



## The Evolution of Urban Governance and External Financing in Pakistan (A Tale of Two Infrastructure Models)

Nusrat Azeema<sup>1\*</sup>, Li Yi<sup>2</sup>, Sita Chaudhary<sup>3</sup>

Department of Sociology, School of Public Administration, Hohai University

**Corresponding Author:** Nusrat Azeema [nusratazeemaraja@gmail.com](mailto:nusratazeemaraja@gmail.com)

---

### ARTICLE INFO

*Keywords:* Urbanization, Pakistan, Finance, Loan

*Received:* 19, October

*Revised:* 20, November

*Accepted:* 30, December

©2025 Azeema, Yi, Chaudhary: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



### ABSTRACT

The urban administration in Pakistan has transformed as a result of political and economic shifts. The urban government in Pakistan has been influenced by external financing, which is a reflection of institutional reforms, fiscal decentralization, and the priorities of global development. Over the course of the last three decades, Pakistan's urban management has transitioned from a centralized bureaucratic authority to fragmented local governance systems that are shaped by donor-driven projects and conditional cash inflows. An in-depth analysis of how multilateral development banks and bilateral aid influence urban policy, infrastructure, and service delivery is presented in this specific piece of writing. The evidence demonstrates that the use of external financing has hastened the process of urban modernization while simultaneously exacerbating governance problems such as policy incoherence, accountability deficiencies, and socio-spatial inequities. In this study, political economics research and urban planning perspectives are combined in order to investigate how external funding mechanisms influence the capacities of local governments and the transformation of urban infrastructure in Pakistan's fast-growing cities. The findings highlight the necessity of having governance structures that are adaptable and, in a position, to strike a balance between local interests and global urban finance strategy.

---

## **INTRODUCTION**

Urban governance in Pakistan has been reshaped by successive regimes of external financing that reorganize decision-making authority, spatial priorities, and distributive outcomes. Since the 1990s, IMF and World Bank lending has embedded urban development within neoliberal frameworks emphasizing fiscal discipline, procedural accountability, and market-oriented planning. More recently, Chinese bilateral financing under the China–Pakistan Economic Corridor (CPEC) has introduced a parallel model characterized by centralized decision-making, accelerated infrastructure delivery, and limited procedural conditionality. Existing scholarship treats these models as competing alternatives. This paper argues instead that Pakistan’s urbanization is governed through a hybrid regime in which neoliberal conditionality and geostrategic developmentalism coexist and interact, producing uneven urban outcomes rather than a clear systemic shift.

The political and economic landscapes of Pakistan have undergone transformation as a whole, and this has had a significant impact on the governments of the nation's cities (Chen & Khoso, 2025). The authors Haider and Badami (2011) propose that governance in this particular context is most appropriately conceptualized as a continuous process that involves the constant interaction of the state, the market, and external stakeholders. This process-oriented perspective allows for a more comprehensive understanding of the advancement of urbanization in Pakistan and the country's reliance on global financial institutions. During the 1970s, under Prime Minister Zulfikar Ali Bhutto’s socialist-inspired nationalization drive, urban governance followed a state-led model. The government exercised substantial control over housing, utilities, and urban planning, emphasizing redistribution and public ownership with minimal engagement from international institutions. However, this approach shifted dramatically during the 1990s when Pakistan, facing fiscal crises, turned to the International Monetary Fund (IMF) and the World Bank for structural adjustment support. The resulting Structural Adjustment Programs (SAPs) promoted privatization, fiscal austerity, and market liberalization—policies accompanied by strict conditionalities that significantly curtailed state autonomy (Khan, 2006). These reforms fundamentally reshaped Pakistan’s urban and economic governance. While international loans provided essential capital, they also increased policy dependency and reduced fiscal flexibility (Cheema, Khwaja, & Qadir, 2005). Subsidy cuts, decentralization mandates, and public-private partnerships became central to policy frameworks, often privileging market efficiency over social welfare. As a result, Pakistan’s development planning became increasingly influenced by the governance logics of its financiers rather than domestic priorities. Pakistan received its first loan from the International Monetary Fund (IMF) on 8 December 1958, under a Stand-By Arrangement amounting to approximately US\$25,000, marking the beginning of its long-term engagement with multilateral financial institutions (The News, 2018). In comparison, Pakistan’s first loan from the People’s Republic of China was an interest-free loan of US\$60 million offered on 30 July 1964, formalized in a subsequent agreement in February 1965 for import and

project financing, repayable over 20 years with a 10-year grace period (National Institute of Historical & Cultural Research [NIHCR], 2016). These initial financial agreements laid the foundation for Pakistan's continued economic reliance on both Western-led institutions and bilateral loans from China, which have expanded significantly in recent decades under initiatives such as the China-Pakistan Economic Corridor (CPEC).

Pakistan's reliance on external financing diversified across multiple sources, including the IMF, the World Bank, and China. Each of these entities imposes distinct terms that shape Pakistan's development trajectory. The IMF, known for its high conditionality, typically demands fiscal consolidation, tax reform, and subsidy rationalization to maintain macroeconomic stability (IMF, 2025; Reuters, 2025). Although these reforms stabilize the balance of payments, they frequently exacerbate inflation and social inequality, sparking public discontent. The World Bank's funding, while more development-oriented, often comes with complex governance and transparency requirements that slow implementation (World Bank, 2025). In contrast, Chinese financing, particularly through the China-Pakistan Economic Corridor (CPEC), operates on an entirely different logic. CPEC projects emphasize rapid implementation, bilateral negotiation, and minimal political interference (Wolf, 2019). This low-conditionality model enables Pakistan to have greater short-term policy flexibility and faster project completion compared to IMF or World Bank programs (Chandra, 2023). However, while the absence of reform demands reduces bureaucratic barriers, it also introduces new forms of strategic dependency, as evidenced by Pakistan's repeated requests to defer Chinese debt repayments (Khaama Press, 2025). These divergent governance models can be clearly observed through two major infrastructure projects: the Chinese-funded Gwadar Port Development Project and the World Bank-financed National Highway N-55 Rehabilitation Project.

The Gwadar Port Development Project, launched in 2002 and largely completed by 2017, represents one of the flagship initiatives under the China-Pakistan Economic Corridor (CPEC). Financed primarily through Chinese concessional loans, the project aims to transform Gwadar into a regional maritime and logistics hub connecting South Asia, Central Asia, and the Middle East (Rafiq, 2021). The project encompasses a vast territorial footprint: the Gwadar Smart Port City Master Plan covers approximately 29,229 acres (118 sq. km), of which the port and free zone occupy 4,592 acres, while the New Gwadar International Airport spans about 4,300 acres (International Crisis Group, 2023). This extensive reconfiguration of space has displaced indigenous fishing communities and altered the socio-economic fabric of the Makran coast. Scholars describe Gwadar's transformation as a manifestation of "authoritarian urbanism," wherein state-led, militarized, and foreign-financed planning marginalizes local populations and concentrates benefits among national and transnational elites (Akhter & Al Faruq, 2024). Despite these social costs, the project has generated substantial macroeconomic gains. The establishment of a tax-free industrial zone, enhanced trade logistics, and improved regional connectivity have positioned Pakistan as a pivotal node in China's Belt and

Road Initiative (BRI) (Rafiq, 2021). The formal institutionalization of CPEC, including the Gwadar deep-sea port, took shape in 2013 under the civilian government of Prime Minister Nawaz Sharif in Pakistan and the leadership of President Xi Jinping in China. A Memorandum of Understanding (MoU) linking Kashgar in China's Xinjiang region with Gwadar by road, rail, and maritime routes was first signed during Chinese Premier Li Keqiang's visit to Pakistan in May 2013, and further expanded during Sharif's visit to Beijing in July 2013 (Institute of Strategic Studies Islamabad [ISSI], 2015; China Center, 2020). The Gwadar Port concession agreement itself had earlier been concluded in 2007 with the Port of Singapore Authority International (PSAI), but operational control was transferred to the China Overseas Ports Holding Company (COPHC) in 2013 without amendments to the original concession (CPEC Secretariat, n.d.). Thus, the major era of CPEC's institutional signing and Gwadar's strategic development falls under the Nawaz Sharif regime (2013–2017) and the early Xi Jinping administration, marking the formal start of a high-level bilateral connectivity and economic integration framework between Pakistan and China. The National Highway N-55 Rehabilitation Project, funded primarily by the World Bank, represents a contrasting model of development governance compared to Gwadar's centralized transformation. Initiated in 2016 and completed in 2021, the project rehabilitated a 193-kilometer section between Kotri and Ratodero, requiring approximately 2,909 acres of linear land acquisition along a 61-meter-wide right-of-way (World Bank, 2018). Unlike Gwadar's concentrated land conversion and exclusionary urbanization, N-55's spatial footprint extended longitudinally across multiple communities, resulting in diffuse but manageable social and environmental impacts. The project was implemented under detailed Environmental and Social Management Frameworks (ESMFs), incorporating community consultations, environmental clearances, and transparent compensation mechanisms to mitigate displacement and ecological risk (Haider & Badami, 2019). Although bureaucratic delays and institutional overlaps occasionally slowed implementation, the project is widely recognized as a governance-heavy and participatory model of infrastructure rehabilitation. It produced measurable benefits, including reduced travel time, lower vehicle operating costs, and enhanced trade integration across Pakistan's southern corridor (World Bank, 2018). Historically, the Indus Highway (N-55) traces its origins to Pakistan's late-1980s infrastructure planning era, initially conceived under the post-Zia period and constructed throughout the 1989–2003 timeframe with major financial assistance from the Japan International Cooperation Agency (JICA) (JICA, 2003). Subsequent rounds of rehabilitation and expansion illustrate the continuity of multilateral development assistance: in 2010, the World Bank approved an additional US\$130 million under the Highway Rehabilitation Project, followed by the Asian Development Bank (ADB) loan of US\$235 million in 2021 for upgrading 222 km of the same corridor (Daily Pakistan, 2021; World Bank, 2010). Thus, the N-55 represents a multi-decade, multi-donor infrastructure project that evolved from the late-military regime of General Zia-ul-Haq to successive democratic governments, and most recently, the Imran

Khan administration. Unlike the authoritarian, investment-driven urbanism of Gwadar, the N-55 case underscores how international financial institutions have promoted procedural transparency, participatory governance, and environmental compliance in Pakistan's infrastructure landscape reflecting the global policy shift toward sustainable and accountable development. From a broader perspective, Pakistan's economic management involves a balancing act between Western conditionality and Chinese flexibility. The IMF and World Bank's emphasis on governance and fiscal discipline aims at long-term macroeconomic stability but often leads to stagnation in tangible development outcomes. Chinese financing, on the other hand, provides fast-track infrastructure growth, minimal procedural delays, and fewer intrusive policy conditions. This difference is crucial for developing economies like Pakistan, where political stability and economic performance are closely tied to visible development outcomes (CSIS, 2025; Pasha, 2019).

## LITERATURE REVIEW

Urban governance is conceptualized here as a process through which power over space is exercised via institutions, capital flows, and planning technologies rather than as a fixed administrative arrangement. Infrastructure financing is a central mechanism in this process because it determines not only what is built, but also who decides, under what conditions, and with which social consequences. Neoliberal urbanism, institutionalized through multilateral lending, ties infrastructure provision to conditionality regimes that prioritize transparency, cost recovery, and regulatory compliance, often constraining local autonomy and delaying implementation (Peck & Theodore, 2015; World Bank, 2022). Recent literature on authoritarian urbanism highlights an alternative mode of governance in which centralized states deploy infrastructure to consolidate territorial control, bypass participatory mechanisms, and reconfigure urban space in favor of strategic and elite interests (Sihlongonyane, 2015; Akhter & Al Faruq, 2024). Chinese overseas infrastructure financing exemplifies this approach through bilateral negotiation, state-to-state agreements, and limited public disclosure, enabling rapid project execution while externalizing social and environmental costs (Cheng et al., 2021; Jones & Zeng, 2023). Rather than treating these models as mutually exclusive, this paper advances a hybrid framework. In Pakistan, neoliberal proceduralism and authoritarian developmentalism operate simultaneously, layered onto a fiscally constrained state. This produces selective urban acceleration in strategic zones alongside governance-heavy incrementalism elsewhere, reinforcing spatial inequality while preserving external dependence (Haider & Badami, 2019; International Crisis Group, 2023).

## METHODOLOGY

The research strategy is based on qualitative comparative case studies. We chose Gwadar Port and the N-55 National Highway since their funding comes from various places and they're part of separate systems of government. In order to guarantee completeness and dependability, data were gathered from

many sources. IMF Information about Pakistani loans and funding came from official country reports and loan agreements kept by the International Monetary Fund. Data on Pakistani World Bank projects came from the organization's Projects & Operations database. The information regarding China's loans was gathered from publicly available CPEC project documents, reports from the Ministry of Commerce, and official Chinese government publications. Government policy statements, project papers, and planning reports were used to construct the specific financial figures for the N-55 Highway and Gwadar Port. Maps created with Google Pro also aided in spatial and infrastructure analysis by making project locations and regional consequences easy to visualize. The focus of the analysis is not on technical efficiency measurements, but on governance mechanisms, spatial reconfiguration, and socio-economic repercussions.

## RESULT AND DISCUSSION

Table 1. Two Infrastructure Models' Comparison

Comparison Criteria	CPEC Gwadar Development	World Bank N-55 Highway
<b>Total Land Area</b>	The master plan covers an extensive area of approximately 29,000 acres, intended for a full-scale port city.	The project impacted a long, narrow corridor totaling around 2,900 acres along its 193-km route.
<b>Nature of Land Use</b>	A single, massive block of coastal land transformed for port, industrial, and urban use.	A linear infrastructure upgrade, acquiring a right-of-way typically 200 feet wide along the existing route.
<b>Primary Social Impact</b>	Caused large-scale, concentrated displacement of fishing villages and communities within the project zone.	Resulted in distributed, linear displacement affecting numerous individual landowners and farms along the highway's path.



Figure 1. Google Earth Images about CPEC Gwadar Development 2012 and 2022

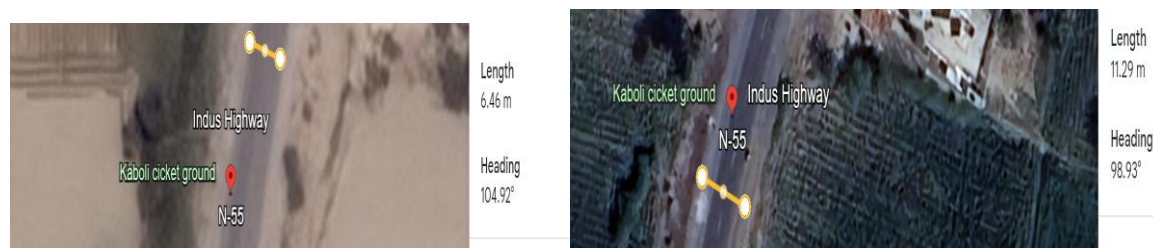


Figure 2. Google Earth Images about N55 Road 2016 and 2024

### Gwadar: Authoritarian Urbanism under CPEC

Gwadar represents a territorially concentrated form of urban development driven by Chinese bilateral financing and Pakistan’s security apparatus. Planning authority is centralized, land acquisition is expedited through exceptional legal measures, and civilian participation is minimal. Urban space is reorganized to serve port logistics, military installations, and transnational capital, marginalizing indigenous fishing communities and informal settlements. While Gwadar enhances Pakistan’s geostrategic positioning, it exemplifies how infrastructure-led development can intensify exclusion and securitization when procedural constraints are absent (Rafiq, 2021; International Crisis Group, 2023).

### N-55: Procedural Urbanism and Neoliberal Conditionality

In contrast, the N-55 highway rehabilitation reflects World Bank-led procedural urbanism. Project implementation is governed by environmental assessments, resettlement frameworks, and stakeholder consultations. These mechanisms slow delivery but institutionalize compensation and accountability. The project’s impacts are spatially diffuse, improving regional connectivity without producing enclave urbanization. This case illustrates how neoliberal governance prioritizes risk management and compliance over speed, embedding infrastructure within regulatory frameworks that constrain discretionary state power (World Bank, 2018; Peck & Theodore, 2015).

Table 2. Regime of Pakistan vs Foreign Funded Projects 1947-2025

Regime	Time Period	Geo-Political Context	IMF Loan/Funded Projects	IMF Outcomes	China’s Outcomes	WB Outcomes
Socialist	1947–1977	Bhutto’s nationalization era		Managing oil price shocks		1952: First IBRD Loan, railway/farm.
						1954: sui gas
						1955: Karachi power/ Karnaphuli paper mill/ karachi port.
						1957: Railway/PICIC
Fordist	1958–1988	Ayub Khan	1958-SBA	Early balance of payments support.		1958: Karachi power
		Zia-ul-Haq				
		Benazir Bhutto				1959: Karachi Power/ PICIC/ RAILWAY

						1960: Irrigation
						1961: PICIC/DACCA irrigation/ Inland ports
						1962: Khairpur irrigation/ railway/ industrial estate/
						1963: Chandpur irrigation/ water/ sewerage
						1964: education/ gas/ port/ highways/ railway/ indus basin project/ water
			1965-SBA	Post-war economic challenges.	industrial development	1965: Bank/ PICIC
						1966: Road/ Industry/ highway
						1967: power/ water/ railway/ PICIC
			1968-SBA			1968: bank/ dam/ highway/
						1969: telecommunication / gas pipeline/ agriculture/ railway
			1970-SBA			1970: Port/ telecommunication / education/ gas/ electricity
			1972-SBA	Economic management after the loss of East Pakistan (Bangladesh)		1972: industrial import
			1973-SBA			1973: import/ port/ industry
			1974-SBA	Oil price shock.		1974: flood/ fertilizer/ port/ telecommunication /

			1975-SBA			1975: gas/ dam
						1976: electricity/ seed/ sewerage/ Khairpur
			1977-SBA			1977: education/ livestock/ flood/ railways/ fertilizer/ farming/ forestry
						1978: Dam/ fertilizer/ oil & gas/
						1979: education/ agriculture/ electricity
			1980-SBA			1980: highways/ industry/ import
			1981-EFF	<b>First EFF for medium-term structural reforms.</b>		<b>1981:</b> vocational training/ grain storage/ farm water management
						<b>1982:</b> telecom/ irrigation system/ structural/ technical/ fertilizer/ railway/ refinery
						<b>1983:</b> reservoir/ Urban/ population/ coal/ water/ drainage/ gas/ petroleum
						<b>1984:</b> Oil & Gas/ farm/ water/ industry/ bank/ agriculture
						<b>1985:</b> electricity/ energy/ petroleum/ education
						<b>1986:</b> vocational training/ electricity/ export/ refinery/ non-formal education/ power/

						seed/industry/ dairy/ ports/ coal/ telecommuni- cation
						<b>1987:</b> technical assistance/ agriculture/ wapda/ highway/ industry/ education/ cement
			1988-EFF			1988: urban development/ energy/ oilseeds/ population/ highway/agri/
Post- Socialist	1988- 2001	Benazir Bhutto & Nawaz Sharif				1989: industry/ water/ finance/ tubewell/ flood/ energy/electricity/ transport
						1990: agri/ transport/gas/hig hway/ thermal/
						1991: rural water/ health/ farm water/ port/ cement/ transport
						1992: middle schooling/ environment/ energy/
			1993-EFF	Debt relief and poverty reduction		1993: water/ health/ flood/ education/ low income/ telecom/ manpower/ technical
			1994- EFF/ECF	fiscal deficit, poverty reduction		1994: social action/ power/ finance/ energy/
			1995- SBA			1995: education/ population/ forest/ technology/ energy/ health/ urban development/ hydropower/ agriculture
						1996:

						infrastructure/ health/ environment/ nutrition/ transport/ education/ water/ finance
			1997- ECF/EFF			1997: hydrocracker/ industry/ finance/ transport/ education/ drainage/ banking/
						1998: social action/ energy/ environment/ power/ health/
						1999: poverty/ fuel/ electricity/ gas/ agri/ tax/
			2000- SBA	Sanctions after nuclear tests.		2000: Tax/ welfare/ population/ energy
Post- Fordist	2001- Present	Mushar raf	2001- PRGF/E CF	<b>First concessional loan</b> for low- income countries.		2001: water/ banking/ agriculture/ drought/ railway/ environment/ Rural infrastructure/ power
						2002: transport/ legal reforms/ banking/ power/ education/ agriculture/ Urban transport/ hospital
						2003: poverty/ highway/ HIV/ education/ polio
						2004: Housing/ finance/ health/ community/ water
						2005: earthquake/ finance/ highway/ education/ banking
						2006: education/

						municipal service/ disabled person/ highways/
						2007: education/ water/ polio/ earthquake/ land record
			2008-SBA	Global Financial Crisis, soaring inflation	Nandipur Power Project	2008: technology/ water/ e-service/ electricity/ irrigation/
						2009: social safety/ education/ farm water/ polio/ education/ transport/ poverty/
			2010		Gwadar Port Project	2010: highway/ Karachi port/ job training/ irrigation/ barrages/
						2011: FATA/ Urban disaster/ HIV/ polio
						2012: polio/land record/ girls education/ trade/ Gas/ FATA/ labor/ agriculture/ hydropower/ urban/
			2013-EFF	Chronic energy crisis, low growth, low reserves.	Gwadar Port (Phased Development)	2013: Health/ education/
			2014		Sahiwal Coal Power Project, Sukkur-Multan Motorway	2014: water/ health/ agriculture/ FATA/ Hydropower/ road/
			2015		Port Qasim Coal Power Plant	2015: water/ power/ climate/ skills/ agriculture/ education/ FATA

					Hubco Coal Power Plant Quaid-e- Azam Solar Park (Chinese portion) Orange Line Metro Train, Lahore	
			2016		Karot Hydropow er Project Gwadar Port (Phased Developme nt) Peshawar- Karachi Motorway (Multan- Sukkur Section) Hakla- D.I.Khan Motorway	2016: FATA/ hydropower/ livelihood/ health/ education/
			2017		Suki Kinari Hydropow er Project	2017: health/ market/ agriculture/ tax/ social protection/econom y
						2018: energy/ housing/ energy/ Barrage/ climate/ digital jobs/
			2019-EFF	Macroecono mic crisis, BoP pressures, Systemic Crisis Response an d Precautionar y Lending;		2019: green bus/ FATA/ Mobility/ Sewerage water/ tourism project/ health/revenue/ education/

				COVID-19.		
						2020: solid waste/ hydropower/ food/ education/ covid-19
						2021: electricity/ education/ Rural water/ Health/FATA/
			2022		ML-1 Railway Upgrade (Phase I) Karachi- Lahore Motorway (Sukkur- Hyderabad Section)	2022: Urban land/ health/
			2023- SBA	<b>Current Program.</b> To avert sovereign default, rebuild reserves.		<b>2023:</b> Economy/ citizen centered service delivery project/ flood
			2024-EFF	<b>Newly Agreed.</b> Aim s for long- term economic stability.		<b>2024:</b> Flood/Sewerage/ Crisis resilient/
						<b>2025:</b> Rural water supply/ Cities program/ Education/ flood/ Electricity/ Water security/
*Stand-By Arrangements (SBA); Extended Fund Facility (EFF); Rapid Financing Instrument (RFI); Flexible Credit Line (FCL) & Precautionary and Liquidity Line (PLL); Poverty Reduction and Growth Trust (PRGT); Poverty Reduction and Growth Facility (PRGF), Enhanced Structural Adjustment Facility (ESAF)						
References: ( <a href="#">Financial Position in the Fund for Pakistan as of May 31, 1996</a> ), ( <a href="#">Pakistan: Economic Policy and Trade Practices Report (1996)</a> ), <a href="#">Projects</a>						

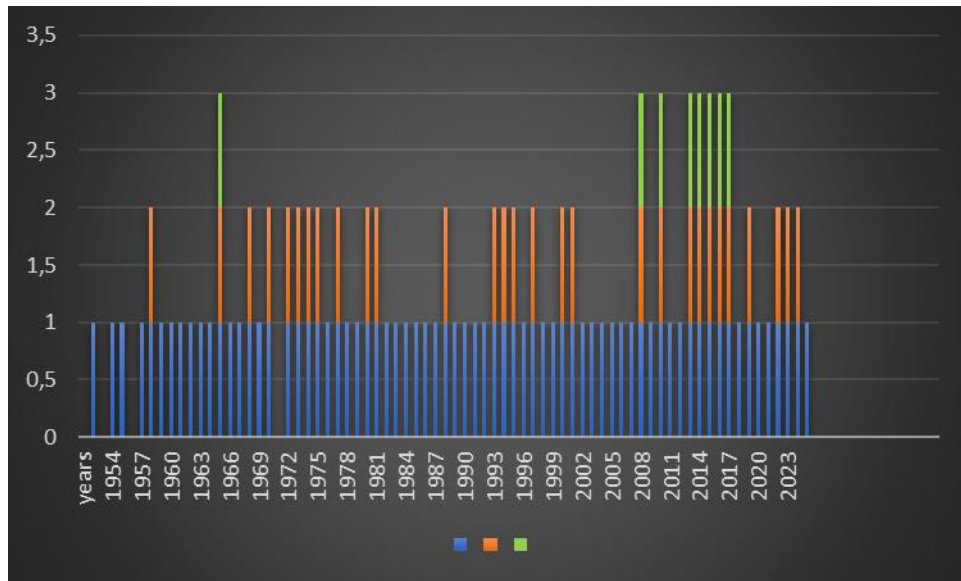


Figure 3. Comparison of IMF, WB & China Funding Years

This figure shows that, China, the International Monetary Fund (IMF), and the World Bank (WB) are the three primary sources of foreign finance for Pakistan, and this figure illustrates the trends of these three sources that have occurred between the years 1954 and 2023. The fact that Pakistan has maintained a long-term and consistent engagement with the World Bank is demonstrated by the blue bars, which show that the amount of funding provided by the World Bank has remained unchanged over the whole period. The intermittent orange help from the International Monetary Fund is evidence that Pakistan, during significant clusters in the late 1960s, the middle of the 1970s, the late 1980s to the early 1990s, and after 2008, sought assistance from the International Monetary Fund in the form of structural adjustment programs or aid with its balance of payments. Since the year 2006, the amount of green, which represents Chinese investment, has been continuously growing, reaching its highest point between the years 2010 and 2015. As a direct result of projects such as the China-Pakistan Economic Corridor (CPEC), there has been an increase in the level of economic cooperation between China and Pakistan. This is likely contributing to the current situation. When all of the data are considered together, it is clear that the World Bank has been participating constantly throughout the years, the International Monetary Fund has been involved in a sporadic and dependent manner, and China has recently made significant investments, with periods of overlap occurring between the three organisations in the 2010s.

Table 3. Era of Pakistan vs Key Features of Foreign Funds

Era	Approx. Period	Economic Logic	Key Features
<b>Socialist</b>	1947-1977	State-led economy	Nationalization, welfare rhetoric, and industrial control
<b>Fordist</b>	1958-1988	Industrial modernization	Centralized growth, stable labor, and infrastructure

<b>Post-Socialist</b>	1988–2001	Market liberalization	Privatization, structural adjustment, MNCs
<b>Post-Fordist</b>	2001–Present	Globalized, digital economy	Flexibility, informal labor, ICT-driven growth

In the early stages (1947–1958) of the nation's formation, economic planners and the prime minister of Pakistan, Liaquat Ali Khan, advocated for the government to lead the way in industrialization. It was the government that founded both banks and fundamental enterprises.

Socialism in the Bhutto Era (1971–1977): The government of Zulfikar Ali Bhutto, which was unabashedly socialist in nature, was marked by several distinctive features, including state ownership, land reforms, and the nationalization of industries. "Islamic Socialism" was the slogan that he used to unite people around a shared sense of national pride and socialist principles.

Between the years 1972 and 1976, three industries were nationalized: banking, steel production, and manufacturing. programs that are focused towards welfare and populist discourse. The state's regulation of the workforce. an economy that is managed by the government and features stringent rules for the market, as well as central planning and a dependence on imported commodities.

The overlapping years of transition, which includes the period from roughly 1958 to around 1988 "Fordism" is a phrase that is used to refer to a type of industrial capitalism system that places an emphasis on the concepts of mass production, government control, and permanent employment. Fordism was introduced to Pakistan as a result of the military dictatorships that were in power at the time, which placed a high level of importance on the construction and modernization of the country's infrastructure. Ayub Khan was responsible for a push for industrialization from the year 1958 to the year 1969, during which he placed a greater emphasis on heavy industries, dams (such as those at Mangla and Tarbela), and special economic zones. Policies that are in favor of businesses and are supervised by the government the development of the middle class and urban industrial labor. In the regime of Zia-ul-Haq (1977–1988), he upheld industrial institutions and pushed for the conservative Islamization of the country, while Bhutto's socialist policies fell apart. Zia maintained a regulated capitalist system.

In the aftermath of the Cold War and the nationalization policies of Bhutto, Pakistan shifted in accordance with the global trend of post-socialist transitions and moved closer to privatization and liberalization, which took place at some point between 1988 and 2001. The banking, telecommunications, and industrial sectors were subjected to privatization during the administrations of Benazir Bhutto and Nawaz Sharif. Welfare systems that are managed by the state are becoming less prevalent. Some of the distinguishing characteristics are a smaller government, an increased amount of privatization, the admission of multinational firms, and the liberalization of markets. Pakistan's economy became more service-oriented and less dependent on industrial production.

From approximately the year 2001 up till the current day the movement that is known as post-Fordism lays an emphasis on the following four elements: digitization, precarious labor, globalization, and flexible manufacturing. This pattern may be seen in Pakistan's economy, especially in the years that came after the events of September 11th and the emergence of information and communication technologies (ICTs). During the period of time that Musharraf served as the minister of global integration (1999–2008), the service industry expanded, and the telecom revolution began to gain momentum, with companies such as Telenor and Ufone emerging. The expansion of outsourcing opportunities and labor markets that are more flexible in their operations. A few instances of modern economic trends, which are seen in the time period between 2008 and 2025, include digital entrepreneurship, freelancing, and an economy that is fueled by remittances. Transition from a capitalist system that is based on services and digital technology to one that is industrial in nature. a more insecure work environment and a growing disparity between low- and high-income earners.

Table 4. Key Chinese Loans to Pakistan (1965 - 2008)

Period / Year	Estimated Amount	Purpose / Sector	Key Context
1970s	~\$300 - \$500 Million	Heavy Mechanical Complex (HMC), Heavy Forge & Foundry, and other industrial projects.	Continuation of industrial cooperation post-1965 war. China helped Pakistan build its industrial base.
1980s	~\$1 - \$1.5 Billion	Military Equipment & Nuclear Energy: Loans for JF-17 fighter jet development, naval vessels, and crucial support for the Chashma Nuclear Power Plant (C-1).	Deepening strategic alliance during the Soviet-Afghan War. China became a reliable military supplier outside of Western restrictions.
1990s	~\$2 - \$3 Billion	Nuclear Energy (Chashma C-2), Missile Technology, and ongoing military hardware.	After U.S. sanctions were imposed on Pakistan in 1990 (Pressler Amendment) and again after the 1998 nuclear tests, China became Pakistan's <i>only</i> source for advanced military and nuclear technology, provided via loans.

Period / Year	Estimated Amount	Purpose / Sector	Key Context
2000-2008 (pre-CPEC)	~\$4 - \$6 Billion	Early Infrastructure & Energy: Loans for projects like the Gwadar Deep-Sea Port (Phase I), telecommunications (PTCL), and the Mountain and Machal Hydropower Projects.	Post-9/11, Pakistan was again a U.S. ally, but the relationship was transactional. Pakistan continued to diversify its credit sources with China, laying the groundwork for future mega-projects.

The political economy of Pakistan has been influenced over the course of its history by a delicate equilibrium between state-led development, the demands of global capitalism, and ideological orientations that have evolved over time. The Socialist era, which spanned the years from 1947 to 1977 and was distinguished by reforms that were focused on welfare, centralized planning, and nationalization, established the foundations for industries that were led by the state (Jalal, 1990; Zaidi, 2005). As Hussain (1999) brings to our attention, the "Islamic Socialism" of Bhutto was an attempt to bring together national identity with socialist redistribution initiatives. Nonetheless, the extensive state bureaucracy, restrictions pertaining to labor, and the dependence on imports served as obstacles to the industrial sector's efficiency in the long run. From the late 1950s to the 1980s, the Fordist era saw mass industrial output, infrastructure growth, and a planned, capitalist development paradigm. Pakistan's economy and infrastructure grew rapidly under Ayub Khan (Sayeed, 1980; Burki, 1986), but Zia-ul-Haq's dictatorship restricted capitalism and injected conservative ideology. Authoritarian governments around the world modernized their industries according to global Fordist ideals, relied on state-business relations, and established permanent employment.

Pakistan was a part of the worldwide neoliberal restructuring that occurred between 1988 and 2001, during the post-socialist phase. Financial, telecommunications, and industrial sector privatizations, in conjunction with structural adjustment programs implemented by the International Monetary Fund and the World Bank, greatly diminished the state's role while fostering market liberalization (Khan & Khan, 2007; IMF, 1998). A service-oriented economy was born out of this shift, but the country's welfare services were undermined and new weaknesses, such as reliance on foreign debt and social inequality, were exposed.

Since 2001, Pakistan's economy has increasingly aligned with global post-Fordist patterns characterized by digitization, flexible labor, outsourcing, and precarious employment. The ICT boom during the Musharraf era redefined the service sector, expanding telecommunications, freelance markets, and digital entrepreneurship (Qureshi, 2016; World Bank, 2020). The rise of gig work, informalized labor, and automation between 2008 and 2025 reflects a broader global shift toward platform capitalism and technologically driven

inequality. At the same time, remittances and digital services have become central drivers of growth, signaling a transformation toward a hybrid economic model that combines digital capitalism with structural informality.

Across these eras, Pakistan's political economy has transitioned from state-led socialism to Fordist industrial capitalism, followed by neoliberal post-socialism and finally post-Fordist digital capitalism. Despite economic modernization, persistent challenges remain, including labor precarity, unequal development, and dependence on external financial systems. Understanding these historical shifts is crucial for shaping future policies that balance social welfare with technological advancement, and national economic ambitions with global economic realities. Since 2001, Pakistan's economy has exhibited a greater prevalence of post-Fordist trends that are also present in global economies.

These trends include, but are not limited to, the digitization of work, outsourcing, flexible work arrangements, and employment instability. During the period of Musharraf's administration, the country underwent a boom in information and communication technology that led to significant changes in a variety of sectors, including freelance marketplaces, digital entrepreneurship, and telecommunications (Qureshi, 2016; World Bank, 2020).

The expansion of automation, gig work, and informalized labor between the years 2008 and 2025 serves as a reflection of the broader movement toward platform capitalism and technological inequality. In the meantime, the increasing prevalence of remittances and digital services as crucial engines of development has heralded the beginning of a transition toward a mixed economic model that incorporates structural informality and digital capitalism. From state-led socialism to Fordist industrial capitalism, neoliberal post-socialism, and post-Fordist digital capitalism, the political economy of Pakistan has seen a number of transformations. Even though the economy has undergone modernization, there are still challenges that persist, such as volatility in the labor force, uneven development, and dependence on foreign financial systems. It is crucial to understand the transitions that have occurred throughout history in order to establish future policies that achieve a balance between social welfare and technological advancement as well as national economic objectives and global economic realities.

## **CONCLUSIONS AND RECOMMENDATIONS**

The comparison reveals that Pakistan's urban development is shaped not by a transition from neoliberalism to an alternative model, but by the coexistence of multiple financing regimes. Chinese-funded megaprojects enable rapid, centralized urban transformation in strategic spaces, while multilateral-funded projects sustain procedural governance elsewhere. This hybrid configuration preserves external dependence, fragments urban space, and limits democratic control over development priorities. The Pakistani case thus challenges binary narratives of post-neoliberal urbanism and underscores the need to analyze infrastructure financing as a relational form of urban power (Wolf, 2019; Jones & Zeng, 2023).

Pakistan's urban future is negotiated through overlapping regimes of external finance that reshape governance without resolving structural constraints. The coexistence of authoritarian and procedural urbanism produces uneven development, strategic acceleration, and persistent exclusion. For urban studies scholarship, the case demonstrates that infrastructure-led development in the Global South operates through hybrid governance rather than systemic replacement, demanding analytical frameworks attentive to financing modalities, state capacity, and spatial power.

In conclusion, Chinese loans have emerged as a comparatively favorable alternative to IMF and World Bank financing for Pakistan. While Western loans enforce governance and transparency, their rigid conditionalities limit policy independence and slow project delivery. Chinese loans, through CPEC and related initiatives, offer greater strategic autonomy, accelerated implementation, and infrastructure-led growth with fewer political strings attached (Wolf, 2019; Chandra, 2023). Though they bring risks of long-term debt accumulation, their pragmatic approach aligns more closely with Pakistan's developmental realities and immediate needs. Therefore, for Pakistan's urban and economic governance, China's partnership if managed transparently represents a more flexible, growth-oriented alternative to traditional Western financial regimes.

#### **FURTHER STUDY**

Data availability and investigative transparency are inquiry flaws. China does not reveal financial data including quantities, disbursement dates, payback schedules, or return conditions, unlike the IMF and WB. Chinese loans, funding, and programs are never consolidated or considered. The majority of Chinese financing information came from newspapers and other media, which can be weak in detail. Focussing on public financial data may have restricted the study from addressing local informal agreements or smaller projects. In sparsely inhabited areas, this is obvious. Translation is needed and there may be some interpretation challenges because several big Chinese funding sources are exclusively in Chinese.

#### **REFERENCES**

- Akhter, M., & Al Faruq, U. (2024). Authoritarian urbanism in Pakistan and Indonesia: A conjunctural comparison of two new cities. *Urban Studies*, 61(3), 412-435.
- Brautigam, D. (2009). *The Dragon's Gift: The Real Story of China in Africa*. Oxford University Press.
- Burki, S. J. (1986). *Pakistan Under Bhutto, 1971-1977*. Macmillan.
- Chandra, V. (2023). The China-Pakistan Economic Corridor (CPEC): A developmental or debt trap? *Journal of Asian Economics*, 85, 101597. <https://doi.org/10.1016/j.asieco.2023.101597>
- Cheema, A., Khwaja, A. I., & Qadir, A. (2005). *Decentralization in Pakistan: Context, Content and Causes*. Kennedy School of Government, Harvard University.
- Chen, Q., & Khoso, A. R. (2025). Evaluating the Effects of Ideological and

- Political Education on Civic Engagement and Social Behavior among University Students: A Case Study of Sindh Agriculture University Tandojam, Pakistan. *Sage Open*, 15(4), 21582440251365400.
- CPEC Secretariat. (n.d.). Clarification on Gwadar port operations. <https://cpec.gov.pk/news/75>
- CSIS. (2025). Managing China-IMF cooperation across the Belt and Road. Center for Strategic and International Studies. <https://www.csis.org/>
- Evans, P. B. (1995). *Embedded Autonomy: States and Industrial Transformation*. Princeton University Press.
- Haider, M., & Badami, M. G. (2011). Urban governance and sustainability in Pakistan. *Environment and Urbanization ASIA*, 2(1), 1-14. <https://doi.org/10.1177/097542531100200101>
- Haider, M., & Badami, M. G. (2011). Urbanization and local governance challenges in Pakistan. *South Asia Research*, 31(3), 283-303.
- Haider, M., & Badami, M. G. (2019). Urbanization and local governance challenges in Pakistan. *Habitat International*, 84, 50-62. <https://doi.org/10.1016/j.habitatint.2018.12.008>
- Harvey, D. (1989). *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change*. Blackwell.
- Harvey, D. (2005). *A Brief History of Neoliberalism*. Oxford University Press.
- Husain, I. (1999). *Pakistan: The Economy of an Elitist State*. Oxford University Press.
- IMF. (1998). *Pakistan: Recent Economic Developments*. International Monetary Fund.
- IMF. (2025). IMF Lending Fact Sheet. International Monetary Fund. <https://www.imf.org/en/About/Factsheets>
- International Crisis Group. (2023). *China-Pakistan Economic Corridor: Challenges of Gwadar development*. <https://www.crisisgroup.org/>
- ISSI. (2015). *The China-Pakistan Economic Corridor: Regional cooperation and socio-economic development*. Institute of Strategic Studies Islamabad.
- Jalal, A. (1990). *The State of Martial Rule: The Origins of Pakistan's Political Economy of Defence*. Cambridge University Press.
- Khaama Press. (2025). Pakistan requests China to reschedule debt. <https://www.khaama.com/>
- Khan, M. H. (2006). Governance and anti-corruption reforms in developing countries: Policies, evidence and ways forward. UNCTAD.
- Khan, M. H. (2006). Structural adjustment and poverty in Pakistan. *Economic and Political Weekly*, 41(42), 4451-4458.
- Khan, M. H., & Khan, S. R. (2007). Governance, economic reforms, and policy implementation in Pakistan. *The Pakistan Development Review*, 46(4), 367-383.
- Pasha, H. A. (2019). *Growth and Inequality in Pakistan: Agenda for Reforms*. Friedrich-Ebert-Stiftung.
- Qureshi, S. (2016). ICT and economic growth in emerging economies: Evidence from Pakistan. *Telecommunications Policy*, 40(7), 619-636.
- Rafiq, A. (2021). *The China-Pakistan Economic Corridor: Barriers and Impact*.

- United States Institute of Peace.
- Reuters. (2025). IMF, Pakistan reach preliminary deal for \$1.2 billion payout. <https://www.reuters.com/>
- Sayeed, K. B. (1980). *Politics in Pakistan: The Nature and Direction of Change*. Praeger.
- Siddiqi, A. (2007). *Military Inc.: Inside Pakistan's Military Economy*. Pluto Press.
- State Bank of Pakistan. (1996). Annual Report 1995–96. <https://www.sbp.org.pk/reports/annual/arFY96.pdf>
- State Bank of Pakistan. (1996). Annual Report 1995. Karachi: State Bank of Pakistan.
- State Bank of Pakistan. (2014). Annual Report 2013. Karachi: State Bank of Pakistan.
- State Bank of Pakistan. (2014). Annual Report 2013–14. <https://www.sbp.org.pk/reports/annual/arFY14.pdf>
- State Bank of Pakistan. (2024). Annual Report 2023–24. <https://www.sbp.org.pk/reports/annual/arFY24/Chapter-2.pdf>
- Wolf, S. O. (2019). *The China-Pakistan Economic Corridor (CPEC): Feasibility and the Role of the EU and the US*. Springer.
- World Bank. (1970). *Pakistan: Economic Report*. Washington, DC: World Bank.
- World Bank. (1970). *World Bank Annual Report 1970*. <https://www.worldbank.org/en/about/annual-report>
- World Bank. (2018). *National Highway Rehabilitation Project: Implementation Completion Report*. <https://projects.worldbank.org/>
- World Bank. (2020). *Pakistan Digital Economy Diagnostic Report*. World Bank Group.
- World Bank. (2025). *Pakistan Overview: Country Economic Profile*. <https://www.worldbank.org/en/country/pakistan/overview>
- Wu, F., & Zhang, F. (2025). *Governing Urban Development in China*. Critical Urban Studies. Routledge.
- Zaidi, S. A. (2005). *Issues in Pakistan's Economy*. Oxford University Press.