private builder

Property developers and private builders are the stakeholder on whose capital the housing projects are implemented. Middle class are the main consumers of the recently built properties. In recent times, a 5 marla²⁶ house takes around PKR 6,000,000 to build and they can be sold at 6,500,000. But concurrently, the price of building materials and labor wages have significantly increased (20-30% compared to the numbers five years back).

The private builders usually source out most of their work to other petty contractors. Or in some cases, they supervise the whole process and appoint carpenters, painters, RCC fillers on their own. They rent the necessary machineries needed from nearby sources and also actively hire skilled and unskilled labour, though they try to recruit among known faces. The housing market has slowed down because of the upcoming Afghan refugee expatriation, and the recent federal tax imposition. Investors have shied away from making any housing investments. Other than that, the bureaucratic process in place to submit the tax amount to the government is very time-consuming. Property developers assume that the market got hit by a 20-30% decline after the new tax formations got announced.

Property dealer/ property agent/ real estate agent

Property dealers do not purchase land themselves, but work as a commission

26. Equal to 25.2929 Square metres

agent between both parties of buyers and sellers. They prefer to work in large real-estate deals because of greater commission amounts. Dealers usually demand 1-2% of the total deal as commission amount. Other than that, property dealers prefer to deal in properties of public sector townships, as compared to private sector to avoid the prolonged process of transfer and delayed completion of development works. Clients prefer to purchase houses in gated communities or in planned societies because of greater water, sanitation, security, and utility services. Upper and middle income groups are the main customers for the properties dealt by the dealers.

Other than using business cards and referrals to generate leads, property dealers also leverage social media marketing tools to publicize their services. The dealers also leverage ecommerce platforms (e.g. zameen.com) as the signature online marketplace for selling properties. Though it brings more hassle, purchasing a residential plot and selling it after constructing a building is more profitable for the real estate agents. The growth of the real estate market almost halved in recent years due to fear of repatriation amongst the Afghan refugees and also the increase in taxes. The new property tax policy imposed by the federal government had an immediate negative impact on the real estate market. The property dealer association have arranged several sit-ins, and have managed to bring themselves as intermediaries at the times of payment bluffing imposed by the clients. They have their own associations for sustained betterment for the profession.

4.5.4 Value chain governance

Value chain governance refers to the relationships among the buyers, sellers, service providers and regulatory institutions that operate within or influence the range of activities required to bring a product or service from inception to its end use. Governance is about power and the ability to exert control along the chain — at any point in the chain, some firm (or organization or institution) sets and/or enforces parameters under which others in the chain operate.

The value chain of the construction industry at KP and Baluchistan can be characterized as following the modular governance. Modular governance occurs when a product requires the firms in the chain to undertake complex transactions that are relatively easy to codify. If we scan the value chain activities more closely, the top-down analogy of the chain fits with the definition of modular governance.

The owner or the developer of the property acts as a lead firm in this regard, appoint architects, and instruct the contractors/masons to supply on the deliverables, who are the turnkey suppliers. They deliver on the product, in this case constructed houses, by coordinating and managing between an intricate web of input material dealers and construction workers with varied skill-sets at their disposal.

In terms of power dynamics, the owner or the developer holds the high cards in this situation where they provide the necessary mandates that the contractors are obliged to follow through. This relationship does not enjoy a lot of coordination and symmetry, and often become subject to power play. There are numerous instances where private developers and owners have blocked payments of the contractors on various ground.

And the same dynamics apply in the next stage, where contractors hold the high cards in terms of appointing construction workers, supervising their work, and disbursing payments. There are instances where contractors have blocked the payment to the construction workers. But these dynamics

does not extend to input material dealers as they enjoy greater cash flow, thus falls outside of contractor's power mechanics.

4.5.5 Support service market

There are several organizations and professional bodies who work as support functions for the construction value chain at Pakistan. The most influential support functions were discussed briefly in the next part of the report.

Transporters

Building owners and contractors often rely on transports to bring the construction material to the building sites. At the provincial level, transporters do not provide any major constraints to the prices of the materials. As the petroleum prices are at a record low, transportation does not add much surcharge on the already steep building materials. But if national scale is observed, then the building materials which have to be transported from other provinces turn out to be more expensive because of the added transport cost.

District Development Authorities (DDA)

Prior to implementation, architectural designs need to be approved and certified by respective development authorities. Usually each large municipality have their own development authorities who approve and verify the constructional works happening within the municipalities. While the construction works happening outside of the municipalities' falls under the jurisdiction of provincial development authorities.

Engineering and Architectural Councils of Pakistan

There are separate councils which acts as apex bodies of authority over engineers and architects of Pakistan. Architects and engineers need to pay membership pays annually. And the council dictates rules and regulations for their members, and negotiate with the government and other state apparatuses for the welfare of engineers and architects. They evaluate the structural girth and design accuracy of the buildings as per the benchmarks set by the building codes formulated by the government of Pakistan. The council is empowered in terms of taking legal actions against any architect or architecture firms on account of violating any bylaws.

Environmental Protection Authority

In case of construction of any new hospital, hotel or a commercial plaza, the Environmental Protection Authority undertakes an environmental survey prior to the approval of map.

Technical and Vocational Schools

The technical and vocational schools are there to impart learnings and trainings in form of courses on various real-life trades. Though most of the semi-skilled and skilled professionals have attributed their gathering of learnings from apprenticeship which may last from 6 months to 5 years.

Engineering Universities

Schools to generate civil engineers and architects for construction works. Baluchistan has only two engineering schools at their province. Khyber-Pakhtunkhwa has several universities and satellite campuses at their province too.

Banks

Banks are pivotal to the construction sector because it provides capital and general access to finance to all stakeholder involved. But according to most of the stakeholders interviewed, actors are not prone towards taking loans from the bank. There are several reasons behind this reluctance towards banks. Mainly because of bank's long and tedious process of issuing loans, and also the credit borrowing tradition amongst the different stakeholder of the supply chain.

Banks have employed a long process for opening an account in Pakistan because of regulatory issues, where the process starts from collecting the copy of computerized National Identity Card (CNIC), or Pakistan Origin Card (POC) issued by NADRA or Alien Registration Card issued by NARA. The Afghan refugee also needs to produce a passport with valid visa. The above documents are further clarified through bio-metric system by the orders of Ministry of Interior and State Bank of Pakistan. Banks do not offer any financing or credit facility to the Afghan refugees due to the lack of proper documentation. Payment related to business/trading or remittances are informally received and not through banking channels.

Provincial Board of Revenues

The Federal Board of Revenue (more commonly known by its initials as FBR) is a semi-autonomous federal agency of Pakistan that is responsible for enforcing fiscal laws and collecting revenue for the government of Pakistan. They also manage the land records of their respective provinces.

4.5.6 Rules and regulations

Rules and regulations refer to all sorts of laws, standards and regulations, as well as to informal rules and norms that govern actions and interactions of market actors. There are several rules and regulations that are currently in practice at Pakistani construction industry, more concisely, at KP and Baluchistan. Those are detailed in the next paragraph:

New property tax at 2016 Federal Budget

In the Federal Budget 2016-17 announced at June, 2016; Property taxes were increased and the outdated District Commissioner (DC) rates for property valuation were replaced by the FBR determined market values for documentation and taxation purposes. The increased taxes, changes in the property valuation mechanism and consumer demographics had considerable impact in the industry.

Customs duty

Most of the customs duty administered by Federal Board of Revenue accounts for 20% for most of the construction goods imported to Pakistan. Though this heavy excise does not really weaken these products position in the market. And this perhaps puts light on the competitiveness of Pakistani construction products. Other than these formal rules and regulations currently affecting the market, there are several informal rules and norms which are also influential in their ability to dictate the market. They are detailed in the paragraphs below.

Appeal of Afghan refugees as construction labor

Afghan refugees obtained high consensus amongst their employers all over the provinces of KP and Baluchistan. The contractors prefer Afghan refugee as labourers than the local ones because of several traits common amongst them e.g. being industrious in their work as well as general understanding to follow rules and regulations.

Preference of local skilled and semi-skilled labourers

Contractors would also like to choose local semi-skilled labourers (e.g. electrician, plumbers) because of general quality of works as well as the trust issue. Many contractors argued in favor of local skilled labourers as they provide more security, does not void contracts, and can deliver more quality works than Afghan refugee workers.

4.5.7 Constraints and opportunities

After analyzing the extracted information, several constraints become visible from the complex value chain of the construction industry of Pakistan. They are mentioned below:

Lack of qualified workforce

There is an apparent skill deficit among the skilled and semi-skilled construction workers. Because of that, the construction process usually gets embroiled by low quality works as well as input inefficiencies. But there are no visible approaches from government or existing technical and vocational schools to turn the situation around by providing enough training and development opportunities.

Limited access to credit

Almost every actor in the value chain suffers from the lack of access to finance. Though semi-skilled and skilled construction workers have been outplaying the constraint by leveraging the informal credit flow in the market; contractors and property agents are severely affected by this lack of access.

Wage theft and unprofessional practices

Often actors high up the value chain leverages power-play to block payments and sometimes steal wages from semi-skilled and unskilled construction workers. There is no policy from any regulatory body to combat this practice. The concept of unionizing or forming associations is absent amongst semi-skilled and skilled construction workers. As a result, they often collectively have to face the negative policy impact without forming any sustained objections.

Bottlenecks in the process of land entitlement

The procedures for land entitlement and change of ownership can be extremely time consuming and resource intensive. This friction within the process became so commanding that all land-based transactions moved to informal means in the semi-urban market.

Inadequate government regulations and interventions

The weak government regulations resulted into unplanned housing schemes and emergence of slums. Also, rampant corruption at government

apparatuses (e.g. the office of land records) are discouraging more growth in the construction industry. Frequent power outage causes the whole industry to be on a stand-still as most of the construction works are done through electrical machines nowadays.

Low competitiveness of Pakistani construction materials

Pakistani construction materials often cannot compete with Chinese (sanitary parts, electrical hardware), and Iranian (pipes, cement, tiles) products in the market. Without declaring import taxes, government did not take any necessary approaches to improve the quality of the Pakistani products.

Weak institutional capacity for regulating the housing market

The regulatory body to supervise the ethical practices in the housing market can be characterized as weak as a whole. No frequent inspections are being made to regulate either the workers or the buildings. The input materials also do not go through any quality check whether they are being made locally or being imported from outside the country.

Opportunities

Albeit the narrative, the Pakistani construction industry is also looking up to several opportunities that if leveraged correctly, can provide with the push that the industry needs badly. Rising rate of urbanization (an annual rate of three percent – the fastest pace in South Asia), the proposed China-Pakistan Economic Corridor (CPEC), as well the steady increase of purchasing power, all of them are heralding a boom in the construction industry. Other than technical input materials, most of the input materials can be harvested from local sources. The availability of massive number of labour ensures the value of that human capital and its impact on the future construction projects.

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Pakistani construction industry was aligning with the expert forecasts all along, having achieved the ambitious projected growth. The industry itself has some unique traits which promote or hinder growth. The influx of Afghan refugees from the '70s has provided sustained amount of cheap labour for the construction sector. And the investment from Afghan refugees have been one of the driving force behind the recent construction boom.

But the recent scare of Afghan repatriation, as well as the increased property tax in the recent Federal Budget 2016-17 proved to be a double-whammy for the industry. It also created some space for further probing too. A deep look into the value chain has cleared up the position of several market constraints which are crippling the market. Constraints like limited access to finance, Afghan repatriation crisis, and lack of qualified workforce are severely limiting the growth of the market. Also, government tailbacks in terms of bottlenecks in the process of land entitlements, inadequate government regulations and interventions, and weak institutional capacity in regulating the housing market are adversely affecting the market. Pakistani input materials need to go through a complete quality overhaul to become competitive in the national market. If precise actions (in forms of interventions) are taken to address these identified constraints, then the growth potentiality of the construction value chain of Pakistan can be shifted to a new horizon.

5.2 Forward Strategy

The construction value chain of Pakistan had some unique characteristics which makes them unique in the national economic chains of Pakistan. The value chain clutched high engagement numbers from the Afghan refugee diaspora. Moreover, the construction industry is considered to be one of the key levers of the Pakistani economy, considering its high growth potential in the next five-to-ten years. But the impending Afghan refugee repatriation had a broad negative impact in the state economies. Industry insiders and informed value chain actors have professed that if the repatriation does take place in the future, the construction industry of Baluchistan, and Khyber-Pakhtunkhwa will suffer a major setback which may last for at least ten years.

In that caveat, the value chain needs a coordinated efforts and dissemination platforms to stimulate market demand and to recognize efforts of developers to provide technical solutions to the low-income and middle-income housing markets. There are significant challenges in terms of access to land and financing. However, there are business opportunities in structuring this market around real estate development and ensure upward mobility for the related value chain actors.

Thus, the forward strategy has recommended a systemic approach, which consists of several policy level interventions, each sectioned under four broad clubs, to keep the negative effect of the repatriation at a minimum level, and inclusively benefits both local and Afghan refugee value chain actors.

Action point 1: Prolong and protract the Afghan refugee repatriation process

Though it may fall beyond the scope of UNHCR to negotiate with the Government of Pakistan, the negative impact of repatriation in construction sector (as well as in other industries) is worth bringing into attention through seminars and symposiums for related industries and government to take appropriate safeguard measures. Because of the complexity in achieving the repatriation target, Government of Pakistan has already extended the deadline for several times. Incentivizing the refugees through building their human capitals and thereby making them capable of finding livelihood means upon return in Afghanistan is likely to make the repatriation process effective.

The Afghan refugee repatriation process can potentially make the construction industry of Baluchistan and Khyber-Pakhtunkhwa face significant slow-down. Not only there will be a vacuum of now-available unskilled and semi-skilled Afghan workers, huge portions of Afghan refugee investments will also be redirected from the construction industry. That being said, if the process is prolonged over a long but reasonable period of time, that should be beneficial for the Afghan refugees to ease into the transition process, as well as give the industry enough time to partially recover from the economic shock.

Action point 2: Design and implement inclusive skill-development programs to bolster the local and Afghan refugee workforce

Industry insights overwhelmingly indicate that the market is in need of skilled workers in the construction value chain mix. And as per the growth trend of the industry, it should also potentially engage a large number of construction workers in payroll. Both these indicators strongly support the notion of designing and implementing an inclusive skill-development program, so that a steady pipeline of skilled construction workers can be established for the industry.

However informally, keeping Afghan refugee workers in the same skill-development frame can be doubly beneficial for the Pakistani construction entities. The Afghan construction industry is also experiencing a strong growth spurt, and contributes between 7-10% of the national GDP. New growth frontiers (e.g. housing) are making themselves available for investments, thus contributing to a very cohesive workforce which broadly accepts skilled workers in their mix.

With that narrative established, skilled Afghan refugees, who practiced their trade in Pakistan, can get themselves easily integrated in the Afghani construction economy after repatriation. Though this may appear to be an investment loss for the skill development program, the repatriated but skilled

Afghan workforce can potentially make the trade connections between Pakistan and Afghanistan stronger. Construction materials used in Afghanistan are mostly imported from Pakistan, and the repatriated skilled workforce can act as catalysts to increase the trade to an even-broader scale. This in action, has the potential to create an enabling environment, and create a win-win situation for both Afghanistan's and Pakistan's construction industry.

That being said, the recommendations mentioned in the next section can work together to build a skilled and inclusive workforce in Pakistan.

1. Design and implement an inclusive strategy (with Universities and Skill Training Institutes) to ensure sustained flow of quality white-collar and skilled construction workers

A coordinated inclusive strategy is necessary to quench the current constraint of the lack of qualified workforce in the construction industry. The industry has been long accused of producing sub-standard housing units, thus a synchronized strategy to generate quality white-collar (architect, civil engineer), and skilled (electrician, welder) construction workers is needed. If this strategy targets workforce from KP and Baluchistan as beneficiaries, that may also solve the internal migration and job loss in the provinces.

As there is a demand-supply mismatch between the skills training provided by the formal training institutions and the industry requirement, UNHCR may engage large industry players (or the associations) to improve the course curriculum. Below are key illustrative steps to implement the recommendation.

- I. Identify lead (large) real-estate industry players (or the association/s) who are willing to support and receive skilled workers on different occupations under construction sector.
- II. Arrange and facilitate round-table discussions/workshops among identified industry players, formal training institutions and universities to identify the most desired skilled occupations and the demand-supply mismatch in those selected occupations (an illustrative list is Figure 1)
- III. Develop a tri-partite agreement among the selected industry players, formal training institutions and UNHCR to improve the course curriculum based on industry needs.
- IV. Explore the possibility (a much-preferred option) of placement for short-term internship under selected industry players following the formal skills training.

Construction is such a sector that includes a wide range of skill-based occupations. In many such occupations, Afghan refugees are visibly present despite their limited education (considering most economically active youths and adults have zero or low level of education and this target group may not be able to avail further formal education at this stage). The study identified quite a few such occupations (shown below) which includes Afghan refugees and hold the potential to engage them in higher number. These occupations also have equal job-market demand in Afghanistan construction sector.

2. Conceptualize an apprenticeship workforce development strategy, targeting the budding youth population of KP and Baluchistan

Apprenticeship-based workforce development models can be promoted

to ensure sustained supply of quality semi-skilled and skilled labourers. An enterprise (a training facility) can be designed to work under formal agreements with employees/industry associations, but the goal of that enterprise would be to provide adequate apprenticeship and management training to overall reduce their costs of supervision. These models will be studied and replicated in other firms with appropriate marketing platforms. This recommendation is supplementary or alternative business model to address the skill mismatch constraint. Probable key steps to apply are:

- I. Identify potential industry lead firms (or association/s) who are willing to invest in developing skilled workforce for the industry.
- II. UNHCR signs an MoU with respective lead firms (or Association) to develop the training facility. The training facility should have a business plan on how it is going to run in a commercially viable manner in the long run. The major stream of revenue of the training enterprise would be the fees charged to the industry players who will recruit skilled workforce from this enterprise.
- III. UNHCR may share part of the operational costs at the beginning (say, 50% in the first year, 25% in the second year and withdraw supports afterward) in the form of risk-sharing of the initial investment.

3. Develop associations at construction worker levels, contractors and input material dealer levels to diminish the modular power dynamics in place

The semi-skilled and skilled worker groups, dealer levels, and as well as contractors can be educated to form strong associations. As strong associations are built up, that will work against the current imbalance of power in the construction value chain. As identified, construction workers, input materials dealers and contractors are exposed to exploitation by the upstream value chain actors. For example, Contractors rely for their payment by the contracting organizations, and non-payment or delays in payments affect directly the workers and the input suppliers where their payment is also stuck or delayed. Forming associations at these three levels, therefore, can safeguard their rights and interests. UNHCR may support these occupation groups to come together and form associations to protect themselves.

Action point 3: Facilitate strong relations with Afghan construction material transporters and brokers from federal government apparatuses

As a large number of skilled and semi-skilled Afghan refugee construction workers are being expatriated, as well as the boom in the construction industry of Afghanistan provides a very strong indication for the Pakistani construction material producers to capture the emerging market of their neighbor. As for the current trade state, most of the construction materials used in Afghanistan are being imported from Pakistan, and the large part of the trades are done on an informal basis. As the repatriation process is slowly making its mark, the federal government apparatuses e.g. the Ministry of Commerce should facilitate strong liaison with the Afghan material transporters and brokers who are key to this trade. As this market is on its way towards further growth, this provides a very clear opportunity for the Pakistani construction material producers to capitalize on the market. But other than maintaining strong relations, the points mentioned below, if followed upon, will give the Pakistani construction material products the competitive edge that it critically needs.

1. Consult local input material manufacturers in increasing their competency in an already-competitive market

Consultation processes can be jumpstarted to identify the inefficiencies behind the low-competitiveness of local products in the construction-input material market. Strategies can be developed for the companies to stay competitive over imported goods as imported products already competes in the market with a 20% customs duty overhead.

2. Facilitate an overarching quality inspection system to regulate excellence of construction input materials, architectural designs, and structural integrity of the construction product

An inspection system can be designed with facilitation of various stakeholders of the industry so that quality can be maintained at every step of the construction process. The system can contain adequate number of local laboratories, and a strong and robust inspection framework with the capacity of evaluating buildings using building codes as tools.

3. Conduct workshops on safe & affordable housing development targeting all facets of the construction value chain in place

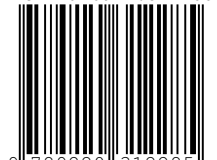
The workshops will give an opportunity to local input manufacturers to showcase their products and to bankers to promote their financial instruments to a targeted audience (engineer/architect designers, donors, and private investors, government agencies). This event should also include an international specialist in safe and affordable housing. The workshop will be designed to maximize group discussions to design an action plan and will ensure sufficient space for free networking among investors, developers, and manufacturers.

Action point 4: Provide technical assistance in facilitating banks for the development of financial instruments ensuring access to finance for value chain actors

As the need for finance is evident in the market, a facilitation process should be started regarding designing financial instruments for construction value chain actors and conduct additional interviews to make a global inventory of solutions. Further steps need to be taken to design products to include the now-financially-excluded Afghan refugee population. The government apparatuses should facilitate an environment which will enable banks and other financial institutes to evaluate the market acceptability of the products and take further steps to educate the market about the comparatively more-open policy of banks to render credit.



ISBN 9789220312285



9 789220 312285