



INFRASTRUCTURE CORRUPTION RISK ASSESSMENT (ICRAT)

ASSESSMENT OF GOVERNANCE GAPS IN INFRASTRUCTURE
PLANNING AND IMPLEMENTATION IN PAKISTAN

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ABOUT TRANSPARENCY INTERNATIONAL PAKISTAN

Transparency International Pakistan (TI Pakistan) is the National chapter of Transparency International, established in 2002 with the main aim to strengthen the global value system by making transparency and accountability more relevant public norms. Working in collaboration with other stakeholders and departments, TI Pakistan regularly publishes research papers, reform proposals, and manuals with the aim of disseminating information to all stakeholders, and also conducts capacity building workshops.

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TABLE OF CONTENTS

PAGE

List of Acronyms	4
Executive Summary	8
1. Introduction	10
2. Methodology	13
3. Country Context	15
A. Economic Context.....	16
B. Election Process.....	18
C. Legal and Judicial System and Whistleblower Protection.....	20
D. Public Financial Management and Procurement.....	22
E. Cultural Hierarchy and Influence.....	27
F. Access to Information.....	28
G. Media Openness.....	28
H. Civil Society Activity.....	29
I. Corruption Perception.....	29
4. Agency Context	30
A. Executive Management.....	31
B. External Influence in Agency Operations.....	32
C. Openness of Communication.....	33
D. Transparency on Budgets and Programmes.....	33
E. Grievance Mechanisms.....	34
F. Agency–Industry Relationships.....	34
G. Community Engagement.....	34
5. Critical Review of Public Investment Processes	35
A. Overview of Public Investment Management Framework.....	36
B. Public Investment Spending Trends.....	36
C. Deficiencies in Public Investment Management Practices.....	43
6. Summary Assessment	51
7. Conclusion	58
8. Policy Recommendations	60
9. End Notes	66

LIST OF TABLES AND FIGURES

PAGE

Table 1: General government investment (gross fixed capital formation) in billions of constant 2017 international dollars.....	39
Table 2: General government capital stock in billions of constant 2017 international \$.....	39
Table 3: Share of Infrastructure Sectors in PSDP	42
Figure 1: PSDP Formulation and Approval Processes	37
Figure 2: Total Public Investment trend: Size and Share in GDP	40
Figure 3: Pakistan’s Total Public Investment (PkR Billions)	40
Figure 4: Pakistan’s Total Public Investment (USD Billions)	41
Figure 5: Pakistan’s Total Public Investment as a Percentage of GDP (USD)	41
Figure 6: Share of provincial and federal governments in total public investment spending.....	42
Figure 7: Pakistan Public Debt (in percent of GDP).....	43

LIST OF ACRONYMS

ADP – ANNUAL DEVELOPMENT PLAN
AGP – AUDITOR GENERAL OF PAKISTAN
APCC – ANNUAL PLAN COORDINATION COMMITTEE
CDWP – CENTRAL DEVELOPMENT WORKING PARTY
CGA – CONTROLLER GENERAL OF ACCOUNTS
CPEC – CHINA-PAKISTAN ECONOMIC CORRIDOR
CPI – CORRUPTION PERCEPTIONS INDEX
DDWP – DEPARTMENTAL DEVELOPMENT WORKING PARTY
ECP – ELECTION COMMISSION OF PAKISTAN
ECNEC – EXECUTIVE COMMITTEE OF THE NATIONAL ECONOMIC COUNCIL
EPADS – ELECTRONIC PROCUREMENT AND DISPOSAL SYSTEM
FAFEN – FREE AND FAIR ELECTION NETWORK
FRDLA – FISCAL RESPONSIBILITY AND DEBT LIMITATION ACT
FWO – FRONTIER WORKS ORGANISATION
GDP – GROSS DOMESTIC PRODUCT
HRCP – HUMAN RIGHTS COMMISSION OF PAKISTAN
ICRAT – INFRASTRUCTURE CORRUPTION RISK ASSESSMENT TOOL
IMF – INTERNATIONAL MONETARY FUND
IPAS – INTELLIGENT PROJECT AUTOMATION SYSTEM
KII – KEY INFORMANT INTERVIEW
MTFF – MEDIUM-TERM FISCAL FRAMEWORK
NAB – NATIONAL ACCOUNTABILITY BUREAU
NEC – NATIONAL ECONOMIC COUNCIL
NHA – NATIONAL HIGHWAY AUTHORITY
NHC – NATIONAL HIGHWAY COUNCIL
NLC – NATIONAL LOGISTICS CELL
PAC – PUBLIC ACCOUNTS COMMITTEE
PAO – PRINCIPAL ACCOUNTING OFFICER
PC-I – PLANNING COMMISSION PROFORMA I (PROJECT PROPOSAL)
PCN – PROJECT CONCEPT NOTE
PFM – PUBLIC FINANCIAL MANAGEMENT
PIM – PUBLIC INVESTMENT MANAGEMENT
PIMA – PUBLIC INVESTMENT MANAGEMENT ASSESSMENT
PPP – PUBLIC-PRIVATE PARTNERSHIP
PPRA – PUBLIC PROCUREMENT REGULATORY AUTHORITY
PSDP – PUBLIC SECTOR DEVELOPMENT PROGRAMME
RTI – RIGHT TO INFORMATION
SAP – SDG ACHIEVEMENT PROGRAMME
SOE – STATE-OWNED ENTERPRISE
TI – TRANSPARENCY INTERNATIONAL
WJP – WORLD JUSTICE PROJECT

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CHAIRMAN'S MESSAGE

Sustainable, robust infrastructure is the backbone of economic resilience and social development of countries. From energy networks and transport corridors to public works, infrastructure investments shape the daily lives of citizens and lay the foundation for long-term national prosperity. Given the scale of public capital involved, ensuring transparency, value for money, and robust governance in public investment is a key to good governance in infrastructural management.

In recent years, Pakistan has taken important steps to strengthen its economic governance frameworks. The efforts on reforming Public Procurement Regulatory Authority (PPRA) rules, the introduction of e-procurement systems across federal and provincial entities, and ongoing efforts to refine public investment management processes are a recognition that robust legal and regulatory frameworks are essential for sustainable growth.

Transparency International Pakistan is pleased to present this report, utilizing the Infrastructure Corruption Risk Assessment Tool (ICRAT) developed by Transparency International Australia. The tool aims to assess countries globally on a uniform scale and prescribed parameters to identify the structural and institutional dimensions of project planning, appraisal, and implementation and recommend where existing governance frameworks can be further reinforced.

The findings are intended to inform policy discussions and support ongoing efforts to strengthen public investment governance. Transparency International Pakistan hopes that this assessment will contribute to a more structured understanding of infrastructure governance challenges and support the development of targeted reforms to improve transparency, open governance and efficiency in public investment.

JUSTICE (R) ZIA PERWEZ
FORMER JUDGE, SUPREME COURT
CHAIRMAN
TRANSPARENCY INTERNATIONAL PAKISTAN

EXECUTIVE DIRECTOR'S MESSAGE

This report applies Transparency International Australia's Infrastructure Corruption Risk Assessment Tool (ICRAT) to analyse governance, planning and implementation of decision-making in Pakistan's infrastructure sector. The assessment examines the governance conditions under which infrastructure projects are planned, prioritized, and implemented in Pakistan. It focuses on three dimensions: the broader country context, the institutional arrangements of the implementing agency, and the public investment management processes that shape project selection and delivery.

The findings indicate that while Pakistan has established formal legal and institutional frameworks for public investment and procurement, their application in practice remains uneven. The assessment identifies a consistent gap between regulatory provisions and implementation, particularly in areas such as project identification, appraisal, prioritization, and procurement.

This report constitutes a Level I diagnostic exercise based on exhaustive desk research, secondary data from external reports and multilateral frameworks. By integrating broader macro-fiscal realities with institutional assessments, the methodology is designed to identify systemic, upstream governance risks particularly at the project planning, identification, appraisal, and selection stages.

In doing so, the objective of this report is to provide actionable policy pathways for federal and provincial governments, implementing agencies, parliamentary oversight bodies, and civil society. By highlighting structural gaps and advancing concrete recommendations for rules-based project prioritization and open procurement, TI Pakistan aims to support ongoing reform trajectories. We hope this assessment serves as a valuable resource to close the implementation gap, protect valuable public funds, and ensure that Pakistan's infrastructure delivers lasting, equitable value for all citizens.

TI Pakistan is also grateful to all the institutions and organizations whose reports and data have been used in the compilation of this assessment.

MR. KASHIF ALI
EXECUTIVE DIRECTOR
TRANSPARENCY INTERNATIONAL PAKISTAN

EXECUTIVE SUMMARY

Pakistan has made significant progress in improving infrastructure connectivity over the past few decades. However, challenges pertaining to implementation remain, raising concerns about the governance, efficiency, and effectiveness of public investments in infrastructure.

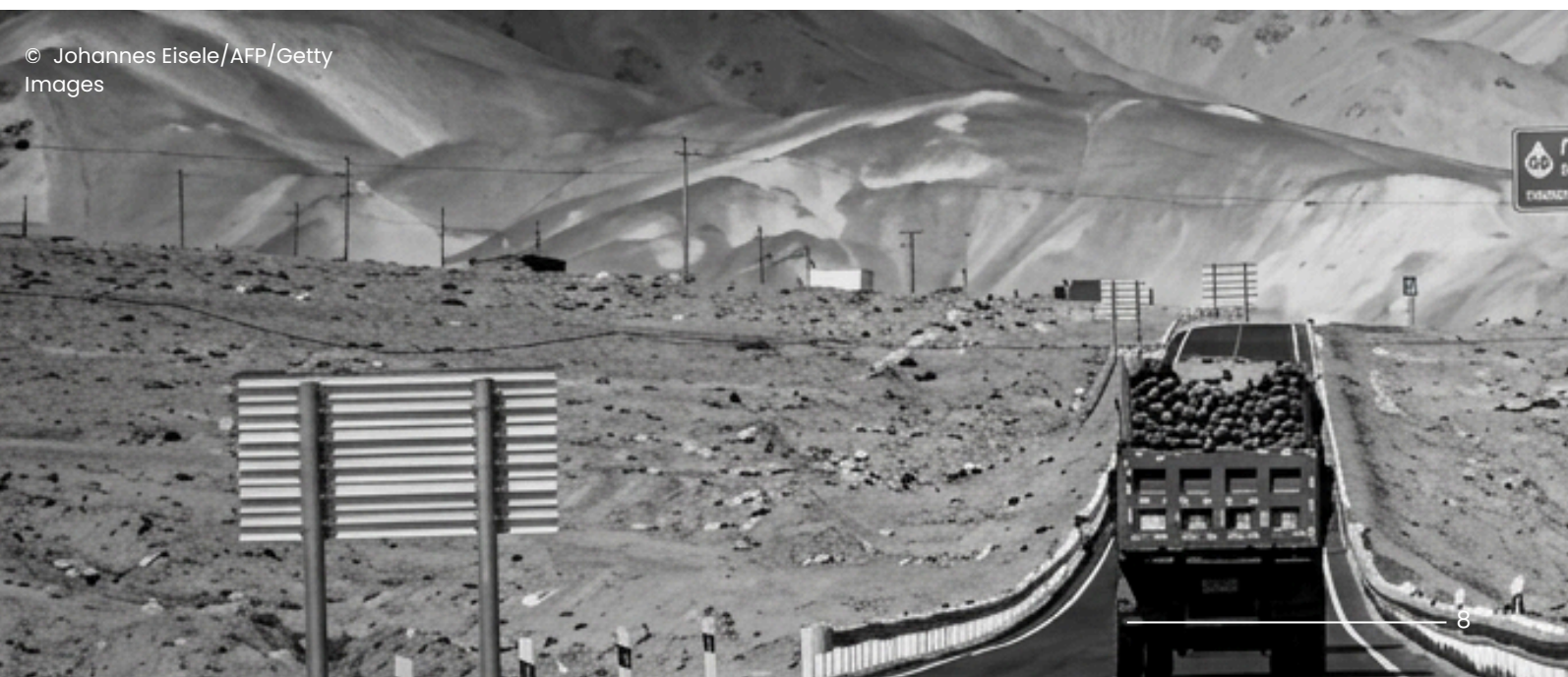
This report applies the Transparency International Australia's Infrastructure Corruption Risk Assessment Tool (ICRAT) to assess the broader context in which infrastructure is planned, projects are selected and delivered in Pakistan. The assessment constitutes a Level I diagnostic examining three dimensions: the Country Context, which reviews the broader political, institutional, and regulatory environment in which infrastructure is planned and delivered; the Agency Context, which assesses the governance and operational characteristics of the primary infrastructure agency; and a review of the project planning, identification, appraisal, and procurement processes that govern infrastructure investment decisions. The lead agency assessed is the National Highway Authority (NHA), the principal federal agency responsible for the planning, development, and maintenance of the national road network.

This ICRAT Level I diagnostic reveals a governance environment in which formally comprehensive frameworks for infrastructure planning, prioritisation, procurement, and accountability coexist with structural constraints that substantially limit their effectiveness in practice.

Across country context, agency context, and public investment management processes, the findings converge on a consistent pattern: while formal regulatory and institutional frameworks are broadly established, their application in practice remains inconsistent and limited.

Pakistan's overall context risk **score of 6.34/10** places the country's infrastructure governance in the high ICRAT risk category. Combined with a Type C project classification, this implies that the infrastructure project identification, approval, authorisation, and procurement processes are vulnerable to governance weaknesses.

Pakistan's macro-fiscal environment constitutes the foundational governance challenge for infrastructure delivery. Recurrent balance-of-payments crises and fiscal consolidation cycles reflect deep structural constraints. The cumulative effect has been a steady compression of fiscal space: the Federal Public Sector Development Programme (PSDP) has been reduced from a strategic investment instrument to a residual fiscal adjustment variable, with total public investment



falling from 4.9 percent of GDP in FY2017–18 to approximately 2.6 percent over the past few years, crowded out by rising debt-servicing obligations that absorb nearly 50 percent of federal expenditure.

Pakistan operates a formally unified public financial management (PFM) system anchored in the Constitution and the Fiscal Responsibility and Debt Limitation Act (FRDLA), which sets a statutory ceiling of 60 percent of GDP for total public debt. In practice, public debt has consistently exceeded the statutory ceiling since 2012. Oversight institutions face parallel constraints: audit irregularities are routinely identified but enforcement is delayed by significant backlogs in the Public Accounts Committee. As a result, the accountability function remains largely ex post and weakly linked to corrective action.

Pakistan’s Public Investment Management (PIM) framework is anchored in the PFM Act 2019 and the Manual for Development Projects (2024). Recent reforms have strengthened appraisal requirements, introduced climate vulnerability considerations into project assessment, revised approval thresholds to limit small-scale project proliferation, and implemented the Intelligent Project Automation System (iPAS). These represent meaningful steps.

Pakistan’s tradition of five-year national development planning has progressively lost operational relevance. The 13th Five-Year Plan (2024–29) articulates broad priorities under the “Five Es” framework but lacks costed programmes, measurable outcomes, or credible implementation mechanisms. Annual development plans are formally aligned with medium-term frameworks but less so in practice, and objective prioritisation mechanisms within a constrained fiscal envelope are absent.

Challenges are most pronounced at the project identification and design stage. In principle, identification commences with a Project Concept Note (PCN), followed by a structured sequence of feasibility analysis and PC-II and PC-I preparation respectively. In practice, line ministries frequently submit PC-I documents directly, bypassing the PCN and PC-II stages and weakening early screening.

Pakistan’s procurement framework under the PPRA Ordinance 2002 reflects internationally recognised principles of transparency and competition. In practice, legislative amendments have progressively eroded these commitments, creating broad exceptions permitting direct contract awards to state-owned enterprises (SOEs) for projects classified as time-sensitive or in the public interest. The introduction of electronic procurement (EPADS) is an important reform spearheaded by the federal government. However, implementation of EPADS has been uneven: SOEs continue to operate separate procurement management systems, undermining the data integration central to EPADS’s accountability benefits.

Altogether, the key challenge for infrastructure governance in Pakistan is not regulatory design but structural gap between the commitments embedded in rules and frameworks and their effective implementation. To address these conditions, the report makes key recommendations for the government and businesses for strengthening integrity measures at different stages of the project cycle to ensure selection and implementation of projects are done in ways that reduce risks of corruption.



INTRODUCTION

Public investment in infrastructure has long remained a key instrument of economic growth and long-term prosperity¹. Infrastructure deficits constrain development by limiting connectivity and undermining the delivery of essential public services². These challenges weigh most heavily on low and middle-income countries. As a lower-middle-income country, Pakistan has made significant progress in improving infrastructure connectivity over the past few decades. However, these improvements have had limited impact on sustained economic growth or meaningful improvements in living standards of average citizens³. This gap raises questions about the governance, efficiency, and effectiveness of public investments in infrastructure.

To systematically analyze these gaps, this report applies the Transparency International Australia's Infrastructure Corruption Risk Assessment Tool (ICRAT) to assess the broader context in which infrastructure is planned and delivered in Pakistan. ICRAT is a diagnostic framework for identifying contextual conditions that make infrastructure projects vulnerable to governance and corruption risks across project cycle. This assessment constitutes a Level I diagnostic, which combines comprehensive desk-based research with targeted experts' input.

The report critically assesses three dimensions: the Country Context, which examines the broader political, institutional, and regulatory environment in which infrastructure is planned and delivered; the Agency Context, which assesses the governance and operational characteristics of the primary infrastructure agency; and a review of the project planning, identification, appraisal, and procurement processes that govern infrastructure investment decisions.

The lead agency assessed is the National Highway Authority (NHA), the principal federal agency responsible for the planning, development, and maintenance of the national road network. The Country and Agency contexts together yield a Context Risk Rating on a composite scale of 0 to 10, where higher scores indicate a greater probability of undue interference, governance failure or corruption. In addition to assessing the broader context, the tool also allows for categorising project identification and selection processes into four different types (A, B, C and D).

The final assessment combines the Context Risk Rating with the project-processes categorization to generate a summary assessment of the potential for corruption or governance failure across the infrastructure project cycle. This integration situates potential corruption risks within the specific procedural architecture of Pakistan's public investment management system. The summary assessment should be read, at best, as an indirect estimate of the conditions that could potentially enable corruption or governance weaknesses, rather than a direct evidence of corruption. It is intended to inform reform efforts by identifying the institutional, procedural, and governance conditions that can potentially give rise to governance and corruption risk across the infrastructure project cycle.

Infrastructure planning and construction in Pakistan follow the same institutional rules and resource allocation mechanisms as public investment management more broadly. Over two-thirds of Pakistan's total public investment is directed toward infrastructure sectors, and the Public Sector Development Program (PSDP)—the primary vehicle for federal development expenditure—is dominated by transport, energy, and water infrastructure.⁴

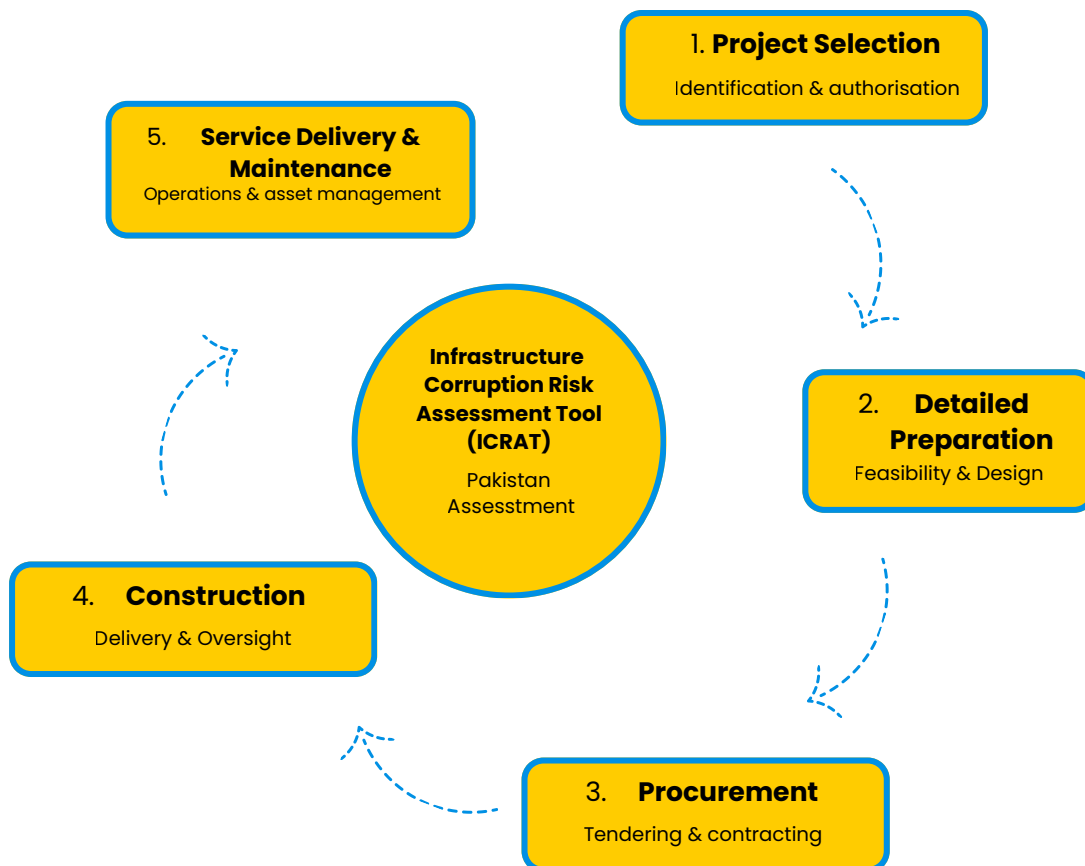


For this reason, systemic weaknesses in public investment governance translate directly and consequentially into failures of infrastructure planning, prioritisation, and delivery. This report reflects that reality throughout its analysis with an aim to propose actionable solutions for the federal and provincial governments, parliamentary bodies, development partners, international financial institutions and relevant stakeholders.

The assessment assigns Pakistan a high Context Risk Rating of 6.34 out of 10, indicative of significant vulnerabilities to undue influence or corruption risks across infrastructure decision-making processes. The Country Context score of 3.25 out of 5 reflects moderate integrity but areas of susceptibility in different dimensions assessed in the country context such as economic foundations, electoral integrity, judicial independence, media freedom, public financial management, and corruption perception.

The Agency Context score of 3.09 out of 5 reflects areas for reform such as external influence in agency, limited disclosure of information, and lack of effective grievance and accountability mechanisms.

These findings do not imply the incidence or presence of corruption in infrastructure projects. They indicate, rather, the conditions that make infrastructure investment vulnerable to governance risks, political influence in project selection, weak appraisal, non-competitive contracting, and limited accountability, which require sustained, systemic reform to improve infrastructural governance in Pakistan.



METHODOLOGY

This report adopts a qualitative methodology, primarily based on desk research around TI Australia’s Infrastructure Corruption Risk Assessment Tool (ICRAT) Steps I–II. The desk research is supplemented by targeted semi-structured interviews and consultations with key expert and stakeholders. The assessment provides a high-level but systematic evaluation of governance risks at the project selection stage, where such risks are significant.

The analytical approach consists of three interlinked components:

1

ASSESSMENT OF COUNTRY AND AGENCY CONTEXT (ICRAT STEP 1)

The first component examines the broader governance environment within which infrastructure decisions are made with particular attention to systemic corruption risks. This includes both:

- Country context: political economy, legal and institutional frameworks, and corruption perceptions
- Agency context: governance arrangements, executive management, external influence, technical capacity, transparency practices, and accountability mechanisms

This step follows Worksheet 1 of ICRAT, which applies a structured rating system (1 to 5) across governance dimensions such as access to information, procurement transparency, and political influence.

2

MAPPING AND CATEGORISATION OF PROJECT SELECTION PROCESS (ICRAT STEP 2)

The second component maps how infrastructure projects are identified, prioritised, and approved in practice, besides relying solely on formal procedures.

The analysis focuses on two key stages:

- Project identification (needs assessment, prioritisation)
- Project authorisation (appraisal, approvals, budgeting, and safeguards)

The emphasis here is on identifying gaps between formal rules and actual practice, including instances of bypassing of appraisal requirements, or politically driven prioritisation.

3

SYNTHESIS OF INDICATIVE CORRUPTION RISKS (ICRAT STEPS 3 AND 4)

The third component integrates findings from the context assessment and project mapping to generate an overall indicative country infrastructure governance risk across the infrastructure project cycle.



Secondary Data: Desk research is the core method for this diagnostic research. The bulk of data for this assessment comes from secondary data gathered through an in-depth desk review, structured around the ICRAF framework. Secondary sources have been systematically used to assess the country context, agency context and project identification and authorisation phases. Key sources include official government documents and policies; publications from the International Monetary Fund and the World Bank; procurement processes and audit reports; academic and policy research; and media reporting on infrastructure governance and public investment management in Pakistan.

Primary Data: Semi-Structured Interviews: Primary data has been collected through semi-structured interviews with stakeholders involved in infrastructure governance at different levels. A total of 14 semi-structured interviews have been conducted. The primary objective of the interviews was to understand actual decision-making processes in project identification, design, appraisal, procurement, and implementation, and to surface gaps between rules on paper, and rules in use, that shape outcomes in practice.

Key informants were identified using a combination of purposive and convenience sampling.

Methodological Limitations: Several limitations bear on the scope and interpretation of this assessment. First, as a Level I diagnostic, this study is by design a desk-based and expert-driven exercise; it does not constitute a comprehensive appraisal, and its findings should be read as an evidence-informed assessment of risk conditions rather than direct documentation of any wrong doings. Second, the assessment of agency context and its findings may not be fully generalisable to other infrastructure agencies or sectors operating under different institutional conditions. While these limitations do not invalidate the findings, they should be considered when interpreting the depth and generalisability of specific conclusions.



**COUNTRY
CONTEXT**

Infrastructure planning and delivery do not occur in a vacuum. The quality of infrastructure governance is fundamentally shaped by the broader political economy in which investment decisions are made, projects are selected, and contracts are awarded. Public infrastructure is simultaneously an instrument of economic development: large capital outlays, long implementation cycles, geographically concentrated benefits, and complex contracting arrangements make infrastructure investment particularly susceptible to rent-seeking, elite capture, and electoral gains. In weak governance environments, public infrastructure decisions tend to reflect political incentives rather than economic returns, with adverse consequences for allocative efficiency and long-term development impact⁵.

This section assesses the macro-level economic, political, institutional, and civic features of Pakistan's governance environment to examine their implications for infrastructure planning and delivery. It provides the country-level foundation for the more agency-specific analysis that follows.

ECONOMIC CONTEXT

The infrastructure landscape in Pakistan is fundamentally shaped by a persistent challenge between developmental aspirations and a restrictive macro-economic space. Although Pakistan has had periods of high economic performance, the country's long-term growth trajectory has weakened and remains increasingly inadequate in the context of a persistently high population growth rate.

The economy is trapped in a low-growth, high-debt equilibrium, characterised on the supply side by low investment in physical and human capital, and on the demand side by heavy dependence on remittances and debt-driven consumption⁶.

In recent decades, the growth cycles have tended to culminate in balance-of-payments crises and subsequent periods of low fiscal consolidation⁷. This economic volatility affects infrastructure planning and implementation processes in profound ways. Notably, the shrinking fiscal space has affected the Federal Public Sector Development Programme (PSDP) from a strategic public investment tool to a residual fiscal adjustment variable. Therefore, a critical review of the country's macro-economic and fiscal situation is imperative to understand the broader context in which infrastructure is planned and executed.

The fiscal constraints have important implications for infrastructure governance, particularly in shaping how projects are prioritised, financed, and implemented. Persistent fiscal pressures have significantly constrained development spending, with federal PSDP allocations accounting for only around 0.8 percent of GDP in recent years, reflecting limited fiscal space for public investment.

Fiscal deficits have remained a binding constraint on Pakistan's economic growth, with significant implications for public investment planning. They are rooted in weak revenue mobilisation and expenditure structures⁸.

On the expenditure side, rising debt-servicing costs, poorly targeted subsidies, losses of state-owned enterprises, and inefficiencies in development spending have compressed fiscal space. In particular, the share of debt-servicing in total federal expenditures has risen sharply, accounting for nearly 50% of total public expenditures since 2023⁹. The persistent fiscal deficits have led to an even heavier reliance on foreign and domestic borrowing¹⁰.

The afore-mentioned macro-economic volatility and fiscal constraints make it difficult to plan and implement large infrastructure projects without incurring serious risks of time and cost overruns. When fiscal space is largely determined by debt servicing obligations, the PSDP tends to function less as a strategic public investment instrument and more as a residual fiscal adjustment variable.

This structural unpredictability can alter the incentive environment for planners, shifting the emphasis from long-term value creation toward securing available budgetary allocations within shortened planning horizons.

The resulting governance framework faces elevated fiduciary and governance risks across the full project lifecycle, from initial selection and appraisal through procurement to asset management. In contexts of acute resource scarcity, competition for infrastructure financing can intensify among a range of powerful stakeholders with varying interests, including political elites, state-affiliated entities, and bureaucratic actors.



B) ELECTION PROCESS

Pakistan's Constitution and statutory framework provide for the conduct of periodic elections through an independent constitutional body. Article 219(b) of the Constitution of the Islamic Republic of Pakistan (1973) mandates the Election Commission of Pakistan (ECP) to organise and conduct elections to the national and provincial legislatures as well as local governments. The Elections Act and related subsidiary legislation establish procedures intended to ensure transparency, inclusiveness, and credibility in the electoral process.

Specifically Sections 132 and 133 (Chapter VIII) place ceilings on candidate expenditure: Rs. 1.5 million for a Senate seat, Rs. 10 million for a National Assembly seat and Rs. 4 million for a provincial assembly seat¹¹. All such expenses must be documented through invoices and receipts and political parties are required to furnish to the Election Commission of Pakistan (ECP) a list of contributors who have donated Rs 100,000 or more, along with details of total election expenses incurred during a general election.

The Act further prohibits foreign sources from financing campaigns, with any such contribution, whether in cash, kind, transport, or fuel, subject to confiscation in favour of the government¹². Notably, the original draft of the legislation had also proposed spending limits directly on political parties, but these provisions were removed before the bill's passage, leaving a significant gap in the regulatory framework¹³.

In practice, the ECP has periodically issued notices for non-compliance, on one occasion serving notices to a Prime Minister and 141 other lawmakers over suspected misreporting of campaign expenditures, with the commission's political finance wing citing irregularities in submitted expense details¹⁴.

However, the statutory spending limits bear little correspondence to the scale of actual campaign activity; the visible expenditure on rallies, advertising and logistics across a single constituency routinely surpasses the prescribed ceilings by several multiples. This has compromised transparency in campaign financing and lobbying practices, and oversight mechanisms have struggled to ensure compliance with disclosure requirements.

At the same time, the absence of any explicit regulatory framework for online and digital campaign spending compounds the problem further, leaving millions of rupees spent on social media/online advertising entirely outside the purview of ECP oversight¹⁵. While, the regulation of online and social media campaign financing is a relatively new and evolving area, in Pakistan, there is a legislative gap around regulation of digital political campaigns. This gap in digital campaign financing transparency can potentially allow the influence of undisclosed private and political interests on electoral outcomes, which remains unregulated and insulated from meaningful scrutiny by the oversight institution.

The quality of electoral processes and the transparency of political finance bear directly on public investment management and infrastructure governance. Electoral environments marked by uncertainty or contested legitimacy compress political time horizons and heighten incentives for short-term decision-making. Long-term investment planning, rigorous project appraisal, and sustained implementation capacity become harder to maintain. As a result, infrastructure development priorities may be influenced by short-term political incentives rather than long-term planning considerations.

These dynamics manifest in several patterns: project selection driven by political salience rather than technical or economic merit; the concentration of public expenditure in the run-up to electoral cycles; procurement processes vulnerable to political interference; and abrupt shifts in investment priorities that disrupt project execution and fragment capital spending.

Electoral incentives have also been associated with shifts in development spending patterns during election cycles. Successive governments have been criticised for expanding discretionary development spending in election years in an effort to strengthen political support¹⁶. Recent media reports indicate that the Pakistan Democratic Movement (PDM) coalition government increased allocations for the parliamentarian-driven Sustainable Development Goals Achievement Programme (SAP) by approximately 59 per cent to Rs111 billion during fiscal year 2022–23, despite severe fiscal and balance-of-payments pressures.

With elections approaching, the federal budget for fiscal year 2023–24 allocated an additional Rs90 billion to the programme¹⁷. The finance ministry also authorised accelerated releases of these funds to coalition legislators during the first six weeks of the fiscal year, prior to the transition to a caretaker government. Subsequently, the caretaker administration continued disbursements under the programme.

Federal development spending data indicated that discretionary SAP spending outpaced utilisation rates for most other development schemes during the first four months of the fiscal year 2023–24. Of the total allocation for the programme, the outgoing PDM government authorised the release of nearly 70 per cent, approximately Rs61.3 billion, within the first three weeks of the fiscal year, before the caretaker setup assumed office¹⁸.

These patterns illustrate how electoral incentives and political competition can influence the timing and allocation of public development spending, with implications for the efficiency, prioritisation, and governance of infrastructure investment.





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LEGAL AND JUDICIAL SYSTEM AND WHISTLEBLOWER PROTECTION

The Constitution of Pakistan establishes the separation of powers and provides formal guarantees for the independence of the judiciary. In principle, the courts are mandated to adjudicate disputes impartially and to safeguard constitutional rights. In practice, however, weaknesses in the legal and judicial system constrain the ability of courts to consistently dispense justice in a timely, independent, and predictable manner.

Pakistan performs poorly across a range of international rule-of-law indicators, particularly those related to judicial efficiency, contract enforcement, and institutional independence. According to the World Justice Project (WJP) Rule of Law Index 2025, Pakistan ranks 130 out of 143 countries, placing it near the bottom of global rankings and fifth out of six countries in South Asia, ahead only of Afghanistan. Pakistan's performance is particularly weak in dimensions measuring constraints on government powers, open government, control of corruption and protection of fundamental rights¹⁹.

Structural inefficiencies within the judicial system contribute to prolonged delays in the resolution of cases and raise the cost of accessing justice. Persistent case backlogs, outdated procedural frameworks, and limited administrative capacity impede the timely adjudication of disputes²⁰. Inconsistent enforcement of court decisions further undermines legal certainty and weakens confidence in the justice system. These challenges are particularly acute in politically sensitive cases or those involving significant financial interests, where perceptions of uneven treatment are more pronounced.

“The prospect of prolonged litigation discourages both private actors and public institutions from pursuing legal remedies, while the absence of effective sanctions for non-compliance reduces incentives to adhere strictly to laws and regulations” (KII)

In November 2025, the International Monetary Fund (IMF) published *Governance and Corruption Diagnostic Assessment under Pakistan's ongoing Extended Fund Facility Program*. The GCDAs highlights that weaknesses in judicial effectiveness, particularly in contract enforcement, dispute resolution, and institutional integrity, are a part of Pakistan's governance challenges – all of which undermine investor confidence, constrain private sector activity, and affect overall economic performance of the country²¹.

The assessment further underscores corruption risks and governance gaps within lower courts, alongside broader institutional weaknesses in enforcement capacity. It emphasizes that deficiencies in the judiciary weaken the effectiveness of the entire anti-corruption enforcement chain, from investigation to adjudication. The diagnostics further underscore that Pakistan's key governance constraint lies in implementation gaps rather than the absence of laws or institutions.

In the judiciary, this is reflected in delays in case disposal, weak enforcement of judgments, and limited institutional coordination. The report emphasizes that strengthening implementation capacity is essential to ensure that judicial processes translate into effective, timely, and enforceable outcomes, thereby improving overall governance performance.

WHISTLEBLOWER PROTECTION

One of the most significant gaps in Pakistan's accountability framework relates to whistleblower protection. At the federal level, whistleblower protection remains weak, with the Whistleblower Protection and Vigilance Commission Ordinance, 2019 having lapsed without being converted into an Act of Parliament and more recent legislative efforts, including the Whistleblower Protection and Vigilance Commission Bill, 2025 yet to translate into an operational and credible protection framework.

For several years, Transparency International Pakistan has consistently advocated for the enactment of a comprehensive federal whistleblower protection legislation, including repeated engagement with the Government of Pakistan on aligning domestic legislation with Pakistan's international obligations.

The Articles 8.4 and 13.2 of the United Nations Convention against Corruption (UNCAC) call for effective reporting mechanisms and protection against retaliation for reporting persons. for the member states.

TI Pakistan has also highlighted whistleblower protection as a critical governance reform necessary for strengthening institutional integrity, participatory governance, transparency, and early detection of corruption and financial mismanagement, particularly in the context of Pakistan's ongoing IMF Governance and Corruption Diagnostic reforms.

The absence of robust whistleblower protections, combined with weaknesses in judicial enforcement, reduces the effectiveness of preventive accountability systems. This creates a risk that governance failures, particularly in complex areas such as public procurement and infrastructure investment, remain unaddressed until they escalate into systemic problems²². In this context, limited judicial effectiveness and weak protection for whistleblowers mutually reinforce each other, constraining early detection of wrongdoing and diminishing confidence in formal oversight mechanisms.

PUBLIC FINANCIAL MANAGEMENT AND PROCUREMENT

Pakistan operates a formally unified public financial management (PFM) system anchored in the Constitution of Pakistan, particularly Articles 78–86, which govern the Federal Consolidated Fund and Public Account. The constitutional framework establishes a comprehensive architecture for budgeting, expenditure, accounting, and audit, applying across federal, provincial, and district governments.

At the federal level, the core PFM institutions include the Finance Division, Planning Commission, Controller General of Accounts (CGA), Auditor General of Pakistan (AGP), and the Public Procurement Regulatory Authority (PPRA).

The Finance Division leads fiscal policy formulation, budget preparation, and macro-fiscal management, with the stated objective of ensuring macroeconomic stability. The Planning Commission serves as the central agency for development planning, appraisal, and oversight of federal public investments. The CGA is responsible for maintaining government accounts and producing periodic and annual financial statements, while the AGP exercises constitutional authority over external audit of all public funds across tiers of government. PPRA, an autonomous regulator under the Cabinet Division, is mandated to promote transparency, efficiency, and accountability in procurement processes.

The institutional architecture in Pakistan provides a complete PFM cycle, from planning and budgeting to execution, accounting, audit, and legislative scrutiny, creating the formal conditions for transparent and accountable management of public resources. In practice, however, governance diagnostics consistently point to gaps between formal rules and their implementation, particularly in public investment and procurement.

Fiscal framework At the macro level, fiscal policy constitutes a critical pillar of PFM, shaping the space available for public investment and influencing budget credibility. Pakistan’s legal framework includes fiscal rules intended to promote fiscal discipline, debt sustainability, and medium-term planning. The Fiscal Responsibility and Debt Limitation (FRDLA) (Amendment) Act 2022 establishes limits on public debt and deficits, including a ceiling of 60 percent of GDP for total public debt and operational deficit targets introduced through subsequent amendments. A 2022 amendment further capped federal guarantees at 10 percent of GDP to limit contingent liabilities.

The Public Finance Management Act (PFMA) 2019 provides the legal underpinnings of fiscal governance by mandating the preparation of a Medium-Term Fiscal Framework (MTFF), strengthening of public investment appraisal and prioritisation processes, publication of tax expenditures and contingent liabilities, establishment of a Treasury Single Account, introduction of internal audit functions, and regular mid-year budget performance reporting to Parliament and the public. The MTFF is prepared annually by the Finance Division and sets indicative resource ceilings over a three-year horizon, forming the basis for annual budget preparation.

Despite this framework, fiscal rules have proven ineffective in constraining deficits and debt accumulation. Public debt has consistently exceeded the statutory ceiling since 2012, reflecting weak enforcement and repeated deviations from fiscal targets. While provincial governments have generally maintained fiscal surpluses in recent years, federal fiscal pressures have remained acute, driven largely by rising recurrent expenditures. Importantly, while development spending under the Public Sector Development Programme (PSDP) tends to remain within the MTFF envelope, weak budget reliability on the recurrent side undermines overall fiscal discipline and in turn constrains public investment quality.

Budget execution and audit framework:

Pakistan's budget execution framework follows established procedures. Drawing and Disbursing Officers submit expenditure claims to accounts offices, which apply budgetary and compliance checks before payment. The CGA consolidates transaction data and prepares financial reports, while the AGP conducts external audits and submits audit reports to the President, who lays them before Parliament for scrutiny by the Public Accounts Committee (PAC).

While this system ensures that public expenditures are formally recorded, audited, and reported, its effectiveness in ensuring accountability is uneven. Audit reports frequently identify irregularities in development expenditures, including non-compliance with procurement rules and weak project controls. However, enforcement of audit findings is often delayed due to significant backlogs in the Public Accounts Committees (PAC) and limited follow-up by executive authorities. As a result, the accountability function remains largely ex post and weakly linked to corrective action.

Recent evidence underscores the scale of these challenges. In 2025, the PAC reported that more than 36,000 audit paras relating to federal government departments remained pending review, while concerns were also raised regarding over 600,000 unresolved audit cases and delays in the auditing of state institutions. In addition, parliamentary oversight bodies have repeatedly highlighted unresolved audit objections within key public sector ministries, reflecting broader weaknesses in compliance and enforcement mechanisms²³.

Parliamentary oversight of public investment is similarly limited in practice. The Parliament has added two sub-rules to Rule 201 in its Rules of Procedure and Conduct of Business. Sub-rule 201(6) requires each Federal Ministry to share Budget proposals regarding the Public Sector Development Program (PSDP) with the concerned Standing Committee, prior to finalization of PSDP proposals. The Standing Committees are expected to scrutinize the proposals and send recommendations to the Ministry concerned for consideration and inclusion in the PSDP. Sub-rule 201(7) obligates the Ministries to submit a compliance report to the concerned Standing Committee within 30 days of the submission of recommendations and show reasons in case the recommendations are not accommodated.

The status of implementation of Rules 201(6) and 201(7) remains weak. According to National Assembly Secretariat records, Standing Committees forwarded a total of 202 recommendations to the respective Ministries during the past 10 years and were ignored. Not a single recommendation was accepted and no reasons were provided²⁴. In doing so, the necessary condition has been fulfilled, the sufficiency condition remains to be achieved.

In fact, in practice the legislative scrutiny focuses on aggregate budget allocations rather than project-level appraisal, selection, or performance. Supplementary grants and in-year reallocations particularly for development projects are often approved with minimal debate, weakening Parliament's role as an ex-ante gatekeeper of public investment quality.

Similarly, another critical problem with the Budgeting exercise over the course of the fiscal year is the discretionary power of the Executive to make ex post changes to the Budget. The practice of expenditure over and above the budgeted amounts and shifting allocations from one head to another after the passage of the budget has become the norm. The National Assembly, during its 2024 - 25 Budget session, approved Rs 9.4 trillion in the previous fiscal year's expenditure over-runs, an amount five times higher than the one approved the previous year²⁵. Changes made in the budget – expenditure over-runs and reallocations – are collectively presented in the National Assembly as the Supplementary Budget at the end of the financial year, along with the budget for the next year. The Supplementary Budget is passed with little or no debate because members consider such debate futile, given that the expenditure has already been incurred.

These post-facto changes in the budget are made by the Executive by virtue of Article 84 in the case of the federal budget, and Article 124 in the case of the provincial budgets. The Articles grant the Executive discretionary power to modify the Budget – without even informing Parliament, let alone obtaining its prior approval – rendering the Budget process a meaningless exercise. This compromises the sanctity of parliamentary approvals.

Public Investment Planning: Pakistan has a long tradition of five-year national development planning, but this instrument has progressively lost operational relevance, particularly following the 18th Constitutional Amendment made in 2010. The current 13th Five-Year National Development Plan (2024–29) is largely aspirational, articulating broad priorities under the “Five Es” (Exports, E-Pakistan, Environment & Climate Change, Energy & Infrastructure, Equity & Empowerment) framework but lacking costed programs, measurable outcomes, or a credible implementation mechanism²⁶.

In practice, annual development spending is weakly aligned with medium-term plans. Allocation of limited resources to an ever growing number of projects leads to thin spread of resources, resulting in underfunding of approved projects. The underfunding of approved projects leads to implementation delays, cost overruns, and extended project lifecycles, creating a vicious cycle that erodes value for money and heightens corruption risks. Weak multi-annual budgeting further exacerbates these challenges, as funding for approved projects is not adequately protected over their lifecycle.

In 2024, reforms were initiated by the federal government in the context of IMF-supported fiscal reform efforts to rationalise development spending. There has been a recognition that the structure of the PSDP portfolio is fiscally unsustainable. The reports have noted that the excessive number of ongoing projects, combined with fragmented allocations and weak prioritisation meant that some schemes could take over a decade to complete under existing financing patterns²⁷.

The result, as reflected in evidence from experts input, is a systematic bias towards visible, brick-and-mortar projects that deliver short-term political gains, rather than investments grounded in longer-term development outcomes. This practice weakens ex ante affordability checks and creates incentives for repeated reallocations and supplementary financing.

In February 2025, the Ministry of Planning, Development & Special Initiatives has released policy guidelines and a scorecard for evaluating development projects and their financing through the Public Sector Development Programme (PSDP)²⁸. The guidelines aim to introduce objective project appraisal and prioritisation criteria, requiring ministries and implementing agencies to apply stricter scrutiny before projects can be approved. However, despite these procedural improvements concerns remain regarding the effectiveness of implementation, political influence and weak institutional capacity to independently enforce objective appraisal standards. For instance, PSDP utilisation during FY2025–26 has increased substantially due to accelerated disbursements for parliamentarians’ schemes under the Sustainable Development Goals Achievement Programme (SAP)²⁹.

This continues to highlight the persistence of political influence over public investment decisions despite formal reforms aimed at strengthening appraisal and prioritisation.

Public Procurement: Pakistan has a comprehensive legal framework governing public procurement at both federal and provincial levels. Procurement rules and the public procurement regulatory bodies are present at the federal and provincial level. The Public Procurement Regulatory Authority (PPRA) of Pakistan is an autonomous body endowed with the responsibility of prescribing regulations and procedures for public procurements of goods, works and services by Federal Government owned public sector organizations and semi-autonomous bodies. It is also endowed with the responsibility of monitoring procurement by public sector agencies/organizations.

The Public Procurement Regulatory Authority (PPRA) was created by the Federal Government through a Presidential Ordinance in 2002. Later, Public Procurement Rules (PPR) were notified in 2004 followed by the adoption of first set of public procurement regulations in 2008, and the consultancy services regulations in 2010. These Rules and Regulations, largely made with the assistance of the World Bank, are applicable to the procurement of goods, works and services.

Following the federal PPRA Rules of 2004 and Regulations of 2008, the provinces established their own respective procurement authorities and procurement rules, majorly in line with the federal PPRA rules 2004. These rules establish open competitive bidding, mandate public advertisement above financial thresholds, require publication of bid evaluation reports prior to contract award and responds to the international best practices of value for money, efficiency, transparency, accountability, fair competition and good governance.

In principle, these rules align with international good practices. In practice, however, amendments and exemptions, particularly those allowing direct contracting with state-owned enterprises (SOEs) have significantly weakened competition in infrastructure sector³⁰. Stakeholders have highlighted that National Highway Authority (NHA) has increasingly relied on Rule 42(f) of the PPRA Rules to directly award large infrastructure contracts to state-owned entities (SOEs) in recent years. This provision, expanded through a series of amendments between 2020 and 2022, permits direct contracting with SOEs under conditions of urgency, capacity and financial conformance³¹.

For instance, in August 2023, the NHA Executive Board approved the procurement of several projects included in the Public Sector Development Programme (PSDP 2023–24) through limited tendering among state-owned entities (SOEs) without open advertisement. These reportedly included major infrastructure schemes such as the Lahore–Sahiwal–Bahawalnagar Motorway, Lahore Bypass, D.I. Khan Road Development Package, Zhob Bypass, as well as motorway operations and maintenance contracts, with procurement restricted to SOEs such as the Frontier Works Organization (FWO) and National Logistics Cell (NLC) under Rule 42(f) of the PPRA Rules, bypassing open competitive bidding processes³².

While the rule formally requires competition where more than one eligible SOE exists, respondents noted that its application in practice has often bypassed competitive pressures altogether, particularly in high-value road sector contracts.

The expanded use of negotiated tenders and single-source procurement, often justified on grounds of urgency or public interest, undermines transparency and creates substantial corruption vulnerabilities. Available evidence suggests that such contracts are often associated with cost escalation and opaque subcontracting arrangements. In this context, the IMF has emphasized the need to eliminate preferential direct contracting arrangements for SOEs, strictly limit procurement exemptions, and ensure mandatory end to end adoption of e-procurement systems across all procuring entities to strengthen transparency, accountability, and value for money in public spending³³.

The introduction of mandatory e-procurement through the EPADS system represents a positive reform, supported by World Bank. Prior to EPADS, stakeholders have noted that manual procurement processes were characterised by incomplete online disclosure of contract award documents and uneven access to tender information, constraining bidder access and weakening competition. While EPADS has improved transparency, implementation remains uneven, with exemptions granted to different ministries and departments including infrastructure entities which continued to operate parallel systems³⁴.

OVERSIGHT & ACCOUNTABILITY

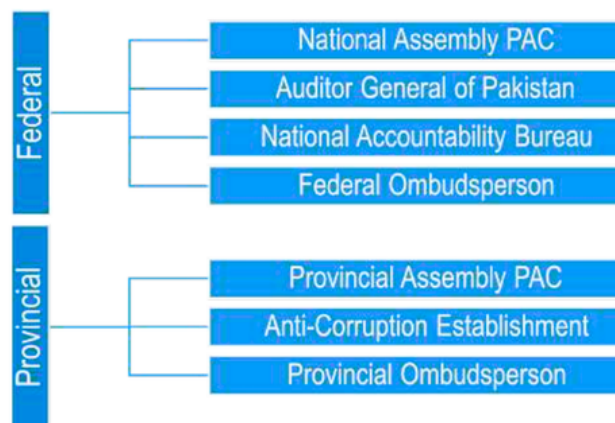
Oversight of public funds is fragmented across multiple institutions, including PAC, AGP, PPRA and the National Accountability Bureau (NAB), provincial anti-corruption establishments and sectoral regulators. Besides the PAC and AGP, the National Accountability Bureau (NAB), established in 1999, acts as the leading anti-corruption agency, investigating and prosecuting individuals accused of corruption, white-collar crime, and misuse of authority. Alongside, Provincial governments have also established Anti-Corruption Establishments (ACEs), which have jurisdiction limited to a single province, but have a similar mandate as NAB. Their effectiveness and use has been criticised for possible duplication of work, resource limitations, and potential political influence.

The procurement transactions are subject to audit and reporting requirements by the office of the Auditor General of Pakistan. Furthermore, under Section 33-B of the NAB Ordinance, procuring agencies are required to provide details of procurement proceedings and contracts exceeding PKR 50 million to the NAB. In parallel, the Public Procurement Regulatory Authority (PPRA) undertakes preliminary examination of procurement advertisements prior to their publication and also serves as an appellate mechanism for addressing procurement-related grievances and complaints.

Similarly, the grievance redressal mechanism under PPRA provides for independent review of procurement complaints, but its effectiveness is constrained by lengthy resolution times, lack of transparency in published decisions, enforcement weaknesses, and the imposition of appeal fees that deter complainants. PPRA itself faces governance and capacity challenges, including staffing shortages and prolonged vacancies on its governing board.

Most audits conducted by AGP are compliance-based rather than performance-oriented, limiting their usefulness in assessing value for money. Capacity constraints further limit the scope for more sophisticated procurement audits. Additionally, the large number of unresolved audit observations before the Public Accounts Committee weakens the overall impact of the audit process and limits the ability of PAC to ensure accountability of public institutions for deficiencies in procurement management and performance.

Civil society oversight of procurement and public investment is constrained by limited access to comprehensive procurement data, weak disclosure of contract implementation outcomes, and the absence of systematic performance reporting. While formal accountability mechanisms exist, they do not yet provide a robust basis for sustained external scrutiny.



Engagement with Multilateral Institutions: Pakistan has long-standing engagement with multilateral development banks, including the World Bank and Asian Development Bank, which provide both financing and technical assistance for PFM and procurement reforms. Many externally financed projects apply multilateral procurement guidelines and fiduciary safeguards. This coexistence of parallel systems, national and donor-specific, limits system-wide learning and reform spillovers. Sustained capacity development and stronger alignment between domestic systems and international standards remain critical.

In sum, Pakistan’s PFM and procurement systems provide a comprehensive formal framework for transparency, accountability, and oversight of public investment. However, implementation weaknesses, particularly in public investment planning, procurement competition, parliamentary oversight, and enforcement of audit findings, undermine these objectives. Oversight agencies face capacity and independence constraints, civil society monitoring is limited by information gaps, and discretion in project selection and procurement remains high. These vulnerabilities collectively elevate governance and corruption risks in public investment, especially in large-scale infrastructure spending.

CULTURAL HIERARCHY AND INFLUENCE

Pakistan's governance context reflects elements of hierarchical decision-making and reliance on established authority structures. In such settings, decision-making processes are more centralised, with greater weight placed on administrative and political leadership. The country operates under a federal system in which, following the 18th Constitutional Amendment, provinces have gained significant fiscal and administrative autonomy, particularly in development spending. Post-18th Constitutional Amendment, Provincial governments play a central role in planning and implementing infrastructure through their respective Annual Development Programmes (ADPs), while the federal government continues to finance and execute large-scale, nationally significant projects through the Public Sector Development Programme (PSDP).

At the corporate level, Pakistan's private sector is characterized by high ownership concentration and strong family-based control structures³⁵. The business landscape remains dominated by family-owned conglomerates, many of which retain tightly held governance arrangements³⁶. Research indicates that economic concentration has remained persistent over decades: whereas 22 families reportedly controlled a majority share of industrial assets in the 1960s, a relatively small number of business groups continue to exert influence over capital markets today³⁷. Board interlocks and cross-directorships reinforce elite networks, potentially limiting contestability and new market entry.

Compared with peer emerging economies, Pakistan's corporate sector has exhibited limited scaling, modest market capitalization relative to regional comparators, and constrained use of mergers and acquisitions as a growth strategy. The small number of firms with substantial capitalization reflects limited capital markets and restricted industrial deepening. In infrastructure markets, where large contracts require financial depth and political access, such concentration has the potential to increase risks of collusive behavior, regulatory capture, and preferential treatment.

Gendered social norms and inequality is another challenge with significant implications for governance, market functioning, and public investment outcomes. Female labour force participation remains structurally low: in 2024, only 24 percent of women aged 15–64 were economically active, compared with a global average of 49 percent and a South Asian average of 33 percent³⁸. Pakistan's broader gender disparities are reflected in its ranking at the bottom of the World Economic Forum's 2025 Global Gender Gap Index, with overall parity at 56.7 percent, indicating persistent gaps in economic participation, political empowerment, and access to opportunity³⁹. In the context of infrastructure governance, the gendered structural constraints can reinforce exclusionary networks, reduce diversity in decision-making roles, weaken accountability through limited female representation in oversight institutions, and constrain inclusive stakeholder engagement.

It is important to highlight that while these structural features do not in themselves imply corruption. However, they create elevated risks of elite capture, non-participatory processes, preferential contracting, and politicized allocation of public investment. In the infrastructure sector, where projects are capital-intensive and discretion-heavy, these dynamics heighten vulnerability to governance weaknesses unless counterbalanced by transparent appraisal frameworks, competitive procurement systems, robust disclosure requirements, and independent oversight institutions.

ACCESS TO INFORMATION

Access to information constitutes a core pillar of transparency and ex-ante accountability in public investment and procurement systems. In Pakistan, this right is formally guaranteed under the Constitution (Article 19-A) and operationalized at the federal level through the Right of Access to Information Act, 2017. All four provinces have enacted their own Right to Information Acts. On paper, Pakistan's access-to-information framework is relatively robust. However, civil society evaluations consistently point to a persistent implementation gap between legal entitlement and practical access, driven by delays, non-compliance by public bodies, and weak enforcement of disclosure obligations^{40,41}.

In practice, access to information remains uneven and often discretionary. Stakeholders input indicate that access to project-level information often depends more on personal networks and informal contacts than on formal disclosure mechanisms. While RTI laws provide a procedural route for information requests, responses are frequently delayed, incomplete, or denied.

Weak enforcement by Right to Information (RTI) oversight bodies, including federal and provincial information commissions, reflected in limited capacity, constrained authority, and uneven political backing, reduces consequences for non-compliance and weakens incentives for proactive disclosure. These constraints are most pronounced in infrastructure and development sectors, where high-value contracts, complex project structures, and political salience heighten resistance to information disclosure.

Limited access to timely and reliable information undermines the effectiveness of oversight mechanisms across the public investment cycle. When project appraisal documents, procurement decisions, and budget reallocations are not disclosed in a timely manner, civil society, media, and even formal oversight institutions are constrained in their ability to scrutinize decisions before they are finalized. In this context, weak access-to-information implementation reinforces governance vulnerabilities by weakening ex ante accountability and reducing the likelihood that high-risk or inefficient projects or procurement practices are challenged early.

MEDIA OPENNESS

Freedom of expression and press are constitutionally guaranteed under Article 19 (Freedom of Speech and Press) of the Constitution of Pakistan. In contexts where formal oversight institutions face capacity or enforcement constraints, independent media functions as a critical informal accountability mechanism by enabling public scrutiny of government decisions, particularly in high-value and politically salient sectors such as infrastructure.

Pakistan has a vibrant media landscape, including a large number of television channels, newspapers, digital news platforms, and social media outlets. Over the past two decades, media organizations and journalists have played a significant role in highlighting governance failures, corruption allegations, procurement irregularities, and implementation challenges in public projects. Investigative reporting and public debate generated through traditional and digital media have often contributed to greater transparency and accountability in public affairs.

At the same time, Pakistan continues to face challenges related to media freedom and journalistic independence. Pakistan performs poorly on international media freedom indices, reflecting pressures that constrain journalistic independence. International assessments consistently highlight harassment, intimidation, violence against journalists, and limited accountability for such acts as key factors undermining effective media oversight⁴². These dynamics significantly limit the media's ability to influence infrastructure project decisions.

Protections for journalists, access to information, and an enabling environment for independent reporting are therefore key to mitigate corruption risks in public investment management.

CIVIL SOCIETY ACTIVITY

Pakistan's Constitution provides a formal basis for civil society activity through guarantees of freedom of association and expression (Articles 17 and 19), alongside the right to access information laws. In practice, however, human rights reporting indicates that civic space is uneven and constrained, particularly where engagement relates to politically sensitive issues. Recent efforts have focused on improving civil society regulation, including steps toward more structured CSO registration and reporting processes across relevant federal and provincial frameworks. Within this evolving regulatory environment, CSOs remain active partners in social sector service delivery and community mobilisation. However, their effectiveness as independent watchdogs varies, with greater space available in social sectors compared to areas involving governance oversight and accountability.

Corruption Perception: Corruption perceptions capture how citizens, businesses, and experts view the prevalence of corruption in public institutions and are widely used as a proxy for the credibility of governance systems and institutional integrity. In infrastructure-intensive sectors, such perceptions matter because they shape public trust in project selection, procurement outcomes, and the fairness of contract management, and can influence investor confidence and compliance behaviour.

In Pakistan, corruption perceptions remain weak. Transparency International's Corruption Perceptions Index (CPI) 2025 assigns Pakistan a score of 28 out of 100, ranking it 136th out of 182 countries⁴³. Over the longer term, CPI scores show modest improvement between 2012 and 2018, followed by a sustained decline from 2019 onward, indicating that earlier gains have not been maintained. Persistently low CPI scores suggest underlying weaknesses in accountability, enforcement, and institutional integrity rather than isolated governance failures. At the same time, it also highlights the ineffectiveness of the existing control mechanisms in deterring misconduct within public institutions.

A recent IMF report corroborates these findings, documenting systemic governance and corruption risks across key state functions. These include weaknesses in public financial management and capital spending, opaque and poorly administered tax and customs systems, excessive and distortionary business regulation, and a judicial sector characterized by inefficiency and integrity concerns. The report identifies public spending effectiveness and revenue collection as the areas most severely affected by these systemic risks⁴⁴.





AGENCY CONTEXT

EXECUTIVE MANAGEMENT

The National Highway Authority (NHA) was established in 1991 under the National Highway Authority Act with a broad mandate encompassing policy formulation for the national road network, execution of road construction projects (including new highways, expansions, and upgrades), maintenance and rehabilitation of existing infrastructure, and regulation of road construction standards and safety. The NHA is the custodian of 48 national highways, motorways, expressways, and strategic routes, with a cumulative length of approximately 14,480 kilometres, representing only 4.6 per cent of Pakistan's total road network⁴⁵. Despite this limited share, the NHA network carries nearly 80 per cent of the country's commercial traffic, with the N-5 highway alone, widely considered the economic and logistical backbone of Pakistan, accounting for nearly 65 per cent of this load. This functional centrality underscores the critical importance of robust executive management, insulation from political interference, and credible accountability mechanisms.

The enactment of the State-Owned Enterprises (Governance and Operations) Act, 2023 marked a significant shift in the government's stated approach to SOE oversight, requiring all SOEs to operate as commercially viable entities under professional and performance-oriented governance arrangements. Following its classification as an "Essential SOE" and its proposed retention by the Sub-Committee on Rightsizing of the Federal Government, the NHA was identified as a priority candidate for governance and operational reforms aligned with international best practices⁴⁶.

In June 2024, these reforms were codified through the promulgation of a new NHA Act, replacing the 1991 legislation. The new legal framework has restructured the governance architecture of the authority by establishing the National Highway Council (NHC) as the apex policy-making and oversight body.

Unlike the previous arrangement, where the Prime Minister chaired the council, the reconstituted NHC is to be headed by an independent chairperson appointed by the federal government. The council is also mandated to include five private sector members, alongside ex-officio government representatives comprising the CEO of the NHA, Secretary Finance, Secretary Planning, and Secretary Communications.

The NHC's statutory responsibilities include approval of five-year and other strategic plans, annual maintenance plans, development and non-development budgets, and policy or regulatory frameworks recommended by the Executive Board⁴⁷.

Under the new Act, executive authority within the NHA is vested in a Chief Executive Officer rather than a Chairman, with the CEO formally accountable to and appointed by the NHC. Complementing this structural change, a dedicated NHA Transformation Unit has been established to spearhead strategic reforms, strengthen financial sustainability, and oversee operational modernisation. In parallel, steps have been initiated to transfer regulatory functions from the NHA to the Ministry of Communications, with the stated objective of separating regulatory oversight from service delivery and project execution.

While these reforms signal a clear intent to transition the NHA towards a semi-autonomous, commercially governed road authority, with an independent board, professional management, and clearer accountability lines. However, implementation has been slow and uneven. It took nearly a year for the federal government to appoint the NHC chairperson and independent members⁴⁸. Even these delayed appointments triggered controversy, as a senior bureaucrat was appointed as chairperson, raising questions about the credibility of the "independent" designation⁴⁹. Furthermore, several private member positions on the NHC remain vacant, further weakening the council's intended role as a professional oversight body. The concerns regarding appointments and deputations had also surfaced recently over non-compliance⁵⁰.

Transparency deficits further compound these governance weaknesses. At the time of this assessment, information regarding the composition of the NHC was not publicly available on the NHA's official website. This lack of disclosure is inconsistent with basic SOE governance norms and limits external scrutiny of decision-making processes.

EXTERNAL INFLUENCE IN AGENCY OPERATIONS

Formally, the NHA operates within a rules-based decision-making framework. In practice, however, evidence suggests that key aspects of NHA decision-making, particularly in relation to infrastructure planning and project prioritisation, are influenced by external actors, most notably political stakeholders. The most critical area of external influence pertains to infrastructure planning and prioritisation. Due to the weakening of long-held tradition of five-year planning for public investments, NHA also lacks binding medium-term plans to guide annual public infrastructure investment plans. The public investment management framework provides criteria for planning and prioritising public investment projects. This framework is designed to ensure that public investment decisions balance development priorities, fiscal constraints, and technical feasibility through structured identification, appraisal, prioritisation, and approval stages.

Transport infrastructure projects possess features that make them especially attractive for political engagement, including high visibility, geographically concentrated benefits, and relatively short implementation horizons. As a result, road sector investments tend to be more politically salient than other forms of public expenditure.

Primary and secondary data indicate that in such contexts, project identification, prioritisation and approval stages are particularly vulnerable to politicisation, with technical considerations related to demand, design, and sequencing at times receiving reduced emphasis when political incentives are strong⁵¹.

Several interviewees pointed to the existence of close interactions between political actors, contractors, and senior administrative officials. Such relationships give rise to conflict of interest and undue influence in shaping operational decisions within the agencies. Interviewees noted that such decisions are often shaped by external pressures and negotiated interests rather than by technical assessments alone. Potential conflicts of interest may arise where elected representatives maintain direct or indirect interests in firms participating in public procurement. It is important to have asset disclosure framework that address recusal requirements in such circumstances as it increases the scope for influence over executing agencies' decisions.

Taken together, the evidence indicates that while systems and procedures exist to prioritise and implement infrastructure projects based on technical, economic, and social criteria, external influences, particularly political and industry-related, affect key decisions at critical stages of the investment cycle. These influences are most evident upstream, during project prioritisation and approval, portfolio maintenance, and cost revisions, rather than in routine operational management.

OPENNESS OF COMMUNICATION

Given the scale and public importance of the national highway network, openness of communication is a core governance requirement for the NHA. Regular disclosure of information on project selection, design, costs, implementation progress, and contract variations is essential for enabling scrutiny by Parliament, the media, civil society, and affected communities. In infrastructure sectors with large fiscal outlays and long implementation cycles, early-stage transparency is particularly important for identifying design flaws, affordability risks, and potential conflicts of interest before they become embedded in project execution.

Formally, the NHA is subject to federal transparency and access-to-information requirements, and basic information on projects, tenders, and organisational matters is disclosed through official websites, procurement portals, and PSDP documentation.

However, disclosure remains uneven in depth and timeliness. Interview evidence indicates that while headline information on project approvals and contract awards is generally accessible, more substantive documentation—such as feasibility studies, rationales for project selection, cost revisions, and contract amendments—is rarely disclosed proactively and is difficult to obtain through formal channels, with access frequently dependent on informal channels.

This selective transparency limits meaningful scrutiny at upstream stages of project planning and approval, where governance risks are most acute. Similarly, at the time of this research, basic information regarding NHA's governance and composition of NHC was not available on the website.

TRANSPARENCY ON BUDGETS AND PROGRAMMES

Transparent disclosure of budgets and programme-level information is central to public financial accountability for agencies such as the NHA that manage large development portfolios. Publication of approved budgets, project allocations, actual expenditures, Transparent disclosure of budgets and programme-level information is central to public financial accountability for agencies such as the NHA that manage large development portfolios. Publication of approved budgets, project allocations, actual expenditures, and implementation performance enables oversight institutions and the public to assess whether resources align with stated priorities and deliver value for money.

At an aggregate level, information on NHA development allocations is available through federal budget documents, PSDP publications, and planning approvals, providing visibility on the overall size and composition of the road portfolio. Digital project management platforms have also improved internal tracking of financial and physical progress.

In practice, transparency weakens at the level of project-specific financial data. Interviewees reported that information on cost escalations, re-appropriations, contract variations and schedule deviations is not routinely disclosed in a manner that allows external verification or systematic comparison. This opacity constrains fiscal accountability and weakens incentives for cost discipline, reinforcing broader risks associated with limited disclosure in infrastructure-adjacent markets.

GRIEVANCE MECHANISMS

Grievance mechanisms are an important accountability channel in infrastructure delivery, providing a means to surface operational failures, integrity risks, and adverse social impacts affecting communities and users. Within the NHA, complaint handling exists in fragmented form across procurement complaints, project-specific safeguard mechanisms, and general administrative channels.

The authority publicly provides basic contact channels (including official email and phone contacts), and its internal web-based systems include a complaints interface, indicating the presence of formal avenues for lodging grievances. For selected large projects, grievance procedures are also embedded in project documentation, reflecting compliance with project-specific requirements.

In practice, these mechanisms are weakly institutionalised. Awareness and accessibility remain minimal, and public disclosure on how grievances are resolved is limited, weakening the credibility of grievance channels as tools for accountability and institutional learning.

AGENCY-INDUSTRY RELATIONSHIPS

The relationship between infrastructure agencies and the construction industry is a central determinant of procurement integrity, competition, and cost efficiency. In principle, NHA's engagement with contractors is meant to be governed by competitive procurement rules, transparent tendering processes, and arm's-length contract management, with market discipline reinforced through competition law and oversight by procurement and audit institutions. This framework is intended to promote open competition, prevent preferential access, and limit collusive behaviour. Evidence from governance diagnostics and competition assessments, however, indicates that construction and infrastructure-adjacent markets in Pakistan are characterised by repeated contracting relationships, and vulnerabilities to coordinated pricing and bid rigging⁵².

Interviewees suggested that within the NHA context, long-standing relationships between a relatively narrow pool of large contractors shape project pipelines and contract outcomes. While e-procurement has increased transparency at the bidding stage, discretion has shifted upstream in direct award of contracts without competition. This creates a structural gap between formally competitive procurement rules and substantive contestability constraints, allowing SOEs and firms to retain advantage and weakening competitive pressure on pricing, quality, and delivery performance.

COMMUNITY ENGAGEMENT

Meaningful community engagement is a key component of accountable infrastructure delivery, particularly in transport projects that affect land use, livelihoods, access to services, and safety at the local level. Consultation processes are intended to provide affected communities with information, voice, and avenues to raise concerns before project decisions are finalised, thereby improving project design, reducing social risks, and strengthening legitimacy. Safeguard frameworks and project preparation guidelines formally require stakeholder consultations, disclosure of project information, and grievance mechanisms to manage community concerns.

Within the NHA's operational practice, however, engagement with local communities tends to be limited, uneven, and largely procedural. Interviewees reported that consultations are often conducted late in the project cycle, after key design and alignment decisions have already been made, and that feedback from communities rarely leads to substantive changes in project scope or mitigation measures. Engagement is frequently mediated through political representatives or local elites rather than through direct, structured consultation with affected groups, particularly women and vulnerable populations.

This limits the extent to which community perspectives influence project prioritisation, alignment with local needs, or the identification of social risks. The gap between formal consultation requirements and meaningful participatory practice reduces the capacity of community engagement mechanisms to function as an effective accountability channel, reinforcing top-down project delivery of NHA investments.



**REVIEW OF
PUBLIC
INVESTMENT
PROCESSES**

OVERVIEW OF PUBLIC INVESTMENT MANAGEMENT FRAMEWORK

Pakistan has a formally well-developed framework for public investment management, with well-defined institutional roles and procedures distributed across multiple ministries and agencies. The primary legislative and legal instruments governing public investments include the Public Financial Management (PFM) Act 2019, the Federal Government's Rules of Business and the Planning Manual. This section provides a brief overview of the public investment processes as prescribed in the relevant legal and policy instruments.

The formulation of the Federal PSDP is governed by Sections 13 to 20 of the Public Financial Management (PFM) Act, 2019 (as amended up to June 30, 2024). The Act classifies public investment projects into two broad categories:

- **Core Projects:** Projects that are nationally significant and involve complex planning, design, and implementation requirements; and
- **Sectoral (non-core) Projects:** Projects undertaken by line ministries and federal agencies within their respective sectors⁵³.

Core projects are subject to enhanced scrutiny and monitoring throughout the project cycle. All projects with an estimated cost exceeding PKR 100 billion are expected to be designated as core projects. In addition, the Central Development Working Party (CDWP) may classify other projects as core based on criteria such as reliance on donor financing, social significance, multi-provincial impact, implementation complexity, climate and disaster risk considerations, or the use of public-private partnership (PPP) arrangements. For such projects, additional safeguards apply, including the early appointment of a Project Director and technical support staff during the concept stage to ensure adequate implementation capacity.

The PFM Act and the Manual for Development Projects provide detailed guidance for the preparation, appraisal, and implementation of non-core sectoral projects as well.

Overview of Public Investment Planning

Processes: At the federal level, the formulation of the Annual Development Plan and the PSDP is led by the Planning Commission in coordination with the Finance Division and the Economic Affairs Division. Line ministries and autonomous bodies are responsible for identifying sectoral investment needs, preparing project proposals in line with issued guidelines and budget ceilings, and implementing approved projects. The Planning Commission is mandated to undertake long-term public investment planning, formulate annual development plans and the PSDP, appraise and prioritise competing investment proposals, recommend projects for approval by competent forums, and monitor and evaluate project implementation⁵⁴.

The public investment planning process begins with line ministries submitting project proposals to the Planning Commission in accordance with established guidelines and indicative budget ceilings shared by the latter. The Planning Commission reviews and appraises these proposals and may return them for revision or recommend them for approval, sometimes with modifications, to the relevant decision-making forums. It then coordinates with line ministries to rationalise and prioritise the overall investment portfolio for submission to the Annual Plan Coordination Committee (APCC)⁵⁵.

The APCC reviews implementation of the Annual Plan and PSDP for the previous and current years and recommends the proposed Annual Plan and PSDP for the subsequent year for submission to the National Economic Council (NEC). The APCC is chaired by the Minister for Planning, Development and Special Initiatives or, in their absence, the Deputy Chairman of the Planning Commission. Chaired by the Prime Minister, the NEC approves the PSDP and recommends it to the Federal Cabinet for approval⁵⁶.

Reforms in Public Investment Management Framework:

Pakistan has undertaken several reforms to strengthen public investment management, notably through the enactment of the PFM Act, 2019 (including subsequent amendments) and the issuance of the updated Manual for Development Projects in 2024. These reforms have clarified appraisal requirements, introduced climate change vulnerability considerations into project assessment, and revised approval thresholds to limit the proliferation of small-scale projects and reduce reliance on departmental approval forums.

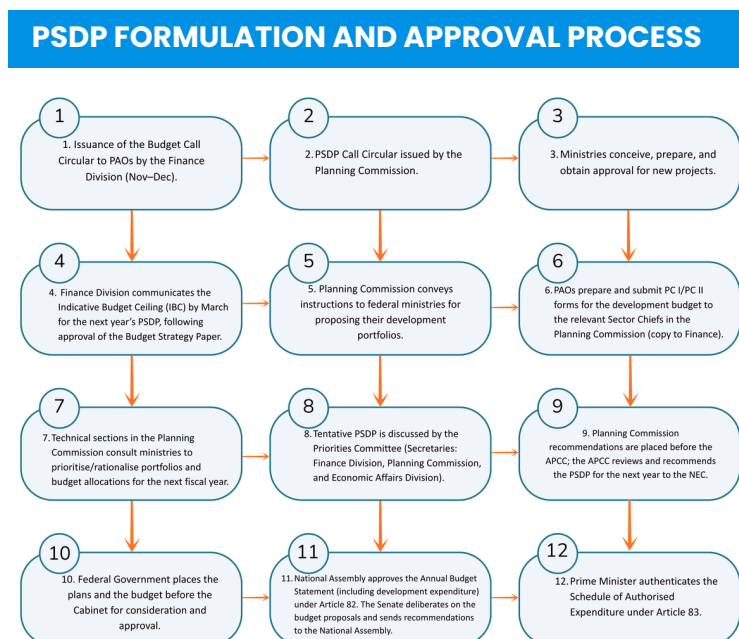
A significant operational reform has been the implementation of the Intelligent Project Automation System (iPAS). Developed by the Planning Commission, iPAS is a web-based platform that supports end-to-end automation of the PSDP processes. It enables digital submission and processing of all project documents (PC-I to PC-V), initiation and updating of projects, automation of fund releases, and online reporting of physical and financial progress. The system also includes a dedicated module for Public Private partnership (PPP) projects and provides real-time information on project allocations, expenditure, throw-forward, approval status, sectoral distribution, and provincial location. These features are intended to enhance transparency, traceability, and portfolio-level monitoring of public investment⁵⁷.

Public Investment Spending Trends:

In nominal terms, Pakistan’s total public investment spending has increased over the past decade, doubling between 2015 and 2024. The nominal figures, however, mask a decline in real and externally comparable terms. When converted to U.S. dollars using period-average exchange rates, total public investment peaked at approximately USD 17 billion in 2017–18 and subsequently fell to an average of around USD 9 billion during 2018–2024. This decline reflects an erosion of public investment capacity, resulting from exchange-rate depreciation and macroeconomic instability.

Trends in public investment as a share of GDP reinforce this picture. Total public investment, including provincial public investments, peaked at 4.9 percent of GDP in 2017–18, before declining sharply and stabilising at an average of approximately 2.6 percent of GDP in the period from 2018–19 to 2024–25 (Figure 5). This level is low relative to peer countries and may be insufficient to address infrastructure gaps.

Figure 1: PSDP Formulation and Approval Processes



Source: Ministry of Planning, Development and Special Initiatives, Manual for Development Projects 2024

IMF data on general government investment (gross fixed capital formation), measuring annual public spending on long-lived assets in constant 2017 international dollars, also highlight both the scale and relative weakness of Pakistan's public investment effort. As shown in Table 1, Pakistan's investment levels have consistently remained far below those of India and, in recent years, have remained lower than that of Bangladesh. Public investment in Pakistan increased gradually through the mid-2010s, peaking in 2017, before declining sharply thereafter. This reversal contrasts with India, where investment levels expanded steadily, and Bangladesh, where public investment continued to rise over the same period (For details, please see Table 1). The decline in Pakistan's investment flows after 2017 signals not only tightening fiscal space and constraints in sustaining capital expenditure during macroeconomic adjustment.

The implications of this trend become more apparent when examining public capital stock (Table 2). Although Pakistan's capital stock has increased gradually, from approximately USD 298 billion in 2009 to USD 392 billion in 2019 (constant 2017 international dollars), the pace of accumulation has been slow relative to peers. India's capital stock expanded by more than USD 2.3 trillion over the same period, while Bangladesh nearly doubled its public capital stock. This divergence suggests that Pakistan's lower investment effort, combined with possible inefficiencies in project execution and asset maintenance, has limited the translation of spending into durable infrastructure assets.

A notable structural shift in Pakistan's public investment portfolio has been the rising dominance of provincial investment relative to federal spending: Between 2015 and 2025, provincial development expenditures grew at an average annual rate of approximately 20 percent, compared to about 9 percent for federal public investment. Since FY2020–21, provincial development spending has consistently accounted for more than half of total public investment (Figure 6). This shift reflects both the post-18th Amendment decentralisation of expenditure responsibilities and the asymmetric impact of fiscal adjustment. Federal development spending has borne a disproportionate share of fiscal consolidation, while provinces, benefiting from protected transfers under the NFC Award, have been relatively insulated.

Within the federal PSDP, sectors conventionally classified as infrastructure account for a substantial share of development spending. As shown in Table 3, energy, transport and communications, water, and physical planning and housing together accounted for nearly half of the federal PSDP in recent years, rising to 55 percent in FY2024–25. Transport and communications consistently dominate allocations, reflecting the scale of ongoing road and connectivity projects, while the recent increase in water sector allocations likely reflects heightened climate vulnerability and post-disaster reconstruction needs. However, the volatility in sectoral allocations across years raises concerns regarding strategic prioritisation, project readiness, and budget credibility, which are central dimensions of infrastructure governance.

Pakistan's public investment portfolio is predominantly financed in local currency. Foreign financing plays a supplementary but strategically important role, particularly in large, capital-intensive infrastructure projects. While external financing can ease near-term fiscal constraints, it increases reliance on project readiness, procurement capacity, and contract management, areas that have historically posed governance challenges.

Table 1: General government investment (gross fixed capital formation) in billions of constant 2017 international dollars

Year	Pakistan	India	Bangladesh	Afghanistan
2009	15	321	13	13
2010	18	348	16	10
2011	14	328	19	9
2012	18	338	22	9
2013	17	358	26	9
2014	20	381	28	6
2015	22	396	31	6
2016	24	406	32	6
2017	34	451	39	8
2018	29	491	45	8
2019	19	468	48	6

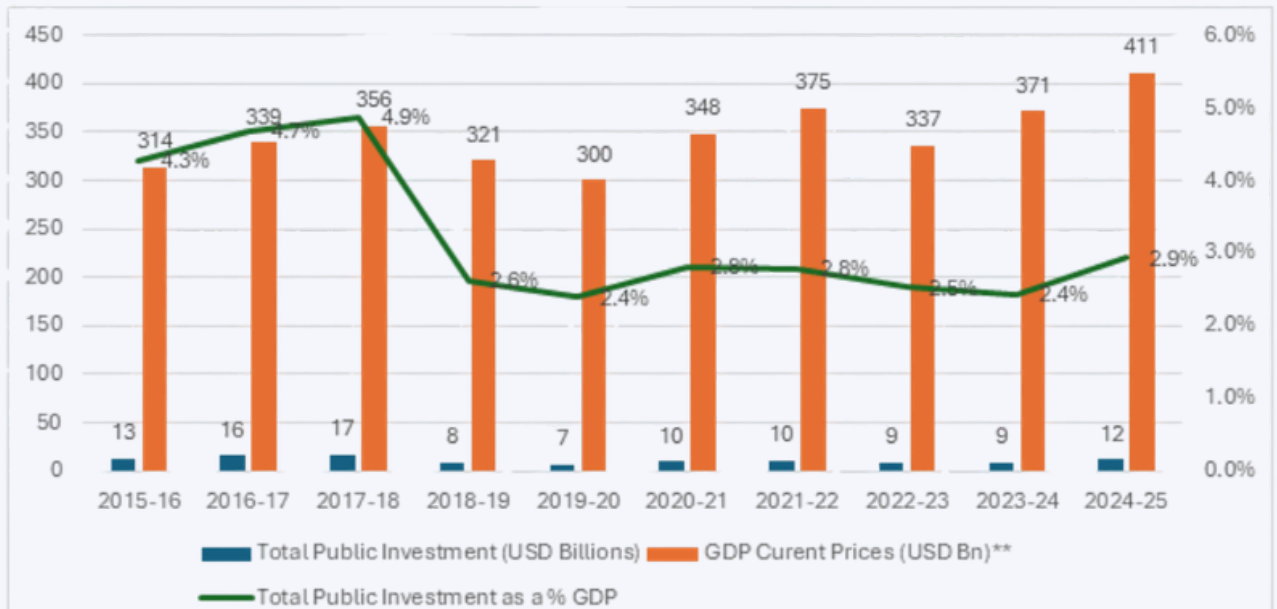
Source: IMF, Investment and Capital Stock Dataset (ICSD) 2021.

Table 2: General government capital stock in billions of constant 2017 international dollars

Year	Pakistan	India	Bangladesh	Afghanistan
2009	298	3124	177	203
2010	303	3334	184	210
2011	310	3563	194	215
2012	313	3763	205	218
2013	320	3965	219	222
2014	326	4179	238	225
2015	334	4407	257	225
2016	344	4642	279	226
2017	356	4878	301	227
2018	377	5148	328	228
2019	392	5446	361	231

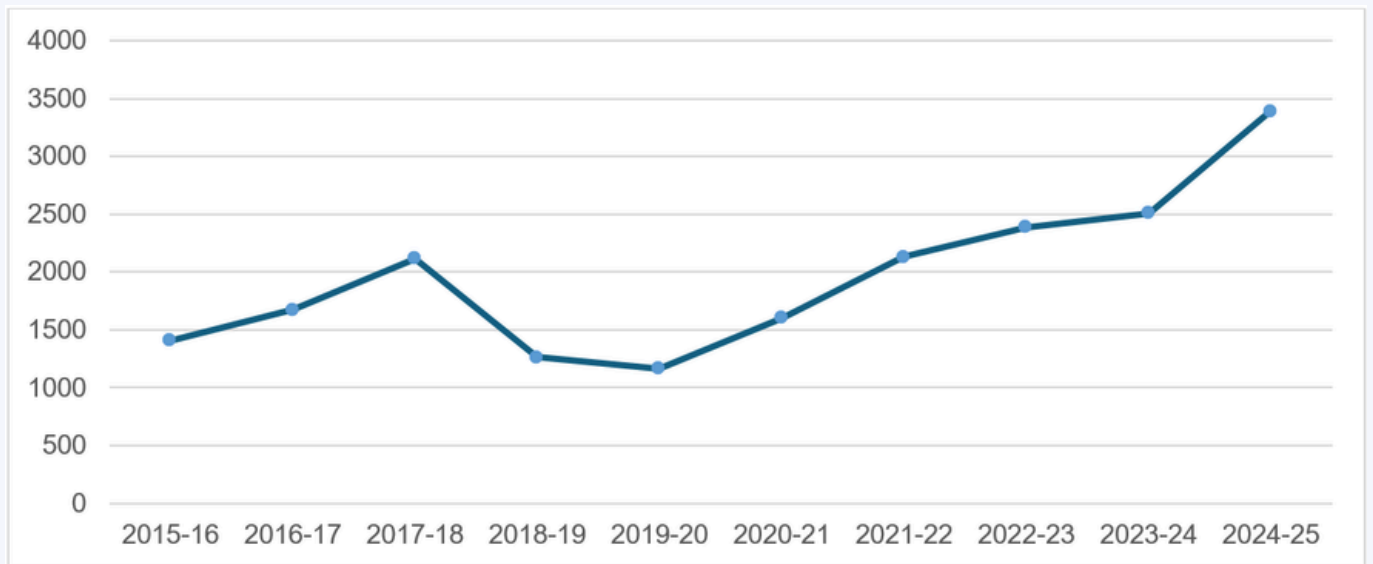
Source: IMF, Investment and Capital Stock Dataset (ICSD) 2021.

Figure 2: Total Public Investment trend: Size and Share in GDP



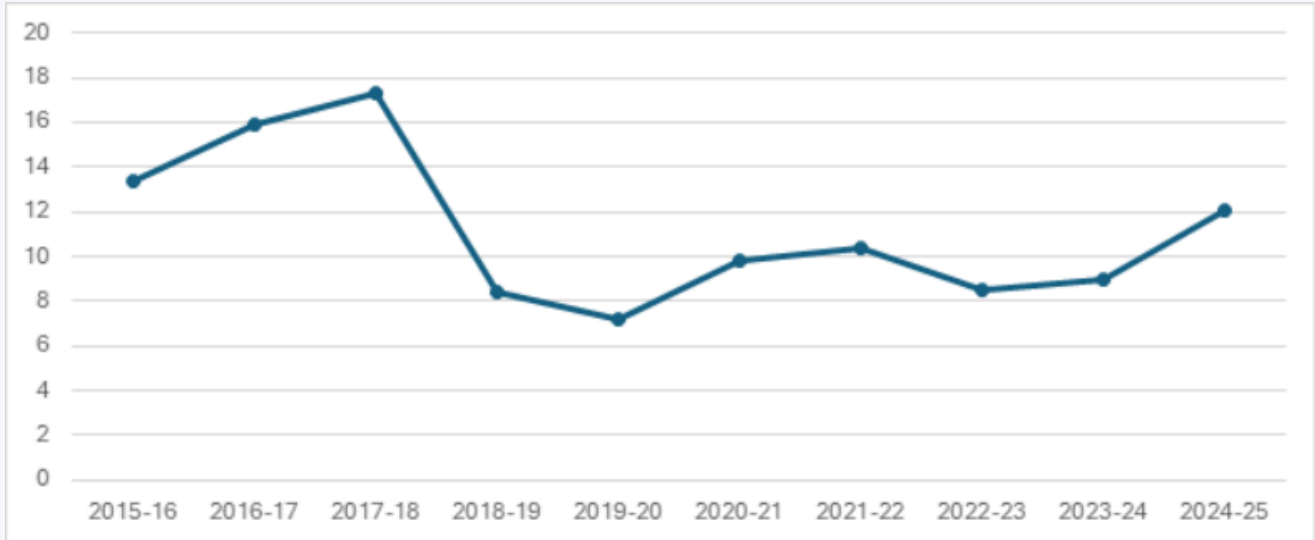
Source: Calculations based on data from Federal PSDP and exchange rates from World Bank 2024⁶² and GDP (current prices) data from IMF database⁵⁸.

Figure 3: Pakistan’s Total Public Investment (Pkr Billions)



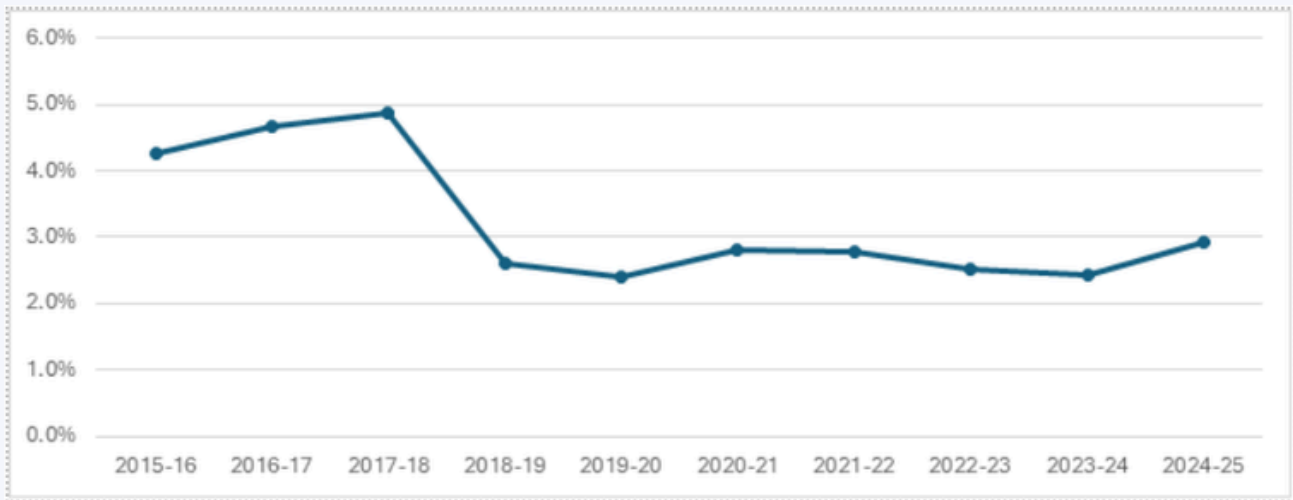
Source: Federal PSDP 2015 to 2024-25

Figure 4: Pakistan's Total Public Investment (USD Billions)



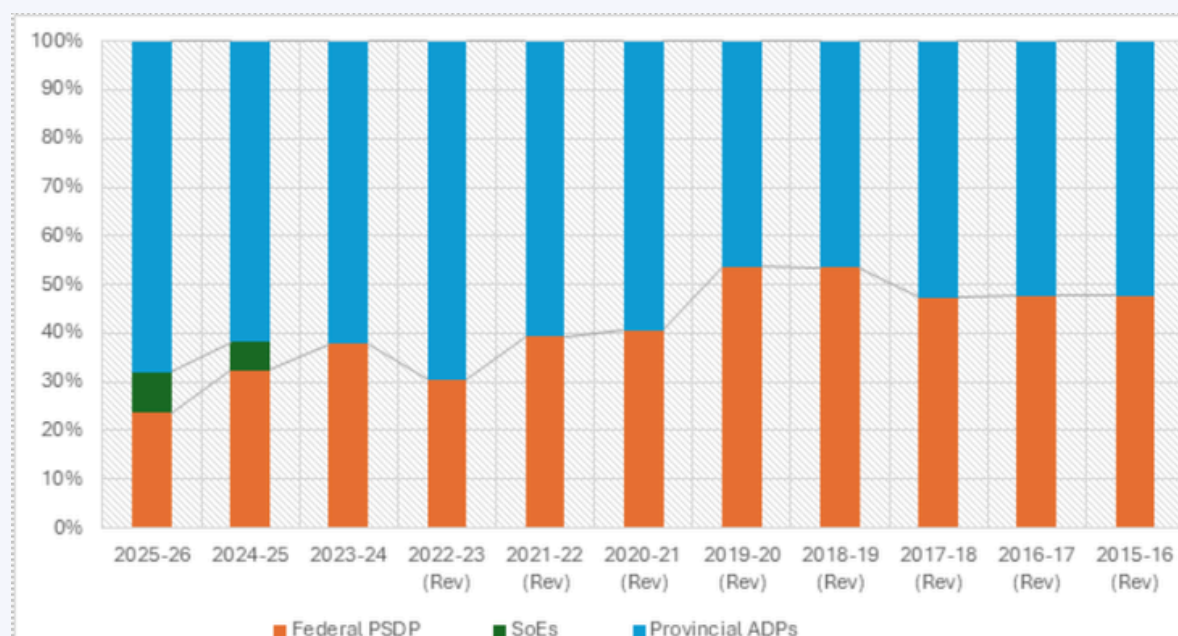
Source: Calculations based on Federal PSDP 2015-2024 and exchange rates from World Bank 2024

Figure 5: Pakistan's Total Public Investment as a Percentage of GDP (USD)



Source: Calculations based on Federal PSDP 2015-2024 and exchange rates from World Bank 2024 and GDP (current prices) data from IMF.

Figure 6: Share of provincial and federal governments in total public investment spending



Source: Calculations based on Federal PSDP 2015-2024 and exchange rates from World Bank 2024

Table 3: Share of Infrastructure Sectors in PSDP

	Sectoral allocations in Federal PSDP		
	2024-25	2023-24	2022-23
Energy	253	81	77.2
Transport & Communications	305	265	168
Water	206	100	89.8
Physical Planning & Housing	93	46	22.4
Total	604	411	280.2
	55%	43%	39%

Source: Federal PSDP 2022-23 to 2024-25

DEFICIENCIES IN PUBLIC INVESTMENT MANAGEMENT PRACTICES

LIMITED EFFECTIVENESS OF FISCAL RULES

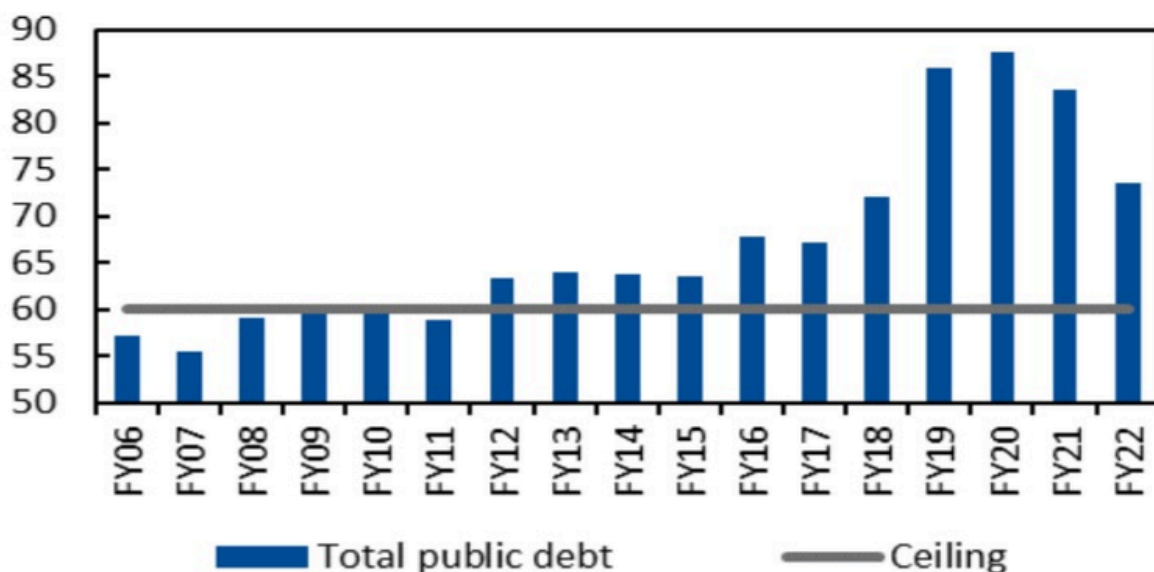
Pakistan has fiscal rules embedded in law to guide fiscal policy and support debt sustainability. The Public Financial Management Act requires the Finance Division to prepare a draft Medium-Term Fiscal Framework (MTFF) each October⁵⁹. The MTFF forecasts key macro-fiscal aggregates and establishes the resource envelope for the subsequent three years. On this basis, the Finance Division issues indicative budget ceilings, multi-year ceilings for recurrent expenditures and a one-year ceiling for the PSDP. Similarly, the Fiscal Responsibility and Debt Limitation Act (FRDLA) provides an overarching framework for medium-term fiscal discipline and long-term debt sustainability.

However, as discussed in earlier sections, the effectiveness of these fiscal rules has been limited in practice. Debt and deficit ceilings have not consistently constrained expenditure, and the statutory debt ceiling has been repeatedly breached. Total public debt has followed an upward trajectory since 2010, exceeding the 60 percent of GDP threshold⁶⁰.

The final annual budget often diverges from the initial MTFF projections. The deviations are largely driven by changes on the recurrent side of the budget. By contrast, the PSDP envelope generally remains close to the resource limits outlined in the October MTFF.

Nonetheless, the rising and persistent fiscal deficits at the federal level have exerted adverse impact on development spending. The rising debt-servicing cost has increasingly crowded out development expenditures. Over the past decade, the nominal size of the federal PSDP has remained broadly stagnant, with only marginal increases. As shown in Figure 2, total public investment peaked at 4.9 percent of GDP in FY2017–18 before declining sharply and stabilising at an average of approximately 2.6 percent of GDP thereafter. This level of investment is low relative to international benchmarks and insufficient to address infrastructure gaps.

Figure 7: Pakistan Public Debt (in percent of GDP)



Source: IMF, Pakistan: Public Investment Management Assessment (PIMA), Country Report No. 23/355, 2023, p.24

WEAK MEDIUM-TERM PLANNING FRAMEWORK

Pakistan has a long tradition of medium-term national planning, particularly through five-year development plans. While this tradition has continued in form, its effectiveness has weakened in the post-18th Amendment period. Five-year plans continue to be produced, but they are largely indicative, containing broad policy directions rather than costed programmes with measurable outcomes.

The current national planning document, the 13th Five-Year National Development Plan approved by the National Economic Council in June 2024, illustrates these limitations. The plan is organised around the “Five Es” framework (Exports; E-Pakistan; Equity and Empowerment; Environment, Food and Water Security; and Energy and Infrastructure) and outlines priority interventions under each pillar. However, these interventions are not costed, lack clearly defined outcome indicators, and are not supported by detailed implementation frameworks or operational mechanisms. In aggregate, the plan envisages public investment of approximately PKR 22 trillion (including provincial spending) over 2024–29, with the largest allocation to physical infrastructure (39 percent), followed by balanced regional development (26 percent), the social sector (23 percent), and productivity enhancement (5 percent)⁶¹.

Historically, five-year plans provided more detailed guidance for public investment, including project identification and, in some cases, cost estimates. Over the past two decades, however, these plans have increasingly become largely procedural documents rather than binding strategic frameworks.

They are typically not prepared through extensive consultation, do not provide costed implementation pathways, and exert limited influence over annual budget decisions. A notable exception is the 2017–2030 Monographic Study on Transport Planning for the China–Pakistan Economic Corridor (CPEC), which provided a detailed and costed pipeline of transport projects. While this framework guided investment decisions during the early phase of CPEC (2013–18), however, the study has not been updated.

Additionally, Annual Development Plans (ADPs) are the principal instrument for aligning public investments with medium-term plans. The annual PSDP is expected to be aligned with the growth strategy, the Five-Year Plan or Long-Term Perspective Plan and provisions of the Public Finance Management Act. However, ADPs are generally aligned with medium-term frameworks in form but less so in substance. Stakeholder interviews input indicates a persistent disconnect between strategic objectives articulated in national plans and the projects that ultimately comprise the federal PSDP. While long-term frameworks such as the URAAN programme exist and are formally referenced by ministries, exceptions are frequently made, particularly for projects promoted through political channels, including constituency-level infrastructure proposals. As one expert noted:

“

Long-term frameworks, including the URAAN programme with five-year plans and annual plans, are in place and that most ministries align their projects with it. However, exceptions are routinely made for projects such as roads requested by parliamentarians (KII)

PROJECT IDENTIFICATION AND DESIGN

Challenges in public investment planning become more pronounced at the project identification and design stage.

Weak Strategic Alignment at the Project Level:

In principle, the project identification process is intended to commence with the preparation of a Project Concept Note (PCN), which serves as a prerequisite for initiating detailed project preparation. Upon clearance of the PCN by the Planning Commission, subsequent work, such as feasibility analysis and the preparation of PC-II and PC-I documents, is expected to proceed in a structured and sequential manner. In practice, however, this process is not consistently followed. In many cases, line ministries submit PC-I documents directly, bypassing the PCN and PC-II stages and thereby weakening the role of early screening in shaping project scope, feasibility, and strategic alignment.

One example of the consequences of bypassing early sequential vetting is the 969 MW Neelum-Jhelum Hydropower Project (NJHP) in Azad Jammu and Kashmir. Originally approved by the Executive Committee of the National Economic Council (ECNEC) in December 1989 for PKR 15.012 billion, the project's scope and design were later altered mid-stream, culminating in a fourth revised PC-I of PKR 506.808 billion by May 2018. The audit report issued by the Auditor General of Pakistan (AGP) in September 2025 has declared failures across project's core objectives, planning frameworks, and execution strategies. The AGP highlighted quality control failures and a construction delay of nearly eight years, which drove costs from an early revision benchmark of PKR 84.502 billion to a final figure of PKR 419.454 billion, representing an isolated cost overrun of PKR 334.952 billion due to delayed timelines alone⁶².

Given the limited fiscal space, the non-adherence to rules-based prioritisation framework has resulted in an overextended development portfolio, with limited alignment to strategic objectives and absorptive capacity. Resources are consequently spread thinly across a large number of ongoing and new projects, leading to significant underfunding at the project level⁶³. This fragmentation contributes to implementation delays, cost escalations, and repeated revisions in scope and timelines.

At the same time, the growing stock of 'throw-forward' liabilities also illustrate the structural imbalance in portfolio management. In FY2025-26, the throw-forward is estimated at over Rs 10 trillion against an annual PSDP allocation of approximately Rs 1 trillion⁶⁴. At current levels of funding, and assuming no new project entries or cost revisions, the existing portfolio would require more than a decade to complete. This marks a sharp increase from Rs 1.88 trillion in FY2011-12 and Rs 5.83 trillion in FY2020-21, reflecting a persistent expansion of unfunded commitments⁶⁵. The steady rise in throw-forward also indicates weak gatekeeping at project entry, inadequate portfolio rationalisation, and deficiencies in multi-year budgeting and financial phasing⁶⁶.



Source: Calculations based on Federal PSDP reports 2024-25 and planning documents

PROJECT APPRAISAL AND APPROVAL

Project appraisal is a critical element of effective infrastructure management, as it enables decision-makers to assess the expected benefits, costs, and risks of proposed investments and to prioritise projects within fiscal constraints. Without robust appraisal, it is difficult to ensure that limited public resources are allocated to projects that deliver the highest economic and social returns.

Pakistan's legal and regulatory framework for public investment provides for a comprehensive appraisal process. Relevant statutes and rules require that development projects undergo technical, financial, socio-economic, and environmental appraisal prior to approval. The Manual for Development Projects outlines the methodologies to be applied, including assessments of technical feasibility, commercial viability, institutional and implementation capacity, environmental sustainability, social acceptability, risk management, and sensitivity analysis. Where appropriate, appraisal methodologies are expected to include tools such as cost-benefit analysis, net present value calculations, internal rate of return estimates, cost-effectiveness analysis, and the use of shadow pricing⁶⁷.

In practice, while projects are subject to technical, financial and sectoral review and are frequently returned with observations for revision, the effectiveness of appraisal remains limited. Evidence from the IMF's Public Investment Management Assessment (PIMA) indicates that although Pakistan has established formal appraisal requirements, their implementation remains uneven. Stakeholder consultations further suggest that weaknesses in project preparation including incomplete feasibility analysis, unrealistic cost estimates, inadequate risk assessment limit the ability of appraisal forums to undertake rigorous scrutiny.

First, the scope of appraisal undertaken is often narrow. Appraisals must include a rigorous assessment of whether proposed projects address the most binding constraints or priority needs within a sector. In fact, the appraisal techniques recommended in the Manual for Development Projects, such as cost-benefit analysis, return-on-investment calculations, and comprehensive environmental assessments, are inconsistently applied. The inconsistent application is also due to limited in-house technical capacity which restrict the ability of the Planning Commission to conduct more sophisticated economic or environmental analysis⁶⁸.

As a result, appraisal is frequently reduced to a procedural compliance exercise. In most cases, it focuses on verifying the completeness of PC-I documentation and making downward adjustments to unit costs or budget lines, particularly for components such as project management units or capacity-building activities. While cost rationalisation is an important function of appraisal, such revisions are often undertaken without a robust costing basis and can result in unrealistic budgets, contributing to implementation delays, quality concerns, and repeated cost revisions during execution. For example, the Peshawar BRT project was initially scheduled for completion within six months, a timeline widely viewed as politically driven. The unrealistic schedule subsequently contributed to significant delays and cost overruns, imposing substantial additional costs on the public exchequer.

At the same time, the weaknesses in appraisal are also more pronounced for smaller-scale projects approved at the departmental level. Projects costing up to PKR 1 billion are approved by Departmental Development Working Parties (DDWPs), which are chaired by the administrative secretary of the sponsoring ministry. This institutional arrangement creates inherent challenges for objective appraisal, as the same ministry responsible for project formulation also leads the approval forum. Although representatives from the Ministry of Planning participate in DDWP meetings and are expected to provide appraisal input, experts interview evidence suggests that their influence is limited and that concerns raised are not always reflected in final decisions.

In some instances, project costs are reduced or projects are phased to remain below approval thresholds, thereby avoiding review by higher-level forums such as the Central Development Working Party (CDWP) or the Executive Committee of the National Economic Council (ECNEC). Changes to DDWP approval thresholds over time, including an increase from PKR 1 billion to PKR 2 billion in 2019, followed by a reduction to PKR 1 billion in 2023, have contributed to variability in the size and volume of projects approved at the departmental level⁷⁶. Consistent with these institutional features, monitoring and review exercises frequently identify DDWP-approved schemes as exhibiting the weakest appraisal quality.

In recent years, the federal government has reportedly introduced a moratorium on the approval of DDWP projects, partly in response to fiscal consolidation requirements, including commitments under IMF-supported programmes⁶⁹. This measure reflects broader concerns regarding the effectiveness of appraisal and control mechanisms at the departmental level.

Approval Forums and Processes: Public investment proposals are approved through a tiered system of forums based on project size. DDWPs approve projects costing up to PKR 1 billion, provided foreign assistance does not exceed 25 percent of total project cost. Projects costing between PKR 1 billion and PKR 7.5 billion are reviewed and approved by the CDWP, while projects exceeding PKR 7.5 billion are submitted to the ECNEC for final approval⁷⁰.

The CDWP, typically chaired by the Deputy Chairman of the Planning Commission (or the Secretary of the Planning Division in their absence), undertakes scrutiny of project proposals and either approves them within its mandate or recommends them to the ECNEC. The ECNEC, composed of federal and provincial political leadership with senior officials invited as participants, serves as the highest approving authority for major development projects.

Compared to DDWPs, the CDWP and ECNEC apply a higher level of scrutiny and due diligence. However, adherence to appraisal timelines remains a persistent challenge. Approved schedules for PC-I submission and processing are frequently not respected. The stipulated deadline for PC-I submissions by March 31 is often missed, resulting in a concentration of project approvals during May and June. This end-of-cycle congestion places significant pressure on appraisal units and approval forums, increasing the risk that projects are cleared with limited scrutiny.

At the same time, procedural delays and discretionary decision-making are also evident at the implementation stage. Project approval does not automatically trigger fund release. It initiates a multi-step administrative sequence, encompassing authorisation, release, and actual expenditure, at each of which significant discretion is exercised and delays can accumulate. The fiscal data illustrate this starkly. In 2022–23, of a total federal PSDP allocation of Rs. 714 billion, only Rs. 596 billion was authorised for release.

Sanctioned releases against that authorisation amounted to approximately Rs. 520 billion, while actual expenditure stood at around Rs. 320 billion by end-May 2023, representing 49.7 percent of the total rupee allocation and 56.6 percent of the authorised amount⁷¹. The gaps between allocation, authorisation, release and expenditure reflect delays caused by lengthy and complicated processes as well as compounding effect of discretion exercised at multiple points in the fund flow chain.

The cumulative effect is that a significant share of development funds remains unspent at fiscal year-end. Funds not expended within the fiscal year are surrendered to the exchequer and cannot be carried forward, creating a structural inefficiency in which approved and partially implemented projects lose funding not because of poor performance but because of administrative complications in the fund flow process. This undermines project implementation and increases the risk of cost escalation.

However, these challenges are rooted primarily in deficit budgeting. Under deficit conditions, the Planning Commission routinely authorises and releases amounts to line ministries that fall short of committed fund flows. The authorisation and release of funds to implementing agencies does not bind them to pass on the funds equitably across projects, proportionate to their allocation. As a result, the Principal Accounting Officer (PAO) of implementing agencies retain significant discretion over the prioritisation of fund releases across projects. Projects with strong political backing are frequently prioritised in fund release decisions, reinforcing the politically mediated resource allocation.

Overall, Pakistan's public investment appraisal framework is well defined in legal and procedural terms, but its effectiveness is constrained by political influence, institutional constraints and limited technical capacity. As a result, project identification and appraisal processes do not consistently function as a robust filter to ensure that only well-designed, high-priority, and value-for-money projects advance to approval and implementation.

PROJECT PROCUREMENT: SYSTEMIC CHALLENGES & COMPETITIVE DISTORTIONS

Pakistan's public procurement system operates under the Public Procurement Regulatory Authority (PPRA) Ordinance 2002, which updated the original enabling legislation. The substantive rules governing procurement practice are set out in the Public Procurement Rules 2004, which establish open competition as the principal method of procurement under Rule 20 and impose mandatory transparency requirements under Rule 4. Procuring agencies are required to publish final evaluation reports at least seven days prior to contract award in accordance with Rule 35. The rules further provide for an independent complaint review mechanism: under Rule 48, any aggrieved party may file an appeal against a procuring agency's decision with the PPRA⁷².

On paper, this framework reflects internationally recognised principles of competitive and transparent procurement. In practice, however, a series of legislative and regulatory amendments have weakened its foundational commitments. Amendments introduced at the federal level have created broad exceptions permitting contract award to state-owned enterprises (SOEs) without competitive tendering, where projects are classified as time-sensitive, of emergency nature or in the public interest⁷³. These exceptions are often broadly defined and open to interpretation, providing wide administrative discretion precisely where the rules are intended to constrain it.

The SOE Act 2023 authorise SOEs to develop their own procurement practices, resulting in the creation of parallel regulatory regimes operating with potentially different transparency and accountability standards than those that apply to mainstream procuring agencies. A comparable narrowing of exceptions is warranted for procurement rules governing entities and departments associated with security-related operations, which currently function largely outside the competitive framework.

The growth of direct contracting with SOEs represents one of the most significant structural features in Pakistan's procurement landscape. While exceptional circumstances, emergencies, security-sensitive locations, natural disasters, or projects with highly specialised technical requirements, may legitimately justify single-source or negotiated tendering under PPRA Rules 42(c) and (d), these provisions have in some cases been used for large-scale contract award without open competition. Similarly, evidence indicates that NHA has increasingly relied on Rule 42(f) of the PPRA Rules to directly award large infrastructure contracts to state-owned entities (SOEs) in recent years⁷⁴. This provision, expanded through a series of amendments between 2020 and 2022, permits direct contracting with designated SOEs under conditions of urgency, national security, or public interest. While the rule formally requires competition where more than one eligible SOE exists, experts noted that its application in practice has often bypassed competitive pressures altogether, particularly in high-value road sector contracts.

Precise quantification of the value and frequency of directly negotiated contracts is not possible, as no disaggregated public data exists. However, there have been cases of documented high-value contracts awarded without competitive tendering. Transparency International Pakistan has regularly highlighted instances of contracts awarded through direct contracting, single-source procurement, or exemptions from competitive bidding requirements.

Illustrative cases reported in the media highlight the scale of such practices. In 2023, civic agencies in the twin cities awarded contracts for sixteen major infrastructure projects, with a combined value of tens of billions of rupees, to the NLC and the FWO, in each case without competitive tendering. Individual awards included the Rs 10.2 billion contract for the construction of 10th Avenue to NLC; the Rs 2.4 billion Islamabad Expressway expansion, the Rs 770 million Sihala flyover, and the Rs 1.5 billion 7th Avenue Interchange contract to FWO and NLC jointly; the Rs 20 billion Islamabad Metro Bus project; the Rs 10.9 billion GT Road expansion; a Rs 15.3 billion low-cost housing project at Farash Town; and the development of multiple residential sectors of the Capital Development Authority⁷⁵. A petition subsequently filed before the Islamabad High Court challenged a June 2021 statutory regulatory order that amended Rule 42 to authorise direct contracting with SOEs, alleging that projects exceeding Rs 40 billion in aggregate had been awarded to NLC and FWO to the complete exclusion of private sector competitors, and that additional projects continued to be awarded under the same authority without open bidding. In Balochistan, the provincial government awarded a contract worth Rs 180 billion to FWO in December 2021 for road and dam development under the South Balochistan Development Package, again through direct contracting rather than open competitive tender⁷⁶. In 2025, the NHA awarded Rs. 282 Billion contract of the 790-km National Highway 25 (N-25) connecting Chaman to Karachi via Quetta without competitive process⁷⁷.

These dynamics have been independently corroborated by the Competition Commission of Pakistan (CCP) through an analysis conducted using the World Bank Group's Market and Competition Policy Assessment Toolkit (MCPAT). The CCP's findings confirm that barriers to entry, regulatory, structural, and arising from anti-competitive procurement practices, systematically restrict non-SOE participation in infrastructure tendering⁷⁸. Legislative provisions and the broader exemptions available to SOEs, create distortions in competitive conditions that cannot be remedied through procurement rules reform alone. The CCP has recommended that all SOEs be brought within the ambit of the SOE Act and that the strategic and commercial roles be formally decoupled – a reform that would be a necessary precondition for restoring meaningful competition in infrastructure contracting.

E-Procurement: Partial Reform and the Upstream Migration of Risk:

The adoption of electronic procurement has been a central pillar of Pakistan's public financial management reform agenda. The potential of e-procurement to improve transparency, reduce collusion at the bidding stage, and generate procurement data for oversight and performance monitoring purposes is well established internationally. However, the implementation of EPADS in Pakistan has been partial. Several federal and provincial procuring entities continue to operate outside EPADS, undermining the data integration and process standardisation that are central to e-procurement's systemic accountability benefits.

Grievance Redressal: Structural Deterrents and Enforcement Deficits

The formal architecture for procurement dispute resolution includes provisions for internal review by procuring agencies and independent appellate review by the PPRA, constituting a two-tier redress mechanism that in principle provides recourse for firms and individuals who believe procurement proceedings have been improperly conducted. In practice, multiple structural features of the system undermine its effectiveness as both a remedy for individual grievances and a broader deterrent against procurement misconduct.

PPRA decisions on procurement complaints are not published, removing a critical deterrent effect and foreclosing the development of a publicly accessible body of determinations that could inform procurement standards and signal enforcement intent. A substantial filing fee is required to initiate an appeal before the PPRA, creating a financial barrier that disproportionately deters smaller firms and individual contractors.

While PPRA determinations are nominally designated as final, enforcement remains insufficiently rigorous: the authority issues recommendations for compliance rather than binding enforcement orders, and follow-up to verify whether its determinations are implemented is limited and unsystematic. Data on appeals and enforcement outcomes is not publicly available, limiting assessment of institutional effectiveness. This opacity makes it impossible to assess systemic patterns in procurement dispute outcomes or to evaluate the PPRA's effectiveness as an appellate institution over time.

Collectively, these features – fee barriers, prolonged decisions, weak enforcement, and inadequate follow-through – substantially compromise the integrity and deterrent function of the procurement grievance mechanism.



SUMMARY ASSESSMENT

SUMMARY ASSESSMENT

WORKSHEET 1. ASSESSMENT OF THE CONTEXT RISK FOR THE COUNTRY

Governance Aspect	Assessment questions	Risk Description & Benchmark					Rating 1-5
		1	3	5			
Country Context							
1 Election process	Are elections periodic, free and fair? Is the integrity of the ballot adequately ensured? Are candidates free to express opinions without interference? Is the right to establish a political party, the role of opposition, and gender balance ensured and respected? Is vote buying a regular practice? Are lobbying and campaign contributions transparent?	Open, contestable, free & credible	Partly fair but notable interference	Repressive, restrictive, & ballot fraud likely			3
2 Legal, judicial system and whistle-blowers	How independent are the courts from government, partisan or commercial influence? Are conditions for a fair trial adequately ensured? Is due process ensured as a matter of law? Are court decisions rendered within reasonable time? How effective are the provisions and enforcement to protect whistleblowers? Do whistleblower provisions protect women from gender-specific forms of retaliation?	Independent, transparent, efficient	Functional, but uneven quality	Weak, prone to external influence			3
3 Public finance and procurement	Is public procurement open and transparent? Is expenditure of public funds open, accountable, and audited? Can civil society monitor the allocation of public resources and the conduct of procurement? Are oversight agencies independent and properly resourced? Does the agency have ongoing support or capacity development programs with multilateral organisations such as the World Bank, Asian Development Bank? Does the agency receive loan or grant funding, and use multilateral organisation-endorsed procurement guidelines and/or processes?	Open, accessible, and compliant	Signs of bias, fast-tracking	Hidden, not published, prone to political control			3
4 Cultural hierarchy	Are there strong cultural ties or loyalties which dominate business and government appointments and decisions? For example: ethnic, family or business dynasty, religious, military, cartel-related, etc.	Impartial, fair	Signs of affiliation, preferences	Dominant influence, affects outcome			3

5 Access to information	Is there a right to information granted to all citizens? Are freedom of information laws and processes effective and enforceable? Can civil society and the public easily access information? How prohibitive are access barriers such as costs and delays? Is any information released usually complete or heavily redacted? Do women face additional barriers to access to information (such as literacy, location of information)?	Open and accessible	Moderate access, conditions apply	Non-existent laws and process. Access denied	3
6 Openness of media	Is the media free to report on sensitive matters of public interest? What is likelihood of crimes against journalists (intimidation, harassment, arbitrary detention, digital attacks, murder) going unresolved? Are there signs of organised disinformation campaigns?	Open and active	Passive, politically aligned	Controlled, restricted and/or threatened	3
7 Civil society activity	Are public groups active in drawing attention to issues of concern? Are individuals free to express opinions on sensitive matters of public interest without fear of surveillance or retribution? Is there academic freedom? Is there active engagement with authorities on social matters, such as gender, disadvantaged communities, or others of concern? Are women's rights organisations able to operate freely or if their ability to operate is constrained is this more so than other civil society organisations?	Active	Passive	Controlled, restricted and/or threatened	3
8 Corruption perception	What are the general perceptions of corruption in the country (as measured by Transparency International's published Corruption Perceptions Index (CPI) ¹¹)?	High CPI 70-100%	Medium CPI 40-69%	Low CPI <40%	5
Country Context – Average Rating					26/8 = 3.25

SUMMARY ASSESSMENT

WORKSHEET 1. ASSESSMENT OF THE CONTEXT RISK FOR THE COUNTRY AND AGENCY CONTEXTS

Governance Aspect	Assessment questions	Risk Description & Benchmark					Rating 1-5
		1	3	5			
Agency Context							
1 Executive management	Does the agency head report directly to a politician or to an independent board? Are nominations for board and senior management roles merit-based? Is the agency executive accountable for the performance and expenditure of the agency?	Independent, well-qualified	Political choice, qualified	Political appointment, not merit-based			3
2 External influence in agency operation	Are there signs that agency actions or decisions are strongly influenced by political, industry or other external interests? Or that technical considerations and community concerns are downplayed in favour of external preferences?	Minimal	Occasionally evident	Strong or dominant			3
3 Professional interaction within agency	Are professionals in the agency able to make technical decisions and to give frank and impartial advice? Is there a focus on thorough investigation and analysis? Is there a focus on due diligence and integrity in reporting?	Strong, active	Limited oversight or training	Lacks professional guidance			3
4 Professional and technical capacity	Do agency officials have appropriate experience and qualifications for their roles and responsibilities? Is there sufficient technical capacity to undertake the workload?	Strong	Average or mixed	Severely lacking			2
5 Openness of communication	How frequent is the sharing of information with the public? Is information made available to all who request access to information? Is it timely?	Regular, proactive, credible	Limited releases or information	Highly controlled, unreliable			4
6 Transparency on budget and program	Are budgets and programs published on a regular basis? Are they in sufficient detail to be verifiable? Is information on actual expenditure and implementation performance disclosed against budget allocations?	Clear and informative	Formal, but not informative	Inadequate or not credible			3

<p>7 Grievance mechanisms</p>	<p>Does the agency have a working grievance mechanism? Are women able to access it or are there specific barriers for women's access such as lower literacy, gender norms or lack of formal title to land? Is there an impartial person or ombudsman to manage complaints when the outcome is unsatisfactory? Is there disclosure on the agency's performance in handling grievances? Is there effective protection for whistle-blowers?</p>	<p>Strong and effective</p>	<p>Exists but limited effectiveness</p>	<p>No mechanism and/or not effective</p> <p>3</p>
<p>8 Agency & leadership reputation</p>	<p>What is the agency's reputation for work performance, fairness in employment and openness in communications? How frequently are criticism, complaints or red flags raised about agency projects, integrity or leadership?</p>	<p>Good press, few complaints</p>	<p>Occasional problems, complaints</p>	<p>Frequent issues, poor reputation</p> <p>3</p>
<p>9 Vested interests</p>	<p>Are conflict-of-interest issues frequent or apparent? Are there powerful groups or individuals – business interests, wealth, voting blocs, etc. – influencing agency decisions? Is there a culture of exchange of gifts and hospitality that could undermine the integrity of decision-making?</p>	<p>Not obvious</p>	<p>Occasional association or influence</p>	<p>Obvious and frequent influence</p> <p>3</p>
<p>10 Agency-industry relationship</p>	<p>Are there conflict of interest disclosures by key agency officials? Is there disclosure of ownership and directorship of industry companies doing business with the agency? Is there open and impartial communication between the agency and industry players to ensure technical and economic efficiency in the delivery of infrastructure?</p>	<p>Respectful, impartial</p>	<p>Occasional conflicts or alliance</p>	<p>Undue influence and bias</p> <p>3</p>
<p>11 Community engagement</p>	<p>In general, does the agency consult regularly with communities who will be impacted by its decisions? Are consultations meaningful and inclusive, including women and marginalised groups? How likely are the consultations to be effective?</p>	<p>Timely meaningful and inclusive</p>	<p>Occasional but not meaningful</p>	<p>Rare and not meaningful</p> <p>4</p>
<p>Agency Context – Average Rating</p>				<p>34/11 = 3.09</p>

WORKSHEET 1A: SUMMARY OF CONTEXT RISK

Context Risk	Country rating: 3.25 Agency Rating: 3.09 Overall rating (sum): 6.34	Significant vulnerabilities to undue influence or corruption
Key Areas of Concern	Country Context 1. Corruption perception	Agency Context 1. Community engagement 2. Openness of Communications
Areas to be considered further	1. Election process 2. Legal, judicial system and whistle-blowers 3. Public finance and procurement 4. Access to information 5. Openness of media 6. Cultural hierarchy 7. Civil society activity	1. Executive Management 2. External influence in agency operation 3. Professional interaction within agency 4. Transparency on budget and program 5. Agency & leadership reputation 6. Grievance Mechanisms 6. Vested interests 7. Agency-industry relationship

WORKSHEET 1B: SUMMARY RATING OF CONTEXT RISK

Context Risk Rating:
6.34
 Context Risk Description:

Significant vulnerabilities to undue influence or corruption
High

WORKSHEET 2: CATEGORIZING THE PROJECT SELECTION

Project identification and authorization: Type C

Identification phase: Projects are proposed, usually on a technical basis but often without a formal selection process, and with limited or no information on alternatives. The proposal may originate from outside the agency, often a political source, but be processed by the agency.

Authorisation phase: Project preparation proceeds directly, either internally or outsourced, with little emphasis on justification or evaluation and mitigation of social and environmental impacts. Consultation with the public and communities is unlikely to have occurred. Budget authorisation may be fast-tracked to avoid further scrutiny.

WORKSHEET 4C: OUTLINE OF INITIAL ASSESSMENT REPORT

Governance risk classification	Context Risk Rating: 6.34 Context Risk: High
Context assessment	Significant vulnerabilities to undue influence or corruption
Key governance areas of concern	<p>Country Aspects</p> <ol style="list-style-type: none"> 1. Corruption perception <p>Agency Aspects</p> <ol style="list-style-type: none"> 1. Community engagement 2. Openness of Communications
Other areas to be considered	<p><i>List from Worksheet 1A, line 3</i></p> <p>Country Context</p> <ol style="list-style-type: none"> 1. Election Process 2. Legal, judicial system and whistle-blowers 3. Public finance and procurement 4. Access to information 5. Openness of media 6. Cultural hierarchy 7. Civil society activity <p>Agency Context</p> <ol style="list-style-type: none"> 1. Executive Management 2. External influence in agency operation 3. Professional interaction within agency 4. Transparency on budget and program 5. Agency & leadership reputation 6. Grievance Mechanisms 6. Vested interests 7. Agency-industry relationship
Project selection process type	Type C Short
Narrative	<p>Across all three dimensions of the assessment, country context, agency context, and public investment management processes, the findings converge on a consistent pattern: rules on paper are sound in many respects; rules in use are weaker.</p> <p>The overall context risk score of 6.05 and the Type C project selection classification place Pakistan's infrastructure governance in the High risk category of the ICRAT framework. This finding does not imply mere presence of corruption in infrastructure projects. It indicates, rather, that the conditions that make infrastructure investment vulnerable to governance failure — political influence over project selection, weak appraisal, non-competitive contracting, opacity, and limited accountability — are the pivotal risks affecting infrastructural governance.</p>

CONCLUSION

This ICRA Level I diagnostic reveals a governance environment in which formally established frameworks for infrastructure planning, prioritisation, procurement, and accountability coexist with deep structural constraints that substantially limit their effectiveness in practice. Across all three dimensions of the assessment, country context, agency context, and public investment management processes, the findings converge on a consistent pattern: rules on paper are sound in many respects; rules in use are comparatively weaker

At the country level, the macro-fiscal environment constitutes the foundational governance challenge for infrastructure delivery. The decline of total public investment to approximately 2.6 percent of GDP, from a peak of 4.9 percent in FY2017–18, constitutes a significant fiscal constraint. This trend is a symptom of a fiscal architecture in which debt-servicing (absorbing nearly 50 percent of federal expenditure), security outlays, and poorly targeted subsidies crowd out infrastructure spending. Under these conditions, the PSDP has been relegated to a residual fiscal component rather than a strategic public investment instrument, creating incentives for politically motivated project selection, rushed procurement, and the chronic underfunding of long-term infrastructure assets. Infrastructure planning and implementation are, therefore, adversely affected not only by weaknesses in public investment management institutions and processes but by the broader fiscal context within which those institutions must operate.

The country-level governance environment compounds these fiscal risks. Electoral contestability is reported to be affected by institutional interference and uneven enforcement, shortening political time horizons and incentivising discretionary infrastructure spending around election cycles, as evident in the SAP allocation patterns before the 2024 elections. Judicial independence has reportedly weakened, reducing the effectiveness of courts as a check on misconduct in selection and procurement processes.

At the agency level, the NHA's 2024 governance reforms mark a step towards improved governance arrangements. The establishment of an independent National Highway Council, the introduction of a CEO accountable to a professional board, and the creation of a dedicated Transformation Unit signal a reform trajectory that, if fully implemented, could significantly improve infrastructure governance. The assessment finds, however, that implementation partial and subject to political contestation. The NHC's first appointments did not comply with the SOE Act's eligibility criteria; the board continues to function as a formal ratifying body; and accountability for persistent cost overruns remains diffuse. The net result is that political accommodation, rather than rule-bound performance governance, continues to shape executive decision-making at the NHA. These findings are consistent with the broader pattern identified across agency dimensions: vested interests are pervasive (Rating: 5/5); community engagement is largely procedural (Rating: 5/5); and external political influence over project prioritisation and procurement is significant (Rating: 4/5).

The Critical Review of Public Investment Processes identifies systemic deficiencies at each stage of the infrastructure project cycle. Long and medium-term planning have been reduced in effectiveness, with limited influence on implementation. Project identification is characterised by ad hoc and, in some cases, politically influenced processes rather than structured needs assessments. Feasibility analysis is frequently conducted after projects have been approved in principle, reversing its intended role as a decision-support tool.

Appraisal is reduced to largely procedural compliance rather than rigorous economic evaluation. Portfolio management is chronically overextended, with throw-forward liabilities exceeding Rs 10 trillion against an annual PSDP of approximately Rs 1 trillion in FY2025–26 — implying more than a decade of backlog at current funding levels. Procurement is progressively shaped by exceptions permitting direct contracting with state-owned enterprises and military-affiliated organisations without competitive tendering, as evidenced by the documented use of PPRA Rule 42(f) for high-value NHA contracts and the award of contracts worth hundreds of billions of rupees to FWO without competitive processes. The SDG Achievement Programme operates as a investment procurement channel for parliamentarian-sponsored infrastructure schemes that systematically bypass standard appraisal and PPRA requirements.

These findings have direct implications for infrastructure governance and delivery outcomes. The combination of weak strategic alignment at project entry, constrained appraisal, overextended portfolios, and non-competitive procurement creates conditions in which public resources are allocated less on the basis of development need and value for money than on political proximity and institutional accommodation.

The efficiency of public investment in Pakistan is assessed as low relative to regional peers. These structural weaknesses and procedural limitations partially explain the slow accumulation of public capital stock — from approximately USD 298 billion in 2009 to USD 392 billion in 2019 (constant 2017 international dollars), compared to India's expansion of more than USD 2.3 trillion over the same period.

The overall context risk score of 6.34 and the Type C project selection classification place Pakistan's infrastructure governance in the high risk category of the ICRAF framework. This finding does not imply irregularities or evidence of corruption. It indicates, rather, that the conditions that make infrastructure investment vulnerable to governance failure — political influence over project selection, weak appraisal, non-competitive contracting, opacity, and limited accountability — are structurally embedded. The Policy Recommendations section of this report identifies specific, actionable reforms derived from the findings above, organised across institutional governance, infrastructure planning, appraisal, procurement, fiscal management, transparency, legal accountability, and coordination.

POLICY RECOMMENDATIONS

The recommendations below are organised around five thematic areas, each anchored in the assessment's findings, and prioritise actions with the highest potential for systemic impact.

1 Fiscal framework and medium-term planning

The progressive erosion of the PSDP into a residual fiscal adjustment variable, driven by persistent fiscal deficits and rising debt-servicing obligations, constitutes the foundational challenge for infrastructure governance. Restoring credible medium-term expenditure planning for public investment is a precondition for all downstream reforms.

Strengthen enforcement of the Fiscal Responsibility and Debt Limitation Act

- Total public debt has continuously exceeded the statutory ceiling of 60 percent of GDP since 2012. The FRDLA enforcement mechanism should be strengthened by establishing an independent fiscal council mandated to monitor compliance and publish regular assessments. Annual compliance reports should be tabled in Parliament. Multi-year indicative budget ceilings should be set by ministry to anchor development spending within a credible fiscal trajectory.

Develop a costed five-year infrastructure investment strategy

- Pakistan's tradition of five-year national development planning has progressively lost operational relevance. The government should develop a five-year infrastructure strategy identifying major projects across all sectors and funding sources, with measurable outcomes and costed breakdowns, to guide the formulation of sectoral investment plans. The strategy should be developed through a structured consultative process, involving the executive tier, line ministries, provincial governments, and key stakeholders. Annual development plans should be demonstrably aligned with this strategy, and objective prioritisation mechanisms within a constrained fiscal envelope should be formally institutionalised.

Protect multi-year funding commitments for ongoing projects.

- Weak multi-annual budgeting has resulted in significant underfunding of approved projects, driving implementation delays, cost overruns, and extended project lifecycles. Binding multi-year expenditure ceilings for development spending should be enforced, with explicit protection of allocations for ongoing projects over their full lifecycle. This requires strengthening the Medium-Term Fiscal Framework as an operational instrument rather than an indicative planning exercise.

2 Project Identification and Design

Challenges in Pakistan's public investment management are most pronounced at the project identification and design stage, where weak prioritization mechanisms have allowed an overextended development portfolio, reducing the effectiveness of public spending.

Enforce the sequential PCN → PC-II → PC-I project preparation process.

- Line ministries routinely bypass the Project Concept Note and PC-II feasibility stages, submitting PC-I documents directly and weakening the role of early screening. The Planning Commission should reject PC-I submissions that are not supported by a cleared PCN and, for projects above PKR 500 million, a completed PC-II document. Non-compliance should result in automatic deferral to the following PSDP cycle.

Operationalise a dedicated fund for feasibility studies.

- Feasibility studies are frequently conducted after projects have been approved in principle, and initial costings routinely understate risks related to inflation, land acquisition, and implementation complexity. A ring-fenced facility for the preparation of PC-II feasibility studies should be established and operationalised, ensuring that comprehensive needs assessments and feasibility analyses are completed before detailed PC-Is are formulated.

Strengthen review processes for very large projects.

- Review processes for 'core projects' should be strengthened to ensure appropriate focus on very large projects regardless of funding source. Project appraisal documents for all such projects should be made publicly available.

Establish dedicated project management units.

- Large state-owned enterprises and ministries with substantial development portfolios should establish dedicated project management units with professional staffing and clear terms of reference, to strengthen institutional capacity for project preparation, implementation oversight, and performance monitoring.

Institutionalize Accountability through PC-IV

- PC IV of each project should uphold the responsibilities of delays caused by implementation agency with defined actions to be taken against identified persons/consultant/contractors. There have been many instances where delays of many years on projects have resulted in cost escalations. For example, the delay in Neelum Jhelum project resulted in cost increase from Rs 49 billion to Rs 550 billion.

PC-IV: Project Completion Report

- All infrastructure projects must be required to submit project completion reports immediately after the project work concludes including ensuring that these reports are made publicly accessible through the website of the implementing agency.

3 Project Appraisal, Prioritisation, and Approval

Implement a mandatory portfolio rationalisation exercise and impose a temporary moratorium on new projects.

- The current stock of unfunded commitments represents a structural imbalance that cannot be resolved through incremental annual budget increases alone. The government should undertake a systematic portfolio review, terminating or deferring projects that cannot demonstrate strategic alignment and funding realism, and publishing the results. To create fiscal space for rationalisation, an embargo on new project approvals should be imposed for at least two fiscal years.

Develop and publish binding criteria for PSDP project selection.

- The Planning Commission should develop and apply weighted scoring criteria for project entry – covering strategic alignment, economic returns, equity impact, implementation readiness, and fiscal affordability – with deviations requiring written justification and CDWP or ECNEC endorsement. These criteria should be publicly disclosed.

Appraisal reforms

- The appraisal techniques recommended in the Manual for Development Projects, including cost-benefit analysis, net present value calculations, and internal rate of return estimates, are rarely applied in practice. The following tiered reforms are recommended:

For non-core projects:

- Develop simplified, sector-specific technical guidance on economic and financial analysis, including on discount rates and shadow pricing. The current cost-benefit analysis methodology, while technically rigorous, imposes implementation costs and analytical burdens that are disproportionate for smaller projects. Sectoral Development Impact Scorecards, coupled with a Spatial Decision Support System, should be developed for each category of infrastructure project to enable systematic appraisal and prioritisation based on developmental potential.

For CDWP-level projects:

- Introduce structured Project Appraisal Workshops for all projects falling under the CDWP mandate and all core projects. The institutional mechanism, structure, and cost threshold for these workshops should be formally defined and published.

For ECNEC-level projects:

- Projects falling under the ECNEC threshold should be subject to independent third-party appraisal. A formal mechanism for outsourcing this function should be established, with published criteria for the selection and oversight of appraisal entities.

DDWP reform: Resolve the DDWP institutional conflict of interest.

- The composition of DDWPs should be revised to include the Chief Economist of the Planning Commission as co-chair, replacing the current arrangement in which the concerned ministry's secretary presides over approvals of its own proposals, a self-approval arrangement that creates structural incentives against rigorous appraisal.

Cap DDWP approval volumes.

- To reduce the perverse incentive for ministries to phase projects below the PKR 1 billion threshold, annual cost ceilings should be imposed on the total value of projects each DDWP may approve. Additionally, each sponsoring ministry's development portfolio should include a fixed share allocation for DDWP-level projects, preventing portfolio proliferation at lower approval tiers.

Formalise decision-making rules in pre-CDWP and CDWP forums.

- Comprehensive rules on quorum, voting, and decision-making should be developed for all approval forums, including pre-CDWP and CDWP and ECNEC. Decisions should be taken by majority of voting members to reduce the discretion currently exercised by chairs. At present, the absence of a defined approval mechanism in these forums leaves significant room for discretionary decision-making.

Review and reform the SDG Achievement Programme.

- The SAP operates as a parallel public investment and procurement channel characterised by comparatively weaker scrutiny, less systematic appraisal, and reduced accountability than the standard PSDP cycle. In the interim, all SAP-funded schemes involving construction or civil works above PKR 10 million should be required to undergo Planning Commission appraisal and comply with PPRA competitive tendering rules. SAP allocations and expenditures should be published on a regular basis in the same format as PSDP data.

4 Project Implementation, Procurement, and Competitive Neutrality

Eliminate end-of-cycle PC-I submission congestion.

- The concentration of project approvals in May–June, caused by systematic non-compliance with the March 31st PC-I submission deadline, compresses the depth of appraisal under time pressure. Firm submission deadlines should be enforced, with projects submitted after April 30 considered deferral to the subsequent PSDP cycle.

Reduce discretion in project authorisation and fund releases.

- Clear and streamlined mechanisms for automatic authorisation and release of funds should be devised for core projects, followed by non-core projects, to reduce the discretionary bottlenecks that currently characterise fund-flow processes and create opportunities for rent-seeking.

Establish public asset information standards.

- Rules and procedures should be prepared and published requiring federal ministries to retain and make accessible information on public assets, supporting lifecycle management, maintenance planning, and accountability for asset condition.

5 Procurement reform

Restrict and independently oversee the use of PPRA Rule 42(f).

- The use of Rule 42(f) to award large infrastructure contracts directly to SOEs without competitive tendering has become more frequent than intended. The rule should be amended to require that direct contracting under 42(f) authorised by a higher entity (Cabinet) be published within 30 days, including justification and contract value. Single-source or limited bidding should be confined to projects with genuine security constraints and governed by strict, published guidelines. In all other projects not meeting security constraints, single source bidding should

Bring all SOEs fully within PPRA rules.

- The independent procurement policies framed by the State Owned Entities (SOEs) under Section 17(2) of the State-Owned Enterprises (Governance and Operations) Act, 2023, have allowed the SOEs to bypass Pakistan Public Procurement Regulatory (PPRA) Authority Rules, compromising the essence of fair and competitive procurement processes. This will potentially enable SOEs to be exempted from PPRA jurisdiction and its key provisions of transparent competitive bidding. It is imperative that the federal government issues guidelines for SOEs which must emphasize compliance with PPRA ordinance and PPRA Rules 2004 as opposed to SOEs independent procurement guidelines in line with the SOEs Act 2023. Any customisation of procurement guidelines deemed in contravention of PPRA rules must be made prohibited. The SOEs Act 2023, Section 17(2) must be amended to reflect compliance with PPRA ordinance 2002 and PPRA Rules 2004.

Strengthen procurement dispute resolution.

- All decisions on procurement complaints should be published within 30 days. The filing fee for procurement appeals should be reduced or waived for SME contractors, and resolution timelines should be capped at a defined and enforceable timeframe (e.g. 60 days).

Complete EPADS rollout.

- Multiple federal agencies continue to operate parallel procurement management systems outside EPADS, undermining data integration and systemic accountability. A firm deadline for full EPADS adoption should be set and monitored by PPRA, with non-compliance reported to Parliament. All investment projects by autonomous entities should be brought within a unified central reporting framework, including relevant climate change initiatives.

6

State Owned Enterprises (SOEs) Reforms

Decouple the strategic and commercial roles of SOEs

- The Competition Commission of Pakistan's recommendation to formally separate the strategic operations and commercial business roles of entities such as the NLC and FWO should be adopted. Commercial operations of SOEs should face an environment of competitive neutrality in which they and private firms are treated equally in the market.

Mandate SOE financial transparency.

- Financial information on SOEs involved in road construction, including annual financials, profits, exemptions availed, and subsidies received, is not publicly available. The Central Monitoring Unit should be mandated to collect and publish all relevant financial and operational data on strategically affiliated SOEs engaged in the road construction sector. A central monitoring system for SOE investments should be implemented, with guidance for oversight and information exchange on SOE investment plans.

Institute third-party validation of contractor performance.

- Independent third-party validation of contractor and consultant performance should be mandated for all major infrastructure projects, including those executed under Public Private Partnership (PPP) arrangements. A neutral third party with no financial stake in the outcome should assess compliance with standard procedures, construction quality, remaining service life, and overall service delivery. Assessment results should be incorporated into bidding processes and technical proposals for future projects, creating a performance-based track record that informs procurement decisions for both SOE and private sector contractors.

7 NHA Governance, Transparency, and Accountability

Ensure compliance with SOE Act eligibility criteria for NHA leadership appointments

- All future appointments to the National Highway Council and the CEO position should comply with the professional qualification and sector-experience requirements established in the SOE Act 2023. The NHC should be constituted as a genuinely independent oversight body, with a majority of non-government professional members and transparent selection procedures. The NHC should establish enforceable performance benchmarks for the CEO and senior management, with published annual performance reviews and transparent consequences for persistent underperformance.

Mandate proactive disclosure of infrastructure project documents.

- Feasibility studies, cost revisions, contract amendments, and contract award rationales for all NHA projects above PKR 1 billion should be proactively disclosed on the NHA website within one week of the relevant decision. Information regarding the composition of the NHC and Executive Board, project-specific financial data including contract awards, cost escalations, contract variations, and schedule deviations should be published as a matter of course.

8 Parliamentary and institutional oversight

Reform parliamentary scrutiny of PSDP and NHA spending.

- The Public Accounts Committee's review of development spending should be strengthened, with mandatory project-specific performance reporting for all schemes above PKR 2 billion and timely follow-up on audit findings. Technical support should be provided to PAC and relevant parliamentary standing committees to strengthen their capacity for informed scrutiny of infrastructure expenditure.

Strengthen RTI enforcement in the infrastructure sector.

- Federal and provincial information commissions lack the capacity and political backing to enforce compliance with RTI requests. Their institutional mandates, staffing, and enforcement powers should be strengthened, and sector-specific compliance targets for infrastructure agencies should be introduced.

9 Whistleblower protection and integrity

Enact and Operationalise the Whistleblower Protection and Vigilance Commission Bill 2025

- The lapse of the 2019 Ordinance has left a critical gap in the accountability framework for public institutions, including infrastructure agencies. The Bill should be enacted promptly and an adequately resourced Vigilance Commission established, with gender-sensitive protections against retaliation for individuals who report wrongdoing within public agencies and state-linked entities.

Strengthen conflict-of-interest disclosure requirements.

- Cases exist where elected representatives simultaneously hold stakes in contracting firms and serve on parliamentary committees overseeing infrastructure. A mandatory, publicly accessible conflict-of-interest register should be established for all officials and legislators involved in infrastructure planning, approval, and oversight, with meaningful sanctions for non-disclosure.

10 Community Engagement

Institutionalise meaningful community engagement in infrastructure project design.

- NHA community consultations are conducted late in the project cycle, after key design decisions have been made, and rarely lead to substantive changes. Binding community engagement protocols should require structured consultation before alignment and design decisions are finalised, with documented evidence of how community feedback was addressed. Special provisions for the participation of women and vulnerable groups should be made mandatory.

11 Sequencing and Implementation

The recommendations provided in the report are interdependent. Fiscal discipline without procurement reform will merely compress an already distorted investment portfolio. Procurement reform without depoliticised project selection will shift discretionary influence to earlier stages of the cycle. Governance reform at the agency level without credible external oversight will lack enforcement mechanisms.

Reforms should accordingly be pursued on parallel tracks, with early priority given to three areas where institutional preconditions are relatively less binding and demonstrable progress can build momentum for deeper structural change. These include:

- The portfolio rationalisation exercise and moratorium on new projects;
- Enforcement of competitive procurement defaults and restriction of Rule 42(f); and
- Operationalisation of NHA transparency requirements and SOE financial disclosure.

These near-term actions would begin to address the most consequential governance vulnerabilities identified in this assessment while creating the institutional foundations for sustained reform across the public investment management cycle.

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