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The Religious Tourism Supply Chain Along the Sukkur–Multan Motorway in Pakistan

A Case Study



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About This Report

This report presents a case study of the Sukkur–Multan motorway (M5) in Pakistan, a 295-mile, six-lane highway that connects the city of Sukkur in northern Sindh with the city of Multan in southern Punjab. The M5 is part of the China–Pakistan Economic Corridor, a flagship program of China’s strategically important Belt and Road Initiative (BRI). Both Sukkur and Multan are centers for religious tourism in Pakistan. Using religious tourism as the sector of study, we seek to understand how new supply chains develop around a transport corridor and affect the value added at each node of the supply chain, known as the *value chain*.

We found that positive social and private benefits resulted from the reshaping of the supply chain consequent of the M5. Specifically, the factors resulting in a positive benefit are the increase in access provided by the motorway, investments in online services, and specialization within the supply chain.

This report will be useful to policymakers and policy analysts in the 60-plus countries that run infrastructure programs under the BRI who may be interested in the supply chain potential of transport corridors.

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Summary

This report presents a case study of the Sukkur–Multan (M5) motorway in Pakistan, a 295-mile, six-lane highway that connects the city of Sukkur in northern Sindh with the city of Multan in southern Punjab. The motorway is part of the China–Pakistan Economic Corridor, a flagship program of China’s strategically important Belt and Road Initiative (BRI). Both cities are important centers for religious tourism in Pakistan.

The case study focuses on the private and public economic effects of the M5 on each city’s religious tourism sectors. We accomplish this by studying the supply chain and the associated *value chain* (the value added at each link of the supply chain) of the religious tourism sector along the M5. For each category of the supply chain, we selected a service provider and collected information through in-person interviews on key business performance indicators (KBPIs) for that service provider. The interviewees were primarily owners and managers of businesses in Sukkur and Multan. The KBPIs are revenue, operating costs and profits, and profile of clients by income. By aggregating the responses, we were able to infer key social performance indicators (KSPIs) and compare them with national averages. The KSPIs cover the region’s economic growth, labor costs and productivity, and socially responsible use of transport.

In our study, the supply chain categories consist of retail providers, wholesale intermediaries, and retail intermediaries. We studied lodgings in the retail provider category; transporters, wholesale auto parts dealers, and wholesale handicraft dealers in the wholesale intermediary category; and car rentals in the retail intermediary category.

We found that both cities experienced mostly positive changes in KBPIs on each node of the supply chain as a result of the M5. The primary cause was the increased traffic enabled by the M5, including a rise in overnight stays in both cities. The secondary cause was the role played by online access. The internet has enabled firms to offer more-sophisticated and more-efficient services, such as advance bookings and transactions via online payment systems. Another secondary cause is greater specialization within the supply chain. For example, the wholesale transport sector has fully relocated to Multan, which is the larger of the two cities. Other changes in the supply chain that are relevant to value-addition include a rise in the share of businesses catering to higher-income groups across the supply chain, a rise in the share of the auto rental business in Sukkur, and a shift in clientele in the auto parts business in both cities.

The social benefits of the M5 include an improvement in the economic growth of Sukkur and Multan relative to the country and an improvement in the economic growth of the poorer city, Sukkur, relative to Multan. We also found a rise in employment and financial returns to labor. A negative outcome is that lower-income groups are losing access to lodging services and other regulated service providers. They have had to turn to informal service providers, such as unregistered boarding houses, where they face higher social costs, such as higher crime rates. There is mixed evidence on the

environmental effects of the shift to bus services from cars and on the share of the increased business for handicraft makers, who are mainly women.

We recommend the following: (1) Pass regulation to improve lodgings for lower-income religious tourists, (2) review transport policies to ensure that transport systems are competitive and environmentally friendly, and (3) support makers of handicrafts in digitizing their businesses and for skills training.

This report will be useful to policymakers and policy analysts in the 60-plus countries that have constructed infrastructure under the BRI and may be interested in the supply-chain potential of transport corridors.

Contents

About This Report.....	iii
Summary	iv
Figures and Tables	vii
CHAPTER 1.....	1
Introduction	1
CHAPTER 2.....	5
Research Questions, Approach, and Method.....	5
CHAPTER 3.....	9
Findings	9
Sukkur	9
Multan	16
Workforce Productivity	23
Sukkur–Multan Comparisons.....	24
CHAPTER 4.....	28
Key Findings and Recommendations	28
Summary of Key Findings.....	28
Recommendations.....	29
CHAPTER 5.....	31
Conclusion.....	31
APPENDIX A.....	32
The M5 as Part of a Network.....	32
APPENDIX B.....	35
The M5 as a Development Corridor	35
APPENDIX C.....	38
Socioeconomic Profiles of Sukkur and Multan.....	38
APPENDIX D.....	39
Questionnaire.....	39
Belt and Road Initiative and Supply Chain Development: Case Study of the Sukkur–Multan Motorway in Pakistan and Religious Tourism Supply Chain Development	39
Questionnaire	40
Questions.....	42
Glossary	46
References.....	47

Figures and Tables

Figures

- Figure 2.1. Religious Tourism Supply Chain 5
- Figure 3.1. Lodging Client Profile: Sukkur, 2021–2022 10
- Figure 3.2. Lodging Financial Indicators: Sukkur, 2019–2022 11
- Figure 3.3. Auto Rentals Client Profile: Sukkur, 2019–2022 12
- Figure 3.4. Auto Rentals Financial Indicators: Sukkur, 2019–2022 13
- Figure 3.5. Auto Parts Client Profile and Profitability: Sukkur, 2019–2022..... 14
- Figure 3.6. Handicraft Wholesaler Client Profile: Sukkur, 2021–2022 15
- Figure 3.7. Handicraft Wholesalers Financial Indicators: Sukkur, 2021–2022..... 16
- Figure 3.8. Lodging Client Profile: Multan, 2021–2022 17
- Figure 3.9. Lodging Financial Indicators: Multan, 2019–2022 18
- Figure 3.10. Auto Rental Client Profile and Profitability: Multan, 2021–2022 18
- Figure 3.11. Transport Client Profile: Multan, 2019–2022 20
- Figure 3.12. Transporters Financial Indicators: Multan, 2019–2022 21
- Figure 3.13. Auto Parts Client Profile and Profitability: Multan, 2021–2022..... 22
- Figure 3.14. Handicraft Wholesaler Client Profile and Profitability: Multan, 2019–2022 23
- Figure A.1. Map of the Karachi–Peshawar Motorway 32
- Figure B.1. The Impacts of Transport Corridors 36

Tables

- Table 2.1. Respondent Profile 7
- Table 3.1. Lodging Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022 10
- Table 3.2. Auto Rental Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022..... 13
- Table 3.3. Auto Parts Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022 14
- Table 3.4. Handicraft Wholesaler Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022..... 15
- Table 3.5. Lodging Share of Upper-Income Clients in Client Base: Multan, 2019–2022..... 17
- Table 3.6. Auto Rental Share of Upper-Income Clients in Client Base: Multan, 2019–2022..... 19
- Table 3.7. Transporter Share of Upper-Income Clients in Client Base: Multan, 2019–2022..... 20
- Table 3.8. Auto Parts Share of Upper-Income Clients in Client Base: Multan, 2019–2022 22
- Table 3.9. Handicraft Wholesaler Share of Upper-Income Clients in Client Base: Multan, 2019–2022..... 23
- Table 3.10. Sectoral Productivity Ranks..... 24
- Table 3.11. Key Business Performance Indicators: Sukkur, 2019–2022 24
- Table 3.12. Key Business Performance Indicators: Multan, 2019–2022 24
- Table 3.13. Sukkur–Multan KBPI Comparison 25
- Table A.1. List of Motorways in Pakistan 33
- Table A.2. Motorway Coverage of the Largest 14 Cities in Pakistan..... 34
- Table C.1. Socioeconomic Profile of Sukkur and Multan, 2023 38

Introduction

This report presents a case study of the effects of the Sukkur–Multan (M5) motorway. The M5 is a 295-mile, six-lane, limited-access highway that connects the city of Sukkur, located in the northern area of Sindh province, with the city of Multan, located in the southern area of Punjab province. Both cities are centers of religious tourism and cotton trade. The M5 was opened in November 2019, three years after the start of construction.

This case study focuses on the private and public economic effects of the M5 on each city's religious tourism sectors. We accomplish this by studying the supply chain and associated *value chain* (the value added at each link of the supply chain) of the religious tourism sector. For each node on the supply chain, we selected a category of service provider and collected information through in-person interviews on key business performance indicators (KBPIs) of the private sector. The interviewees were primarily owners and managers of businesses in Sukkur and Multan. The KBPIs for which information was gathered are revenue, operating costs, operating profits, and the profile of clients by income. By aggregating the responses, we were able to infer key social performance indicators (KSPIs). The KSPIs cover the region's economic growth, labor costs, labor productivity, and socially responsible use of transport.

The M5 is part of a larger networked system of motorways, which, when complete, will consist of 16 mostly six-lane limited-access highways (see Figure A.1 in Appendix A). It is intended to replace a large part of the aging and poorly maintained national highway system. The national highways are typically two to four lanes wide and *open access*, meaning that they may be entered into and exited from all points of the highway.

The motorway network project started as a national government initiative in 1991 under the patronage of the ruling party at the time, the Pakistan Muslim League (Nawaz) (PML-N). Fourteen of the 15 most-populated cities of Pakistan will be covered by the motorway system (National Highway Authority of Pakistan, undated).¹ These 14 cities are located in four clusters: a commercial cluster in the south centered around Karachi; an industrial cluster 750 miles to Karachi's north, centered around Lahore; the capital cluster in the northeast centered around Islamabad, about 250 miles northwest of Lahore, which includes the country's political, judicial, and defense establishments; and the cotton-trading clusters in the southeast, centered around Sukkur and Multan.

The first completed motorway, the M2, connected the 235 miles between Lahore and Islamabad in 1997. The project was funded by the government of South Korea.

After Pakistan's nuclear tests in 1998, the country lost access to developed country sources of capital because of sanctions. As a result, no new motorways could be built. In 2001, President George

¹ Except for Quetta, the tenth-most populated city, which is in the west of the country near the Afghan border.

W. Bush lifted sanctions and aided Pakistan to meet its “economic challenges” in return for supporting the United States in its war against the Taliban (U.S. Department of State, 2001).

With international capital again available, motorway construction was restarted by the government, then under General Pervez Musharraf (“Communication Infrastructure Being Built,” 2002). During this administration, three motorways were constructed, together adding 200 miles of motorway by 2007.

During these first 16 years of construction (1991–2007), four of the 16 planned motorways were built, with a cumulative provision of 436 miles—about 15 percent of the total planned buildout (Asian Development Bank, 2016; National Highway Authority of Pakistan, undated; Pakistan Finance Division, undated). After Musharraf’s departure as head of state in 2008, the project stalled because of a lack of funds.

In 2015, China’s Belt and Road Initiative (BRI) was introduced in Pakistan. Titled the China–Pakistan Economic Corridor (CPEC), it immediately took up the task of completing the motorway network. The M5 was constructed between 2016 and 2019 under a category termed the “early harvest” projects of CPEC (Pakistan Ministry of Planning, 2023).

A major component of the project is the Peshawar–Karachi motorway. This would connect the country’s commercial and industrial capitals (Karachi and Lahore, respectively) and with Islamabad through the construction of four motorways. The M5 motorway is one of those four motorways (Pakistan Ministry of Planning Development and Special Initiatives, 2023).²

Highway construction has always been a politically sensitive project in Pakistan (Asian Development Bank, 2016). The Punjab-headquartered PML-N has promoted motorways more vigorously than its traditional major political competitor, the Sindh-headquartered Pakistan Peoples Party. This is widely believed to be an outcome of Punjab’s location in the center of the country and its economic base in industry and agriculture. By comparison, Sindh’s economic base relies greatly on Karachi, which has the country’s largest services sector. Not surprisingly (as Table A.2 in Appendix A shows), most of the motorway projects were initiated during PML-N rule and include a location in Punjab as one or both termini.

Since CPEC began, 750 miles of the motorway have been operationalized, linking several cities (see Table A.1 in Appendix A). As of August 2024, the Peshawar–Karachi motorway is still incomplete. The missing link is the M6, a 290-mile motorway that will connect Hyderabad (part of the commercial cluster) to Sukkur. For the time being, the National Highway 5 (N5), a four-lane open-access highway, is the primary connection between Hyderabad and Sukkur.

This case study does not pertain to the national and international effects of the M5. Instead, we analyze the local effects of the M5 as a development corridor. A *development corridor* is a stretch of land, usually surrounding a highway, along which developmental activities spring up as a result of a transport corridor (Dossani, 2016).

Why is studying the local impacts important? The key reason is the need for sustainable development. Transport corridors in developing countries typically connect either large international cities (Poiani and Stead, 2015) or locations of natural resource supply with centers of local or export

² See Appendix A for more details on the motorway system and those being built by CPEC.

demand (Dion, 2024). Such corridors create gains for the cities and other centers of demand. However, they often neglect the areas in between. As Roberts and colleagues' (2018) meta-analysis of the literature shows, transport corridors fail the equity test (see Appendix B, Figure B.1). If a transport corridor makes society more inequitable, local buy-in could be weak and lead to the migration of population from the local area (Bezrukov et al., 2021).

A well-designed transport corridor, on the other hand, can generate sustainable benefits for the local areas and their inhabitants. Only then may a transport corridor be deemed a developmental corridor. Some scholars, such as Melecky, Roberts, and Sharma (2019), have even argued that the success of a transport corridor should be judged entirely by its effects on local households' consumption, jobs, and equity.

Among the typical early-stage local benefits of developmental corridors are jobs in the construction sector, including those for building out the corridor. Once the corridor is in use, the benefits could include access to health care and other social services that are available in the more-developed sections.

Sukkur and Multan's economic activities revolve around the cotton trade and religious tourism. In Pakistan, religious tourism consists of visits by devotees of a particular Sufi saint to their shrine.³ Rather than study the effects on cotton trading, we selected religious tourism for our analysis for several reasons.

First, religious tourism is a globally understudied but important sector. Relatively little is known about the economic aspects of religious tourism globally despite its large scale (see Appendix B for details). Pakistan has a large religious tourism sector that could reveal insights about the business globally, such as the design of lodgings and transport. Sukkur and Multan are among the country's leading destinations of religious tourism. Multan, which is also known as the "City of Saints," is believed to contain more than 100 shrines and mausoleums. According to the Imarat Institute of Policy Studies (2022), the country's most popular shrine is the mausoleum of the Sufi saint Shah Rukn-e-Alam in Multan, built in the 14th century. It attracts between 1,500 and 3,000 devotees on a regular day and more than 100,000 devotees during the three-day Urs (death anniversary) festival.

Second, as Griffin and Raj (2017) have argued, religious tourism is less subject to economic downturns than industrial or agricultural goods and thus helps stabilize a region's economy.

There is also a noncompetitive element about religious tourism in Pakistan such that its impact on economic development could be significant. Under the Sufi tradition that dominates the beliefs of the religious tourists traveling to Sukkur and Multan, each shrine has unique devotees who give the shrine their full devotion when at the site. Unlike trading cotton, connecting Sukkur with Multan does not offer the religious tourist more choices of what to buy. Instead, it reduces the time to travel, which is particularly relevant to visitors from large cities and metropolises, such as Lahore and Karachi. Furthermore, because Multan has an international airport with flights to the Middle East that cater to the Pakistani expatriate community, the M5 has made Sukkur more accessible to foreign tourists.

Finally, religious tourism appears to be the more suitable vehicle for jumpstarting economic development compared with trading cotton. In the case of the typical industry, resources have to be

³ Religious tourism may be part of cross-border diplomacy, as exemplified by Pakistan opening access to Sikh tourists from India (Ahmed, 2019). However, this does not apply to the present case.

invested in labor and capital over time to create an asset that must then be operated to generate returns. By contrast, a shrine is a finished asset, ready to be operated.

This report is organized as follows: Chapter 2 contains an explanation of our research protocol. Chapter 3 presents our findings. Chapter 4 summarizes the findings and develops policy recommendations. Chapter 5 provides a conclusion.

Research Questions, Approach, and Method

The purpose of this study is to explore how the M5 has affected the supply chain for religious tourism–related services and, through changes in the supply chain, the induced changes in the value chain and the allocation of social benefits.

The services supply chain consists of lodging services, food, transport, tours, and shopping. This is shown below in Figure 2.1.

Figure 2.1. Religious Tourism Supply Chain



SOURCE: Adapted from Zhang, Song, and Huang, 2009.

Figure 2.1 shows, in the first column on the left, the list of services that a tourist expects the city to provide: lodgings, transport, shrine visits, shopping (mostly for local handicrafts), and dining. We categorize businesses that offer these services as *consumer service providers*, or *providers* for short.

Of these services, lodging and transport services are typically purchased in advance by tourists either directly from the provider (in which case, these services are mostly purchased online) or through travel agents. Travel agents deal with the providers either directly or through wholesale intermediaries.

The providers of other religious tourism services, such as shrines, shops, and restaurants, are contracted with when the tourist is on-site.

The wholesale intermediary business on the M5 consists of transport, food supply, and shopping, as seen in Figure 2.1. The transport business in Sukkur and Multan is dominated by a few transporters headquartered in Multan. They offer services for both Multan and Sukkur. These services include wholesale services to lodgings and retail services to tourists. Hence, they are both categorized as retail intermediaries. Retail services have become the larger business over time compared with wholesale intermediaries, as explained later in the report. As a result, transporters focus on extending single-window services to tourists for all their transport requirements from city of origin to the shrine. For example, this could include bus service between Karachi and Multan, as well as local buses to the tourist's lodging and shrine destinations. The transporters typically do not offer tourist packages or other services unrelated to transport, such as lodge bookings—these are the specialty of tour operators.

In Figure 2.1, the third column from the left shows the retail intermediaries. There are three listed: (1) transporters, which provide bus services; (2) travel agents, which reserve flights and lodging and, when needed, support visa issuance; and (3) auto rental companies, which typically offer chauffeur-driven cars for wealthier tourists.

The final column shows the consumers: the domestic and international tourists who are the end users. Tourists once relied fully on travel agents and still rely on them for group tours and packages. The internet has changed the supply chain by making direct booking with lodgings, transporters, and airlines easier for both domestic and international tourists.

In our study, we cover portions of each node of this supply chain: We study lodgings in the provider category; transporters, wholesale auto parts dealers, and wholesale handicraft dealers in the wholesale intermediaries category; and car rental companies in the retail intermediaries category.

We omitted some important services (eateries and retail handicraft shops) because of the informal and fragmented nature of those businesses, which result in poor data quality. Hence, for handicrafts, we interviewed only wholesalers of handicrafts. We omitted the contributions received by the shrine from their devotees, because such contributions are voluntary and records are not available. We also excluded travel agents because their locations are mostly outside the M5.

We identified three KBPIs to assess vendors' business growth. The KBPIs are firm revenue, profits, and change in the profile of clients by income group. This information was obtained from our interviews.

We also identified KSPIs for policymakers. Our interview protocols included questions that allow for inferences on progress toward sustainable development goals (SDGs) as defined by the United Nations (undated).

These indicators are as follows (with the correlating SDG shown):

- the catchment area's economic growth relative to national averages (SDG 8: Decent Work and Economic Growth)
- Sukkur's economic growth relative to Multan's (SDG 10: Reduced Inequalities)
- wage cost changes relative to operating profits (SDG 10: Reduced Inequalities)
- changes in the participation of women in the workforce (SDG 5: Gender Equality)
- changes in workforce capabilities (SDG 8: Decent Work and Economic Growth)

- changes in the use of public transport (SDG 12: Responsible Consumption and Production).

Our research questions are as follows:

- How have the KBPIs and KSPIs changed since the opening of the M5?
- What can we conclude about the effect of the M5 on the religious tourism industry in the area?
- What policy recommendations can be made?

Our analysis relies on primary data collection through key informant interviews. The interviewees are business owners and managers in Sukkur and Multan. The respondent profile is displayed in Table 2.1.

Table 2.1. Respondent Profile

Services	Multan	Sukkur	Total
Lodging	6	6	12
Car rental	6	3	9
Transport	3	0	3
Auto parts	5	3	8
Handicrafts	6	4	10
Total	26	16	42

All the interviews were conducted in person at the respondents' places of work during the second and third quarters of 2022 and were completed by August 2022. We use August 2022 as our reference month throughout this report for such purposes as denoting the end period by which respondents were asked to provide answers and for calculating the inflation rate. We asked respondents about their observations from November 2019 onward, which is when the M5 opened to the public. Policymakers were not interviewed for this study. Hence, our conclusions regarding policymaker concerns are derived from observations by business owners and managers.

The survey questionnaire consisted of a combination of rank-choice questions and open-ended questions. The latter were meant to allow for a more in-depth understanding of the impact of the M5 on the religious tourism supply chain in Sukkur and Multan. Respondents were asked to discuss the impacts of the M5 relative to what was likely in its absence (the *business-as-usual* scenario). A copy of the survey questionnaire is in Appendix D of this report.

The data collected for this research are subject to the following limitations:

- Data are based on self-reported information by business representatives (response bias) and follow-up questions by the interviewer (observer bias).
- The sample was selected to be representative of the sector—i.e., it is a purposive sample rather than a random sample. Hence, the sample may not be representative of the entire population of businesses involved in the religious tourism supply chain in Sukkur and Multan (sampling bias). However, a purposive sample is more suitable for in-person interviews.

- Our data come from organized businesses, whereas significant amounts of services are provided by informal businesses and individuals (e.g., the guides at the shrines may be self-employed).
- The respondents may not understand certain concepts, such as difference in income classes or what religious tourism means (cognitive bias).
- Respondents may commit the *ergo hoc propter hoc* (after this, therefore because of this) fallacy. For example, suppose that we observe a rise in bookings of lodging after the M5 opened. This might suggest that the M5 made bookings easier by reducing the time to reach the shrines. However, the underlying reason may also be indirect: that lodges spent resources on online booking engines in anticipation of the M5 opening.
- The M5 is not the only factor that could affect the religious tourism supply chain in Sukkur and Multan. Other factors such as economic conditions, marketing efforts, and competition from other destinations may also have an effect. It is therefore important to consider the results of this research in conjunction with other relevant factors.
- The M5 affects not just religious tourism but also commercial travel for other purposes, such as for the cotton trade and nongovernmental organization (NGO) activities. As we discuss below, Sukkur is a popular project site for NGOs headquartered in Islamabad. These organizations are switching over to using the M5 to transport staff to Islamabad rather than taking a flight. These factors would lead to an increase in economic activity along the M5 that is not connected with religious tourism.

Findings

In this chapter, we present the findings from respondent interviews. We first present the results for Sukkur and then for Multan.

Sukkur

Lodging

Responses were obtained from six lodges. Three are 2-star lodges and three are 3-star lodges, as rated by Booking.com (undated) as of August 2022. Figure 3.1 shows the customers by income category.

For each lodge, Figure 3.1 and Table 3.1 together show the changes in client profile associated with the M5. In Figure 3.1, the three bars show the shares of different income groups over the 12 months preceding August 2022. For example, Lodge 1 reported that 10 percent of its clientele belonged to the lower-income group at the time of the survey, 70 percent belonged to the middle-income group and 20 percent to the upper-income group. In Table 3.1, we show a comparison of the upper-income market share before and after the M5 opened (2019 and 2022, respectively) and the growth in the upper-income market share in the bottom row. The M5 appears to have shifted the client base in all lodges toward the upper-income segment. The share of lower-income clients was low in 2019 and 2022, which suggests that the shift to upper-income clientele is largely at the expense of middle-income clients.

Figure 3.1. Lodging Client Profile: Sukkur, 2021–2022



NOTE: Stars indicate lodge rating, per Booking.com (undated). The columns show the average share of occupants from different income classes between August 2021 and August 2022. For example, for Lodge 1, 10 percent of its business in the 12-month period came from low-income groups, 70 percent from middle-income groups, and 20 percent from high-income groups.

Table 3.1. Lodging Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022

Upper-Income Clients by Year	Lodge					
	1 ★★	2 ★★	3 ★★	4 ★★★	5 ★★★	6 ★★★
2022 (%)	20	30	20	10	60	100
2019 (%)	12	16	14	8	33	71
2019–2022 growth (%)	70	90	40	25	80	40

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in share of upper-income clients over the two periods.

We expected that the 3-star lodges would have a higher upper-income share than the 2-star lodges. This turned out to be the case for two of the three 3-star lodges (with the exception being Lodge 4).

According to respondents, there are fewer 2-star lodges than 3-star lodges in Sukkur. As a result of this, interviewees said that low-income tourists prefer informal lodgings, such as unregistered boarding houses, rather than staying in lodges.

Figure 3.2 shows the change in revenue and profitability after the M5. The revenue chart shows that total revenue increased in all cases, the increase ranging from 20 percent to 60 percent since the M5 was opened (in 2019). Part of this could be attributed to the increase in the market share of

upper-income groups. The rate of increase of advance bookings could also be a factor, because it grew more strongly than revenue, ranging from 40 percent to 80 percent. The operating profits rose strongly in all cases, ranging from 30 percent to 60 percent (median increase: 45 percent). This exceeded the rise in labor costs, which varied from 10 percent to 30 percent (median increase: 22.5 percent).

Figure 3.2. Lodging Financial Indicators: Sukkur, 2019–2022



NOTE: Both charts show the percentage increase in the parameters after the M5 opened. For example, Lodge 1 shows a total revenue growth of 50 percent. If revenue was running at an annualized rate of Pakistan rupees (Rs.) X in the 12 months leading up to August 2022 and at the annualized rate of Rs. Y in the 12 months leading up to November 2019, then $Rs. X / Rs. Y = 1.5$.

For all the lodges, respondents attributed the rise in advance bookings to online booking growth across clients in all income classes.

The rise in revenue was driven mostly by the increase in the client base, according to respondents. One reason for the rise in the client base is that the M5 has reduced travel time for religious tourists from areas south of Sukkur seeking access to the shrines of Multan after an overnight stop at Sukkur, and vice versa.

Respondents also reported that travelers to Karachi from areas north of Sukkur but off the M5 increasingly used Sukkur as an overnight rest stop before heading south. Apart from the increased traffic that resulted, lodges also saw an increase in overnight stays.

Sindh province has an active NGO sector. Those working in northern Sindh increased their presence in Sukkur with the opening of the M5. They are almost fully upper-income clients. Respondents reported that several NGOs have signed bilateral lodging contracts and are those lodges' permanent and most-reliable clients. This has increased the share of nonreligious tourism and the share of revenue from upper-income clients. Because this type of revenue is predictable and value added, the better lodgings take on such business. According to one respondent, business from NGOs can account for more than 70 percent of their total revenue.

According to respondents, in Sukkur, the safety situation is considered to be poor, and the M5 is believed to offer criminals the opportunity to prey on tourists. The situation has not changed since 2022 (Haq, 2024). The crime rate at Sukkur has caused tourists to book higher-quality lodging while raising concerns about the safety of the boarding houses that low-income tourists use.

Auto Rentals

The M5 has changed the economics of ground transportation compared with air transport between Sukkur and Islamabad. The route can now be traversed in less than six hours compared with a two-hour plane ride, which does not include the time for ground travel and other time spent at the airport. Respondents noted that their main clients were teams from NGOs that were undertaking projects in Sukkur and were returning to their headquarters in Islamabad.

To get a sense of the comparative costs between car and air travel for four persons (based on respondents’ estimates at the time of the survey), we developed the following equation (costs are based on an August 2022 exchange rate of US\$1 = Rs. 225):

$$\text{Cost of 1 car for 4 persons (Sukkur to Islamabad, two-way)} = \text{Rs. } 80,000 \text{ (US\$360)}$$

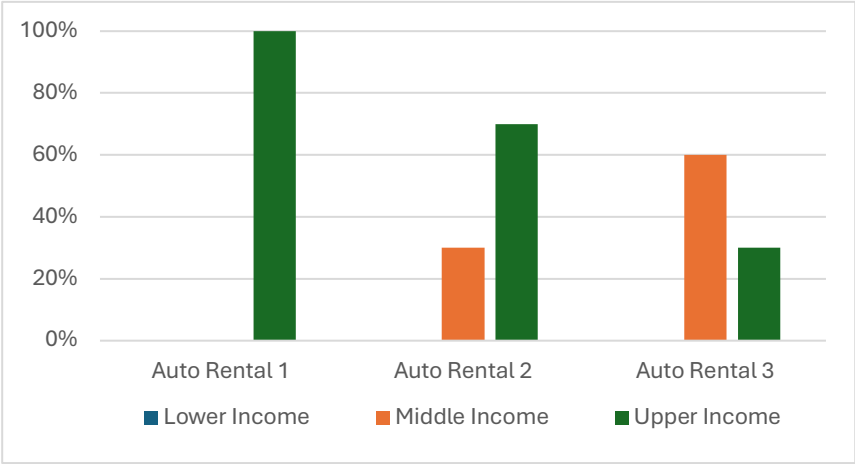
$$\text{Cost of 4 persons return air tickets (Sukkur to Islamabad, two-way)} = \text{Rs. } 200,000 \text{ (US\$900)}$$

$$\text{Savings} = \text{Rs. } 120,000 \text{ (US\$540)}.$$

The use of cars for long distances is now a significantly higher proportion of total car use than before the M5. Earlier, the main use of cars was to visit local religious sites.

Note that car rental service benefits only the clients of the middle- and upper-income classes, as Figure 3.3 shows. Lower-income groups cannot afford such a service. They instead tend to travel by public transport (bus or train). Table 3.2 shows the growth in upper-income clients from 2019 to 2022.

Figure 3.3. Auto Rentals Client Profile: Sukkur, 2019–2022



NOTE: We interviewed representatives from three auto rental companies. The columns show the average share of clients from different income classes between August 2021 and August 2022.

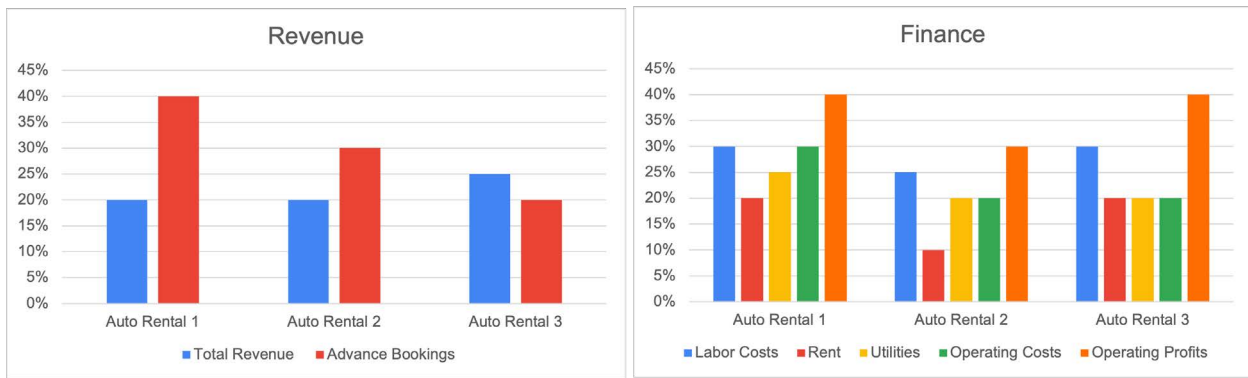
Table 3.2. Auto Rental Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022

Upper-Income Clients by Year	Auto Rental Company		
	1	2	3
2022 (%)	100	70	30
2019 (%)	77	58	24
2019–2022 growth (%)	30	20	25

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

Though smaller relative to Multan, the auto rental is flourishing in Sukkur (Figure 3.4). The businesses are also small, typically having around five employees. The activity of NGOs is key to this business.

Figure 3.4. Auto Rentals Financial Indicators: Sukkur, 2019–2022



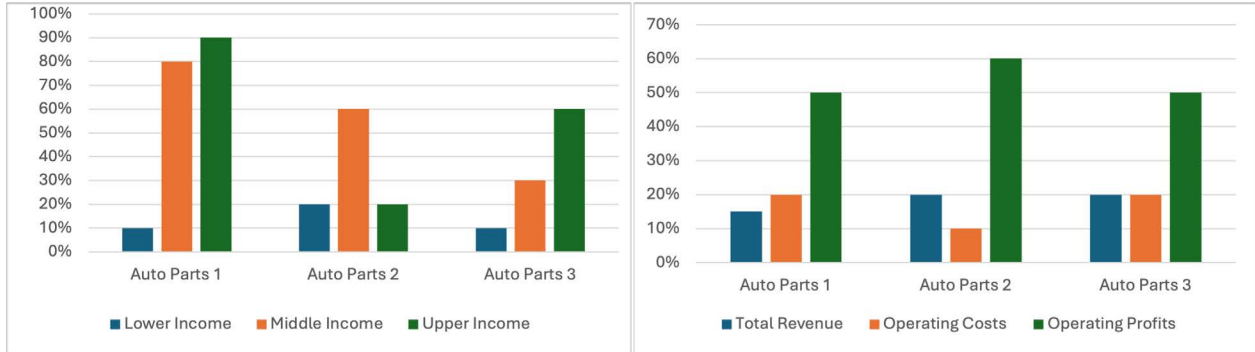
NOTE: Both charts show the percentage increase in the parameters after the M5 opened. The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities, operating costs, and operating profits. See the note below Table 3.2 for an example.

The increase in advance bookings of rental cars is, as we saw for lodging, attributed by respondents to the internet. This has helped firms manage costs during an inflationary period. As Figure 3.4 shows, despite higher costs across key inputs—labor, rent, and utilities—operating profits have risen between 30 percent and 40 percent.

Auto Parts

The automobile parts market has two large clients: the car industry and agriculture. Within the car industry, the largest segment is the rental car industry (see Figure 3.5 and Table 3.3). In Figure 3.5, both charts show the percentage increase in the parameters after the M5 opened.

Figure 3.5. Auto Parts Client Profile and Profitability: Sukkur, 2019–2022



NOTE: Both charts show the percentage increase in the parameters after the M5 opened. The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities, operating costs, and operating profits. See the note below Table 3.2 for an example.

Table 3.3. Auto Parts Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022

Upper-Income Clients by Year	Auto Parts Company		
	1	2	3
2022 (%)	90	20	60
2019 (%)	82	17	55
2019–2022 growth (%)	10	20	10

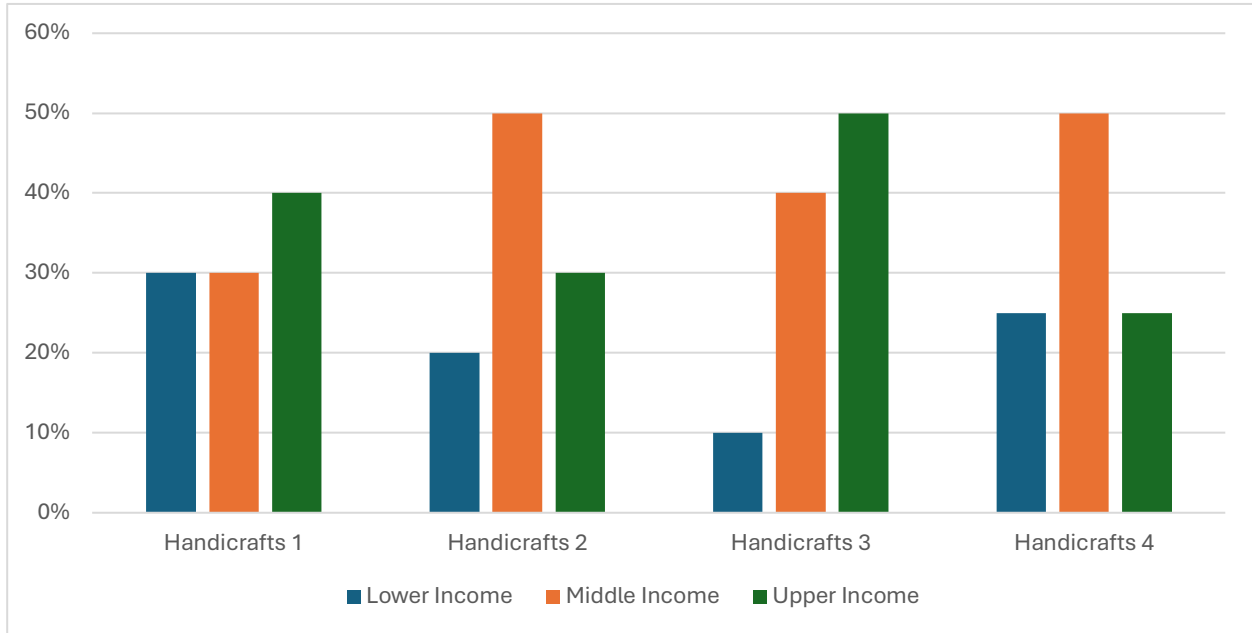
NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

In Sukkur, the clients of the auto parts segment are mostly car rental companies. Agricultural producers are the next-largest share of auto part clients. The success of the auto parts segment is closely linked to the success of the car rental business in Sukkur. Sukkur is an agricultural center, and the M5 has also made it easier for farmers to buy spare parts for tractors and other equipment.

Handicraft Wholesalers

Note that the data on handicrafts are for wholesale providers only (Table 3.4). They do not include manufacturers. The manufacturers relocated out of Sukkur to nearby villages and towns, such as Khairpur and Ghotki, because of high costs in Sukkur prior to the M5. As noted in Chapter 2, we omitted handicraft retailers because of the unreliability of data arising from the informality of their businesses and fragmentation. Figure 3.6 shows the effect of the M5 on Sukkur’s handicraft wholesalers business.

Figure 3.6. Handicraft Wholesaler Client Profile: Sukkur, 2021–2022



NOTE: We interviewed four handicraft wholesalers. The columns show the average share of clients from different income classes between August 2021 and August 2022.

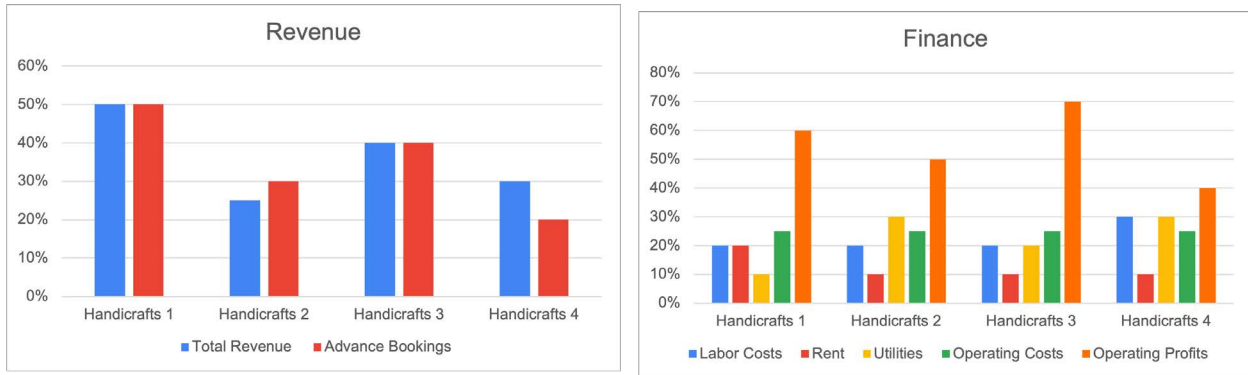
Table 3.4. Handicraft Wholesaler Share of Upper-Income Clients in Client Base: Sukkur, 2019–2022

Upper-Income Clients by Year	Handicraft Wholesalers			
	1	2	3	4
2022 (%)	40	30	50	25
2019 (%)	31	20	40	20
2019–2022 growth (%)	30	50	25	25

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

Figure 3.6 shows that sales were primarily to middle- and upper-income groups. The rising share of upper-income groups in handicraft sales (Figure 3.6) has translated into higher profits, which increased between 40 percent and 70 percent (Figure 3.7) from 2019 to 2022.

Figure 3.7. Handicraft Wholesalers Financial Indicators: Sukkur, 2021–2022



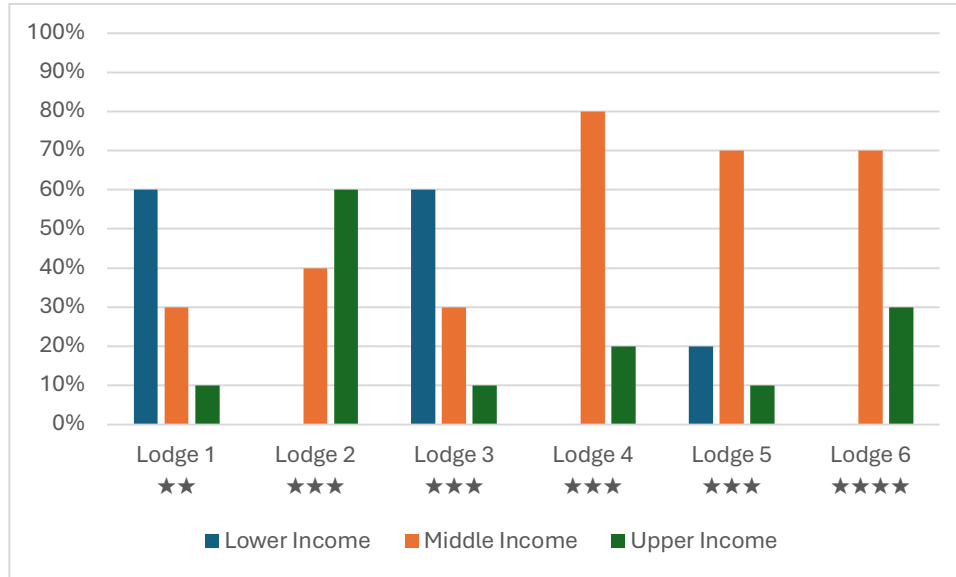
NOTE: Both charts show the percentage increase in the parameters after the M5 opened. We interviewed four handicraft wholesalers. The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities, operating costs, and operating profits. See the note below Table 3.2 for an example.

Multan

Lodging

In Multan, we see in Figure 3.8 and Table 3.5 a different lodging profile from that in Sukkur, reflecting Multan’s greater wealth.

Figure 3.8. Lodging Client Profile: Multan, 2021–2022



NOTE: Stars indicate lodge ratings per Booking.com (undated). The columns show the average share of occupants from different income classes between August 2021 and August 2022. For example, for Lodge 1, 60 percent of its business in the 12 months leading up to August 2022 came from low-income groups, 30 percent from middle-income groups, and 10 percent from high-income groups.

Table 3.5. Lodging Share of Upper-Income Clients in Client Base: Multan, 2019–2022

Upper-Income Clients by Year	Lodge					
	1 ★★	2 ★★★	3 ★★★	4 ★★★	5 ★★★	6 ★★★★
2022 (%)	10	60	10	20	10	30
2019 (%)	9	46	8	17	8	25
2019–2022 growth (%)	10	30	30	20	20	20

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

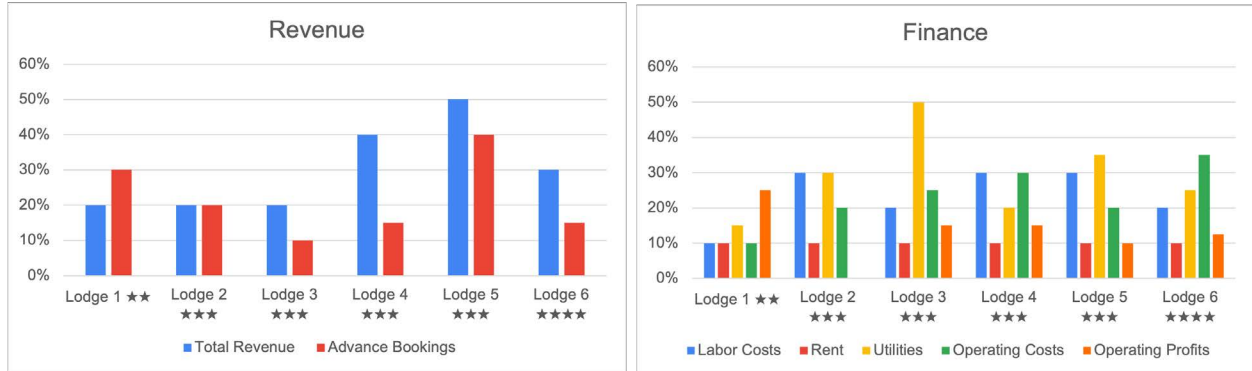
Multan’s lodging sector is more diverse than Sukkur’s—there are about a half-dozen 4-star lodges in Multan, while there are none in Sukkur. There are also more 2-star lodges in Multan than in Sukkur.

As has been the case for Sukkur, the hospitality industry of Multan has changed from the rapid increase in travelers seeking overnight stays at Multan on their way north to Islamabad and the northern areas.

Figure 3.9 shows some of the business impacts of the M5. As with Sukkur’s lodging revenue, the M5 has had a positive effect on the total revenue of Multan’s lodging sector.

Like Sukkur, Multan has also seen a rise in profits from 2019 to 2022. This is likely due to both a higher share of clients from upper-income groups and an increase in advance bookings.

Figure 3.9. Lodging Financial Indicators: Multan, 2019–2022

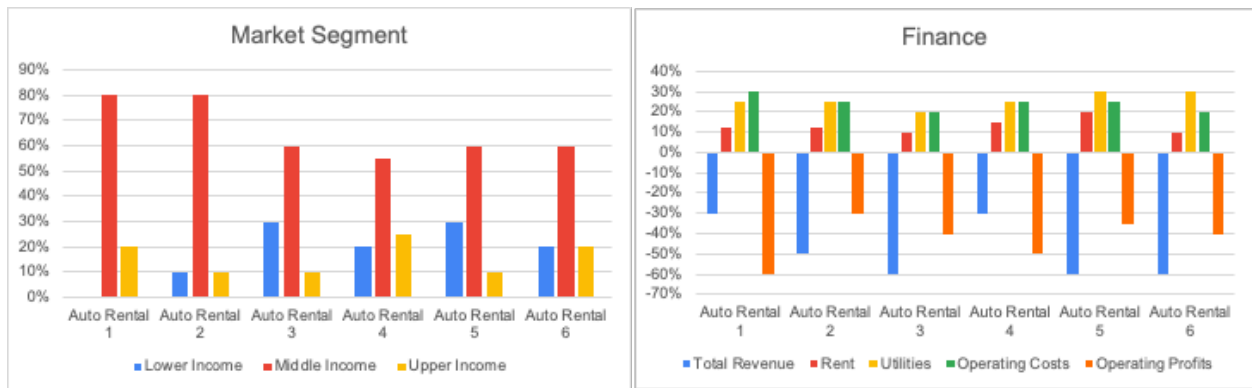


NOTE: Both charts show the percentage increase in the parameters after the M5 opened. The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities, operating costs, and operating profits. See the note below Table 3.2 for an example.

Auto Rentals

Regarding auto rentals, Multan differs noticeably from Sukkur, as shown in Figure 3.3, Figure 3.10, and Table 3.6.

Figure 3.10. Auto Rental Client Profile and Profitability: Multan, 2021–2022



NOTE: The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities, operating costs, and operating profits. See the note below Table 3.2 for an example.

Table 3.6. Auto Rental Share of Upper-Income Clients in Client Base: Multan, 2019–2022

Upper-Income Clients by Year	Lodge					
	1	2	3	4	5	6
2022 (%)	20	10	10	25	10	20
2019 (%)	27	12	13	22	10	19
2019–2022 growth (%)	-25	-15	-20	15	5	5

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

The negative change in operating profits contrasts sharply with the upward trend in other parts of the supply chain. Unlike Sukkur, Multan does not house a significant NGO population. This is because South Punjab has had a stringent regulatory environment for NGOs. Many of these NGOs, as a result, shut down in the past five years. In Sukkur’s case, as we saw, most of the car rental business comes from NGOs and has nothing to do with religious tourism.

Another reason for the difference could be that the competitive environment in Multan differs from that found in Sukkur. Sukkur has about 35 car rental firms. This is low compared with Multan, which has more than 200 rental car providers.

A third reason for this difference is a shift in public preferences from the use of rented cars to using bus services provided by transport companies and tour operators. This is partly due to the rise in fuel prices. Also, with the transport operators offering their services on the internet, tourists get to learn about the reputations of operators and their services and could feel relatively as secure and independent using a bus as rental car and at a significantly lower cost. The transport operators have also moved upmarket by increasing their offerings of luxury bus transportation.

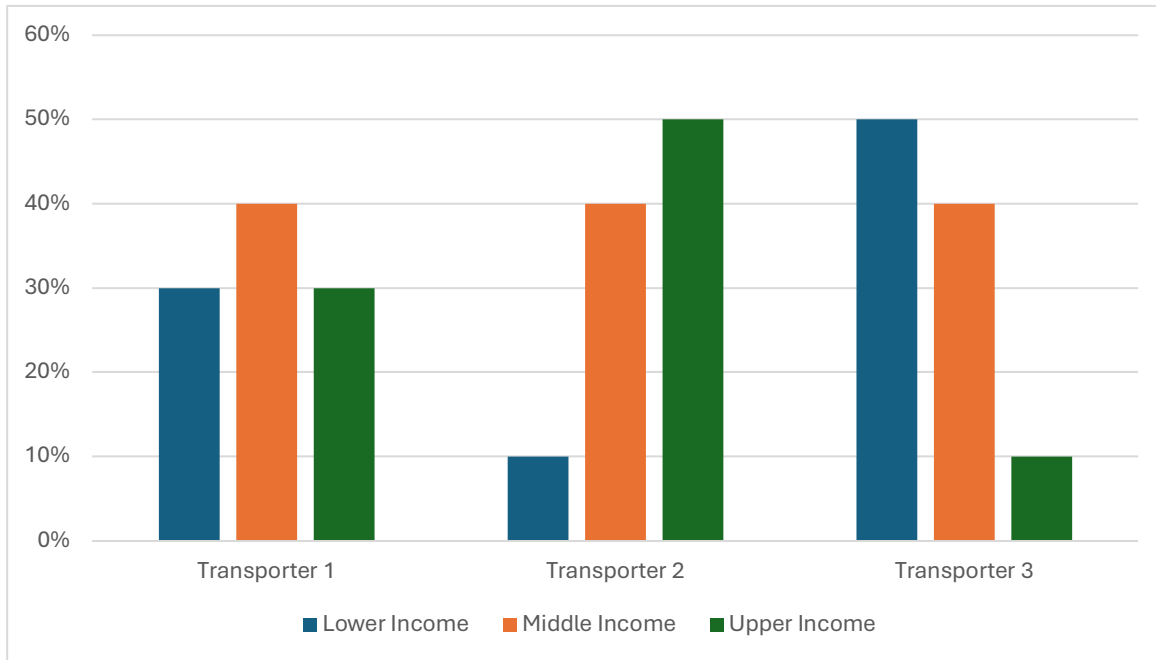
Transport

As noted earlier, transport companies operating from Multan and Karachi control the business in Sukkur. We therefore analyze the effect of the M5 for Multan-based transport operators only.

By offering complete services through the internet, the Multan transporters are seeing a sharp increase in revenue. Interestingly, the revenue is only partly booked in advance. Many tourists still prefer to inform themselves through online media but prefer not to confirm the booking until they land in Sukkur or Multan and see the car for themselves.

Figure 3.11 and Table 3.7 present respondents’ data for Multan’s transport operators.

Figure 3.11. Transport Client Profile: Multan, 2019–2022



NOTE: We interviewed three transport company managers. The three columns for each company show the share of clients from different income classes.

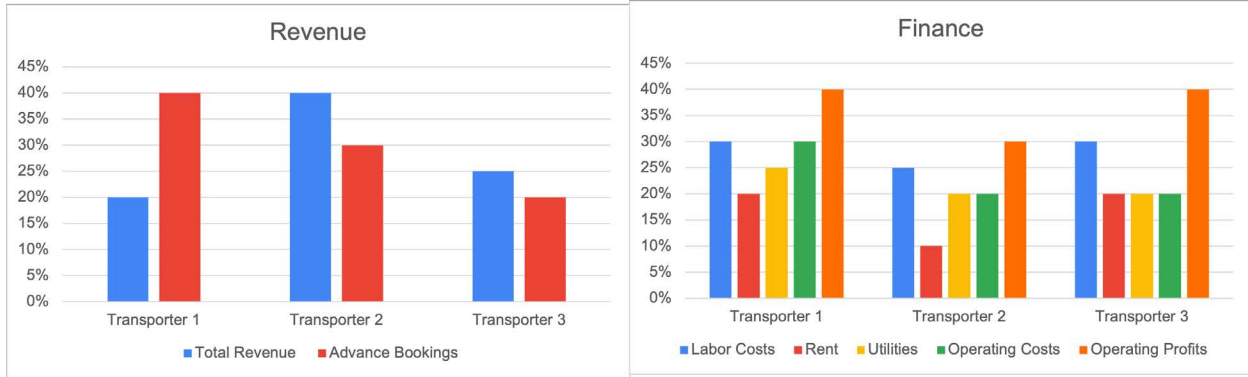
Table 3.7. Transporter Share of Upper-Income Clients in Client Base: Multan, 2019–2022

Upper-Income Clients by Year	Transporter		
	1	2	3
2022 (%)	30	50	10
2019 (%)	27	31	10
2019–2022 growth (%)	10	60	5

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

The client profile figure shows that the growth is relatively low in the upper-income group when compared with Multan’s growth in lodging sales. What impact might this have on the sector’s viability? Figure 3.12 presents the revenue and financial situation of the transporters.

Figure 3.12. Transporters Financial Indicators: Multan, 2019–2022



NOTE: Both charts show the percentage increase in the parameters after the M5 opened. The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities, operating costs, and operating profits. See the note below Table 3.2 for an example.

Figure 3.12 shows that advance booking trends are growing, similar to other parts of the supply chain. Since most of these services are online, this indicates a continuing move by transport operators to also offer services to retail users.

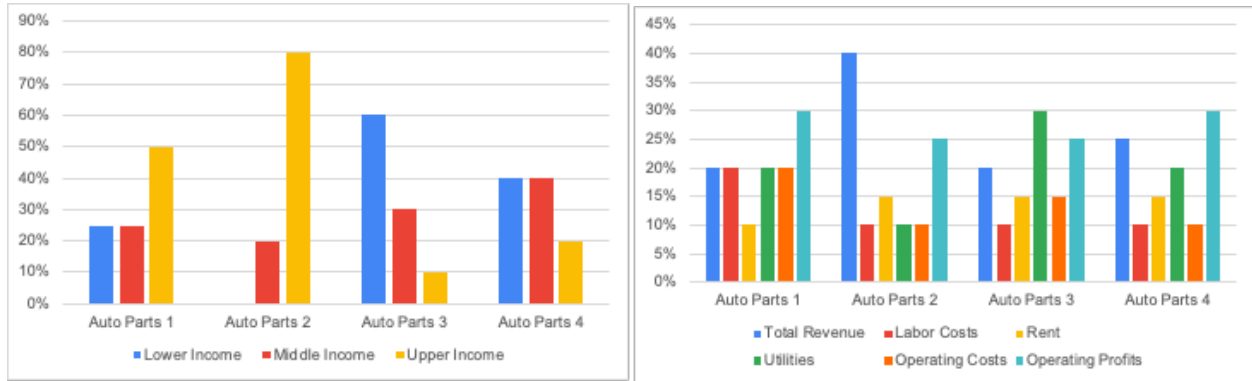
The financial numbers show the ability to thrive because of higher demand despite higher costs. The increase in operating profits from 2019 to 2022 matches or exceeds those of operating costs in all Multan cases.

Auto Parts

The previous analysis of the auto parts business in Sukkur suggests that Multan, where the car rental business is declining, might also witness a challenge to its auto parts business.

From Figure 3.13 and Table 3.8, it appears that the auto parts business has managed to survive the large downturn in car rentals seen in Figure 3.10 and Table 3.6. According to respondents, the reason for the difference in the auto rental business is that Multan’s auto parts suppliers have successfully transitioned from servicing cars to servicing the tractors and other vehicles needed by the agricultural sector around the Multan area.

Figure 3.13. Auto Parts Client Profile and Profitability: Multan, 2021–2022



NOTE: We interviewed representatives from four auto parts companies. The columns show the average share of occupants from different income classes between August 2021 and August 2022. The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities operating costs, and operating profits. See the note below Table 3.2 for an example.

Table 3.8. Auto Parts Share of Upper-Income Clients in Client Base: Multan, 2019–2022

Upper-Income Clients by Year	Auto Parts Company			
	1	2	3	4
2022 (%)	50	80	10	20
2019 (%)	42	73	10	18
2019–2022 growth (%)	20	10	5	10

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

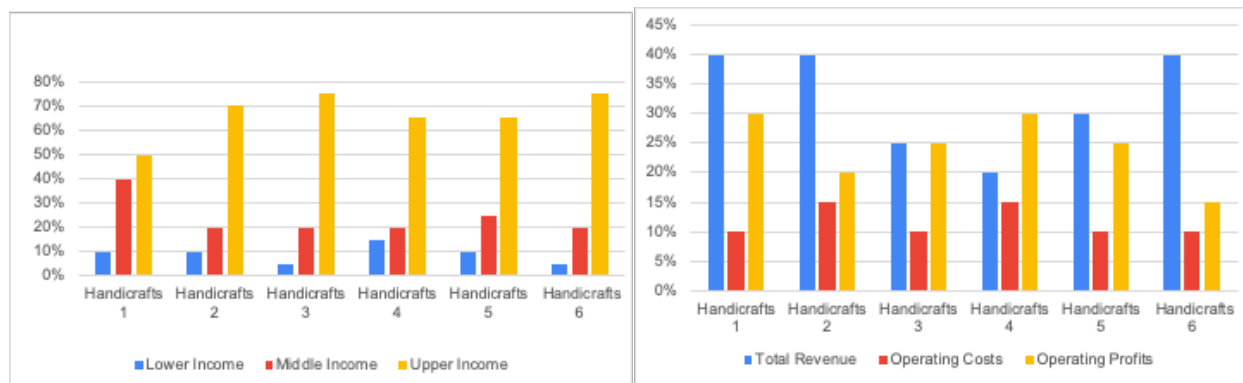
Handicraft Wholesalers

Multan is famous for handmade pottery, particularly a type known as “blue pottery” (Conti and Mancini, 2013). The clay for such pottery is reputed to be found only in the Multan area. Many of the shrines in Multan are decorated with blue pottery tiles. The market for blue pottery used to be restricted to tourists visiting shrines in Multan and then completing their pilgrimage with purchases of blue pottery tiles in the style of the shrines. As of 2022, the tiles and other blue pottery products are becoming increasingly high-end. According to respondents, more than half of the handicraft sales are to clients outside Multan, including wholesale buyers from Sindh.

As with Sukkur, the manufacturing has shifted out of Multan to such nearby towns as Lala Musa and Dera Ghazi Khan and to villages.

The client profile figure shows that all six respondents experienced an increase in demand from upper-income clients (Figure 3.14 and Table 3.9). The profitability chart on the right side of Figure 3.14 shows that operating profits rose in all cases, by a range of 15 percent to 30 percent.

Figure 3.14. Handicraft Wholesaler Client Profile and Profitability: Multan, 2019–2022



NOTE: We interviewed six handicraft wholesalers. The columns show the average share of occupants from different income classes between August 2021 and August 2022. The chart on the left shows revenue growth and advance booking growth for each company. The chart on the right shows changes in key cost components—labor, rent, utilities operating costs, and operating profits. See the note below Table 3.2 for an example.

Table 3.9. Handicraft Wholesaler Share of Upper-Income Clients in Client Base: Multan, 2019–2022

Upper-Income Clients by Year	Handicraft Wholesaler					
	1	2	3	4	5	6
2022 (%)	50	70	75	65	65	75
2019 (%)	42	54	54	52	59	58
2019–2022 growth (%)	20	30	40	25	10	30

NOTE: The first row shows the average share of upper-income clients in the 12 months leading up to August 2022. The second row shows the share prior to the opening of the M5 in November 2019. The bottom row shows the growth in the share of upper-income clients over the two periods.

Workforce Productivity

Respondents were asked to rank changes in worker productivity across their businesses’ various activities on a five-point scale: 1 indicates no change, 2 means a positive change below expectations, 3 means an increase that matches expectations, 4 indicates an increase above expectations, and 5 indicates an increase in productivity much higher than expected. The results are shown in Table 3.10.

Table 3.10. Sectoral Productivity Ranks

	Lodging	Auto Rentals	Transport	Auto Parts	Handicrafts
Sukkur	5	5	N/A ^a	No response	5
Multan	4	4	4	4	4

NOTE: N/A = not applicable. All ranks are medians values.

^a There are no transporters headquartered in Sukkur.

The most common reason given for higher productivity was the increased use of the internet to undertake online activities. The online activities include maintaining websites to provide information about services offered by a vendor, making bookings of services, and paying for the services. The second-most common reason was higher worker productivity, though this may be because of increased use of the internet.

Sukkur–Multan Comparisons

Private Gains

Tables 3.11, 3.12, and 3.13 provide information on the KBPIs determined from the data.

Table 3.11. Key Business Performance Indicators: Sukkur, 2019–2022

KBPI: Sukkur	Lodging	Auto Rentals	Transport^a	Auto Parts	Handicrafts
Revenue change (%)	45	20	N/A	20	35
Operating profits change (%)	45	40	N/A	50	55
Upper-income client share profile change (%)	57.5	22.5	N/A	10	27.5

NOTE: Table values are median growth percentages from November 2019 to August 2022.

^a There are no transporters headquartered in Sukkur.

Table 3.12. Key Business Performance Indicators: Multan, 2019–2022

KBPI: Multan	Lodging	Auto Rental	Transporte	Auto Parts	Handicrafts
Revenue change (%)	25	-55	25	22.5	35
Operating profits change (%)	22.5	-40	40	27.5	27.5
Upper-income client share profile change (%)	25	-6.25	10	10	27.5

NOTE: Table values are median growth percentages from November 2019 to August 2022.

Tables 3.11 and 3.12 suggests that, when measured by operating profits, Sukkur generally has done better than Multan in benefiting from the M5. To test the significance of relative performance and the causes, we compared the two cities using *p* values for the differences in the KBPIs and their underlying component drivers.

Table 3.13. Sukkur–Multan KBPI Comparison

KBPI	Component Driver	Lodging	Auto Rentals	Auto Parts	Handicrafts
Revenue		Sukkur*	Sukkur**	Sukkur*	NS
	Advance bookings	Sukkur**	N/A	N/A	NS
	Upper-income client profile	Sukkur*	Sukkur**	NA	NS
Operating costs		NS	NA	NS	Sukkur**
	Labor	NS	NA	NA	NA
	Rent	NS	NA	NA	NA
	Utilities	NS	NA	NA	NA
Operating profits		Sukkur*	Sukkur**	Sukkur*	Sukkur*
	Effect size (Cohen's d)	Large (11.2)	Large (21.7)	Large (13.4)	Large (11.0)

NOTE: The table cells show one of three entries: Sukkur, Multan or NS, where *NS* indicates *not significant*. In cases in which data were not comparable, we entered N/A, or not applicable. If one of the two cities is entered in a cell, it means that that city performed better in the KBPI than the other city. One asterisk (*) denotes significance at 5 percent, and two asterisks (**) denote significance at 1 percent. Because upscaling the client profile is a contributor to revenue, we placed it in the component driver column. For revenue, the component drivers are advance bookings and upper-income client profile. For operating costs, the component drivers are labor, rent, and utilities. For operating profits, there are no specific component drivers, because these are accounted for in revenue or operating costs. Additionally, effect sizes for operating profits are shown for those sectors with significant advantages in one of the two cities.

We find that the likelihood of generating operating profits is higher in Sukkur than Multan in the lodging, auto rental, auto part, and handicraft sectors. The causes differ with the sector. In the case of lodging, Sukkur's advantage appears to be that those services generate more revenue through upper-income clients and advance bookings (online bookings) than those in Multan, although there is no significant difference in costs. In auto rentals, the cause was the shift to upper-income clients in Sukkur, which did not happen in Multan. In auto parts, Sukkur has a significant revenue advantage but not a cost advantage. Handicrafts is the only sector in which Sukkur does not have a revenue advantage. However, it does have a significant cost advantage. In all four sectors, the operating profits are significantly higher in Sukkur and the effect sizes are all large.

Respondents noted that, by making revenue more predictable, advance bookings have improved resource management, such as inventory management, leading to better cost control.

The gains were achieved in a relatively short period. The M5 was formally opened to the public on November 5, 2019, and our interviews were completed by August 2022, less than three years later. In

discussions with respondents, one reason for the quick gains is that the service providers were aware of the project and built capacity in anticipation of business, allowing them to scale up operations quickly.

Sukkur experienced two additional sources of revenue unrelated to religious tourism, which helped to underpin increased capacity: (1) the unexpected rise in business from NGOs, which particularly helped the car rental and upper-income group lodging providers; and (2) travelers to Karachi and Hyderabad from areas north of Sukkur, but off the M5, increasingly using Sukkur as an overnight rest stop before heading south. Apart from the increased traffic that resulted, lodgings also saw an increase in the share of overnight stays. Multan lodges have also experienced an increase in overnight stays from travelers headed north from Karachi and Hyderabad.

The internet also enabled businesses to scale up service-providing processes by increasing automation. This reduced the need to add staff or office space.

Social Gains

Transport corridors are typically driven by the commercial potential of connecting two large cities or—also common—the extraction of natural resources or primary agricultural commodities. In the latter case, transport corridors typically link a source of minerals, usually in an underdeveloped area, to a higher-income center of consumption or a port (Dion, 2024). All too often, connecting a less-developed and a more-developed location results in the transfer of mineral resources from the poorer to the richer location without developmental benefits for the poorer location. Depopulation of the poorer location may follow (Bezrukov et al., 2021).

The M5 could have been designed primarily as a freight road to transport bales of raw cotton from Sukkur and Multan to the cotton industry located in the industrial belt around Lahore and to the port of Karachi for export. By choosing to service a wider variety of travelers, national policymakers made choices that potentially support sustainable development.

To gauge the social benefit, we identified indicators of social impact based on SDGs (United Nations, undated) first presented in Chapter 2. The indicators (with the correlating SDG) are as follows:

- the catchment area's economic growth relative to national averages (SDG 8: Decent Work and Economic Growth)
- Sukkur's economic growth relative to Multan's (SDG 10: Reduced Inequalities)
- wage cost changes relative to operating profits (SDG 10: Reduced Inequalities)
- changes in the participation of women in the workforce (SDG 5: Gender Equality)
- changes in workforce capabilities (SDG 8: Decent Work and Economic Growth)
- changes in the use of public transport (SDG 12: Responsible Consumption and Production).

For each respective indicator, our research found

- gains in overall economic growth relative to national averages
- a catch-up in Sukkur's economic growth relative to Multan's
- a rise in wage costs relative to profits and inflation
- a rise in female participation in the workforce

- improvements in workforce capabilities
- an increased use of public transport.

The high growth in operating profits across the supply chain (median: 27.5 percent) is well above the national nominal GDP growth rate of 18 percent during the same period (2019–2022) (CEIC, undated). Sukkur's gain relative to Multan's has already been noted. Wage costs grew strongly over the period across the supply chain, with a median growth of 25 percent. Both indicators show progress toward the goals of economic growth and reduced inequalities. The across-the-board changes in the productivity of the workforce are also a positive developmental gain. The increased use of public transport indicates progress toward the goal of responsible consumption and production.

We were unable to obtain complete responses on female participation in the workforce from representatives in all the assessed sectors. The responses were complete only for auto rental businesses in Sukkur, transporters in Multan, and handicraft wholesalers in Sukkur. These respondents reported an increase in female participation in the workforce of 25 percent, 25 percent, and 10 percent, respectively.

Supply Chain Effects

An immediate effect of the M5 on the supply chain was that the transport business shifted to Multan, perhaps because it is connected by motorway to the industrial belt (Lahore is one of the two centers for automobile manufacturing in Pakistan), whereas Sukkur is still not well connected to Karachi (the other center for automobile manufacturing in Pakistan). This may have given Multan an advantage in costs of vehicles and access to spare auto parts. This could change once the M6 is built, because it will connect Sukkur to Karachi via motorway.

The lodging sector has been affected because of the demand from travelers on their way to places further away from each city, resulting in the rise in overnight stays in both Sukkur and Multan.

The rise in the transport business in Multan is associated with the decline in the rental car business there.

The auto rental business in both cities has been affected by the M5. In Sukkur, the shift of NGOs from flying in planes to using ground transportation has benefited auto rental businesses. In Multan, the shift to alternative forms of transport (i.e., luxury buses) and the ability to support the needs of agricultural transport because of better access to agricultural areas are caused by the M5.

Key Findings and Recommendations

In this chapter, we summarize the findings of the previous chapters.

Summary of Key Findings

The M5 has had the following types of effects on religious tourism:

- Overall growth
 - The M5 has enabled religious tourism, an existing and important economic sector for both Sukkur and Multan, to significantly increase the commerce of both cities.
- Value chain
 - All the components of the supply chain have increased in profitability in Sukkur. All except one sector (auto rentals) in Multan have increased in profitability.
- Supply chain
 - The bus and other transport services now operate from Multan only and service both cities.
 - The share of overnight stays and lodging for upper-income clients has increased in both cities.
 - The auto rental business has lost profitability in Multan because of the rise of luxury bus service providers.
 - The auto parts business in Multan has been able to service agricultural needs.
- Effect on innovation
 - We do not observe any significant innovations to the religious tourism supply chain arising just from the M5. The five key services shown in Tables 3.11 and 3.12 are larger in scale, but there are no new types of services being offered.
- Leverage of the internet
 - After the scale effect, the internet is the most important source of value added. It has enabled firms to offer more-sophisticated services (i.e., advance bookings) or enabled firms to become more efficient (i.e., transactions through online payment apps). Furthermore, the complementary inputs of capital and labor at the skill levels needed have been readily available to meet the increased scale of operations.

- Sustainable development
 - Sukkur and Multan, located in the relatively economically backward regions of interior Sindh and southern Punjab, have benefited more from the M5 than national averages of income growth and returns to labor.
 - In the range of the M5, Sukkur, which is less developed than Multan, has benefited more than Multan.
 - The productivity of labor has improved across every segment of the supply chain.
 - The use of public transport has increased. However, there is a possibility of negative environmental effects.
 - Low-income groups are having to move to informal, poorly regulated service providers where they face higher social costs.
 - Women have a presence only in handicraft manufacturing. They suffer from limited market access and lack of training.
- Spillover effects
 - Sukkur has benefited from a rise in car rental and upper-income lodging businesses, both arising from increased demand by NGOs. There has been an increase in overnight stays by travelers intending to visit areas outside the M5. Both activities indirectly help religious tourism by increasing capacity for upper-income groups.

Recommendations

Lodging in Sukkur

The shift to high-end lodging services in Sukkur after the M5 opened has led lower-income tourists to move to informal boarding houses. These lodges offer a less-safe environment than the formal lodging businesses in Sukkur. Policymakers should examine how to improve lodging for lower-income tourists by regulating the informal boarding houses and improving public safety. Another recommendation is to help these informal businesses improve their offerings by creating a central portal in which they can locate a “virtual storefront” to benefit from advance bookings on the internet.

Transport

The growth of the luxury bus industry and the declining use of rental cars among religious tourists have been accompanied by the relocation of the transporter business from Sukkur to Multan, which now serves both cities. Policymakers should examine whether cartelization has occurred as the literature suggests (see Appendix B). They should also examine whether the shift to luxury buses has had an environmental impact. Based on their findings on these two issues, policymakers should consider developing policies that make the bus transport business more ecologically friendly while ensuring that the services provided by transporters are priced competitively.

Handicraft Manufacturers in Sukkur and Multan

From Tables 3.11 and 3.12, it appears that the wholesale handicraft sector is benefiting strongly from the M5. Policymakers should study the supply chain in handicrafts to examine whether a fair share of the benefits is being passed on to the handicraft makers. The handicraft makers reside outside Sukkur and Multan in lower-income areas, according to our respondents. Sustaining the handicraft business into the long term will require supporting handicraft makers through capital improvements, labor skill training, and internet access (to enable direct sales and more efficient sourcing). It may also require upgrading the feeder transportation systems. Options for the state include the training of manufacturing labor to improve productivity, subsidized access to capital, tours offered to visitors of Sukkur and Multan to see where handicrafts are made so they can buy directly from the producers, and subsidized internet access for manufacturers to allow direct sales to consumers and more efficient sourcing.

Digitization

The internet has emerged as a key complementary input to the M5, more important in the short term than improving the skills of labor and access to financial capital. Policymakers should examine the use of the internet among the more vulnerable components of the supply chain, such as informal boarding houses and nonluxury (such as non-air-conditioned) buses run by small businesses. If it appears that there is a demand for the internet that the informal segments of the economy cannot immediately afford, the state should consider supporting internet access and other digitization services.

Skilled Services

An unexpected finding is that, despite moving upmarket, the tourist businesses did not report a shortage of skilled labor.⁴ This may be because the productivity of the workforce has increased across all components of the supply chain, thanks in large part to the internet. This may change in the future as more-sophisticated services will be supplied in response to tourist demand. Anticipating these client needs and ensuring that the workforce is trained for providing such services should be a policy priority, both from an equity viewpoint and from the viewpoint of sustaining the businesses into the future.

⁴ *Skilled labor* is defined by the Pakistan Bureau of Statistics (2015) as someone with an undergraduate degree in a technical or professional field and with some experience.

Conclusion

This report presented a case study of the M5 in Pakistan, a 295-mile, six-lane, divided highway that connects the city of Sukkur in northern Sindh with the city of Multan in southern Punjab. The case study focused on the supply and value chain effects of the M5 on each city's religious tourism sectors.

We find that both cities experienced positive private supply and value chain effects from the M5, with relatively greater gains for labor and less-developed locations. These gains indicate an overall positive impact on sustainable development.

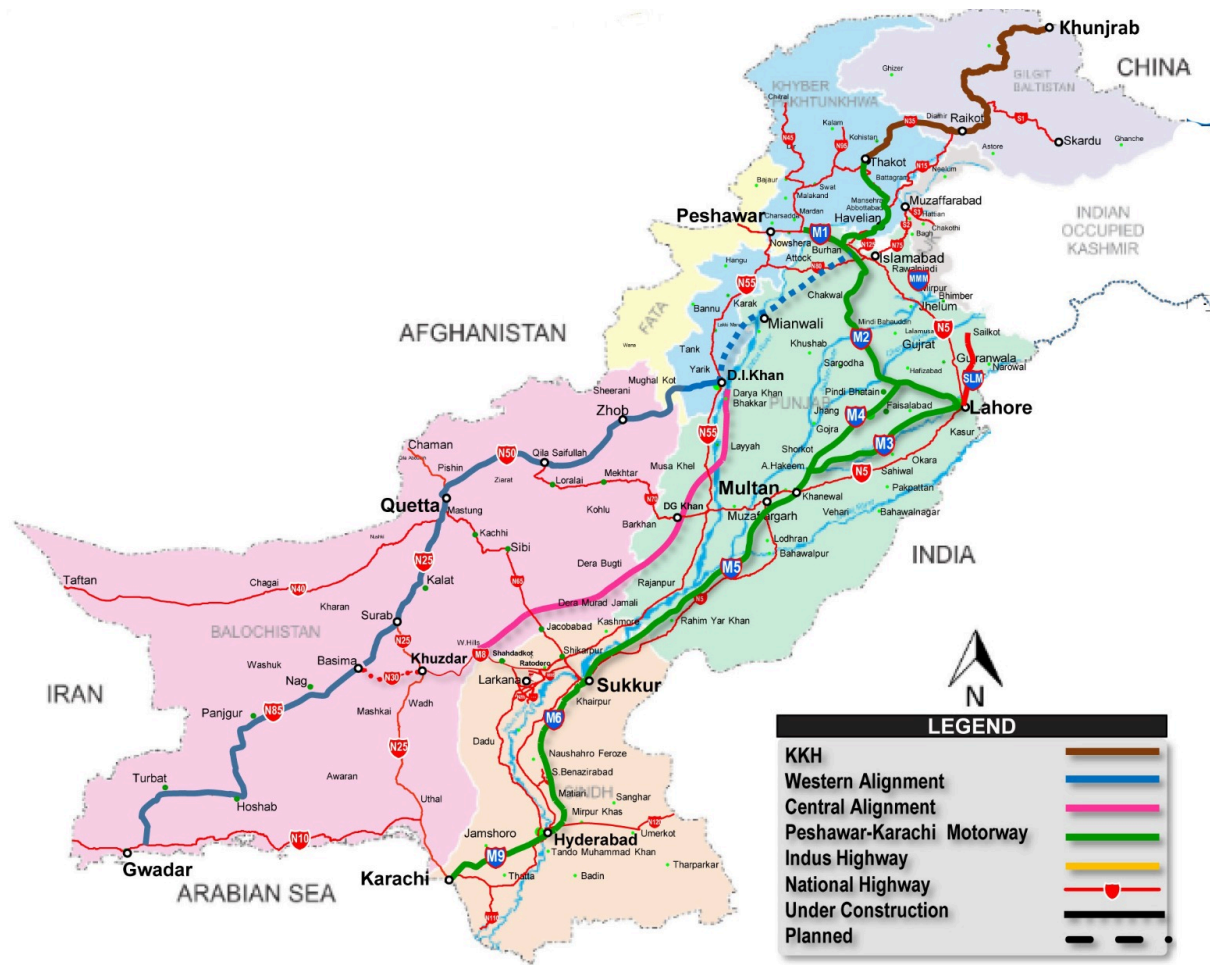
For businesses in the supply chain, the advent of the M5 delivered large benefits to almost all service providers in less than three years. One of the reasons was a reshaping of the supply chain to higher value-added activities and consequent specialization. The M5's effects did not work in isolation from other changes. In particular, the internet and the widespread use of smartphones played an important role in improving the tourist experience by enabling direct sales to consumers.

Our recommendations focus on improving the religious tourism experience for lower-income tourists, improving the capacity of small businesses to compete through digitization, regulating businesses for competitiveness and environmental compliance, and ensuring that the makers of handicrafts share in the benefits of religious tourism. For the longer term, the workforce should be given training to provide skilled services to the different components of the supply chain. Some training should be component-specific, such as design training for handicraft makers. Some training, such as how to build a website, should be more general.

The M5 as Part of a Network

Figure A.1 shows the configuration of the Karachi–Peshawar motorway.

Figure A.1. Map of the Karachi–Peshawar Motorway



SOURCE: Reproduced from Ytpks896 via Wikimedia (CC BY-SA 4.0).

NOTE: The solid green line shows the configuration of the Karachi–Peshawar motorway. The motorway consists of four segments: the Karachi–Hyderabad (M9), Hyderabad–Sukkur (M6), Sukkur–Multan (M5), and Multan–Lahore (M3) motorways. The map is not intended to be up to date with respect to the entire motorway network. Some motorways outside the Karachi–Peshawar route are not shown and some shown as under construction are complete. Table A.1 provides the complete list of motorways and their status of completion. KKH = Karakoram Highway.

Pakistan’s highway system has two configurations: open-access and limited-access. The National Highway system (N) has either two-lane or four-lane roads and is open-access. The motorway (M) is a limited-access, six-lane highway.⁵

As seen in Table A.1, 11 of the 16 motorways opened after 2015, the year that the Belt and Road Initiative (BRI) of China was introduced to Pakistan. Under the BRI, China and Pakistan created the China–Pakistan Economic Corridor program in 2015, in which the construction of new motorways was a priority. Out of the 2,316 miles of motorway planned since 2015, those funded by CPEC account for 1,975 miles or about 85 percent; and they account for 71 percent of all motorways in Pakistan (National Highway Authority of Pakistan, undated).

Table A.1. List of Motorways in Pakistan

Motorway	Termini	Distance (m)	Year Opened	Primary Source of Finance
M1	Peshawar–Islamabad	96	2007	GOP
M2	Islamabad–Lahore	235	1997	GOP, Government of Korea
M3	Lahore–Multan	200	2019	CPEC
M4	Faisalabad–Pindi Bhattian	70	2007	GOP
M5	Multan–Sukkur	295	2019	CPEC
M6	Sukkur–Hyderabad	190	Awaits financial closure	CPEC
M7	Dadu–Hub	175	In planning	CPEC
M8	Sukkur–Gwadar	550	Under construction, expected December 2024	CPEC
M9	Karachi–Hyderabad	100	2020	CPEC
M10	M9–Karachi Port	35	2007	GOP
M11	Lahore–Sialkot	65	2020	GOP
M12	Sambrial–Kharian	43	Under construction, expected December 2025	GOP
M13	Kharian–Rawalpindi	73	Under construction, expected December 2025	GOP
M14	Islamabad–D.I. Khan	285	2022	CPEC
M15	Hasan Abdal–Thakot	180	2020	CPEC
M16	Swabi–Chakdara	160	2020	GOP

SOURCE: Features information from the National Highway Authority of Pakistan, undated.

NOTE: GOP = Government of Pakistan.

⁵ A few segments are still four lanes.

The M5 is one of four segments of the 684-mile-long Karachi–Lahore motorway project under the CPEC. The others are the Karachi–Hyderabad (M9), Hyderabad–Sukkur (M6), and Multan–Lahore (M3) motorways. These four motorways together link Karachi to Lahore and, once the M6 is complete, could become the most important segment of the motorway system. The M5 took three years to build at a cost of US\$2.9 billion and was completed in November 2019. As of April 2024, three of the four segments of the Karachi–Lahore motorway were in operation. Only the 190-mile motorway between Hyderabad and Sukkur (M6) remains to be built. Travelers wishing to go from Hyderabad to Sukkur must use the N5 system, which is about the same length, though with a different layout and therefore takes twice as much time to traverse. The N5 is a four-lane, divided highway that is open-access and passes through population centers along the way. When complete, the M6 will bring the travel time from Hyderabad to Sukkur down to 2.5 hours from its present 5 hours, enabling travelers between the country’s two largest population centers, Karachi and Lahore, to make the journey in less than 8 hours.

Table A.2. Motorway Coverage of the Largest 14 Cities in Pakistan

Cluster	Cities (Population Rank) Covered by Motorway	Interconnection (Within Clusters) by Motorway	Connection (Across Clusters) by Motorway
Commercial	Karachi (#1) and Hyderabad (#8)	M9	Not connected
Industrial	Lahore (#2), Faisalabad (#3), Gujranwala (#5), Sargodha (#12), and Sialkot (#13)	M3 and M4	Connected to the capital cluster and agricultural clusters
Capital	Rawalpindi (#4), Islamabad (#9), and Peshawar (#6)	M1	Connected to the industrial cluster
Cotton	Multan (#7), Bahawalpur (#11), and Sukkur (#14)	M5	Connected to the industrial cluster

SOURCE: Features information from World Population Review, 2024; CPEC Secretariat, undated.

NOTE: Quetta (#10) on the western side of the country is not part of the motorway system.

The M5 is strategically important for China as well. From Islamabad, the Karakoram Highway (the N35), a two-lane highway opened in 1978, connects with China’s N314 highway near Kashgar in China’s Xinchiang province. With Chinese financial support, the N35 is being upgraded to a motorway. Once the M8 and the N35 upgrades are complete (expected by the end of 2024), Gwadar Port will be connected to Kashgar by motorway.

The M5 as a Development Corridor

A motorway's value derives from more than the benefits of connectivity between two important end points and is considered valuable for generating a development corridor (Liang et al., 2020; Chen and Chen, 2018). Normally, economic activities tend to be dense in the immediate periphery of the corridor. Thereafter, depending on the ancillary road and public transport network, economic activities will reduce with distance at some rate.

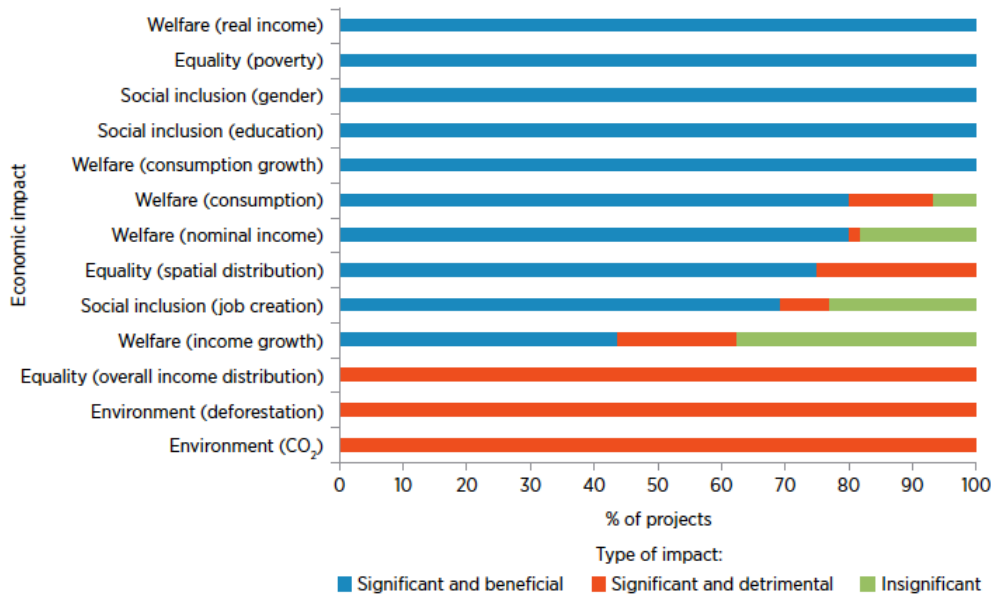
Khan and Mari (2019) have studied the socioeconomic impact of the M5 on a subdistrict of Sukkur district: Pano Aqil, a low-income area through which the M5 runs. The M5 had not opened at the time they conducted their study. However, it had already delivered wealth because of the rise in the value of land—enough that the “majority of the locals have been pulled out of poverty even before the actual operation of the thoroughfare” (Khan and Mari, 2019, p. 140). In addition, the demand for food and labor had been significantly boosted by the construction activity.

According to interviewees, residents recognized that some of the gains would be lost once the motorway was completed. But they indicated that the current elevation of their income status would become permanent because the government and private companies would invest in their area.

A second local benefit expected by residents was the development of supply chains among firms and other entities in the region to provide value-added goods and services in and outside the region. For example, Multan and Sukkur districts are among the largest producers of raw cotton in the country. Although the cotton-ginning industry of Pakistan is largely located within these two districts, the spinning of ginned cotton into yarn is mostly done further north in the Faisalabad district. At a minimum, it might be expected that the M5 would widen the vendor base for the spinners of Faisalabad by making cotton from Sukkur more easily available. Spinning could potentially also be in locations along the M5 if adequate capital was available and market conditions permitted.

Nevertheless, some cautions are in order, particularly regarding equity and the environment. Roberts and colleagues' (2018) meta-analysis showed the local impacts of transport corridors (Figure B.1).

Figure B.1. The Impacts of Transport Corridors



SOURCE: Reproduced from Roberts et al., 2018.

As Figure B.1 shows, the benefits are mainly at the aggregate level—rising income and consumption, less gender discrimination, better education, and less poverty. The negatives are at the local level: more unequal income distribution and neglect of the environment. This is why transport corridors need to be thoughtfully designed if economic transformation is to be accomplished (Dossani, 2016, p. 61).

Many corridor initiatives have, in the past, brought economic development. However, the link between corridors and sustainable development should not be taken for granted. To our knowledge, in modern times, there have been no corridor initiatives that enabled a rapid and sustained movement simultaneously in the economic, environmental, and social dimensions of development. More typically, corridors raise incomes but are accompanied by greater inequality, environmental degradation, and higher economic vulnerability. To accomplish sustainable development, corridor initiatives will need to display a level of long-term thinking, creative design, and multidimensional approaches to implementation that is likely unprecedented.

A second note of caution is struck by Bove et al. (2018). They show that the transport industry in many countries is cartelized among a few operators in the more prosperous areas along a transport corridor. In such a case, it is likely that the benefits will not fully reach end users. Even equity-focused schemes, such as bus rapid-transit schemes, can discriminate against low-income groups in the absence of regulation (Venter et al., 2018).

As Roberts et al. (2018, p. 21) noted,

[t]he existence and nature of these trade-offs should drive the choice of complementary interventions that accompany the construction of the trunk transport infrastructure itself—such as compensation policies for the identified losers from trunk infrastructure investments.

Religious tourism, or pilgrimages to religious sites, has a long history (see Rashid, 2018, for a review). Ingram (2013, p. 31) pointed out that in medieval times “Christianity was the main pervading force for travel in Europe, through pilgrimages to holy places and to view saintly relics.”

Today, religion or spiritual searching remains a driving force for domestic and international travel, cutting across all faiths. Griffin and Raj (2017), citing United Nations World Tourism Organization data, note that there are 300 million tourists annually who visit religious sites and make 600 million religious voyages annually. These numbers include domestic and international religious tourists. Although the figures for religious tourism are unavailable for Pakistan, aggregate tourism spending in Pakistan in 2021 was US\$9.42 billion, of which domestic tourism accounted for more than 90 percent at US\$8.56 billion (Pakistan Tourism Development Corporation, 2022). Griffin and Raj also note that an additional attraction of religious tourism is that it tends to be less subject to economic downturns and tends to maintain a steady rate of growth.

Pakistan has a large religious tourism sector. According to the Imarat Institute of Policy Studies (2022), the country’s most popular shrine is the Shah Rukn-e-Alam in Multan. It attracts about 100,000 pilgrims a year to its annual festival and more than 1,000 persons on an average day (“Hundreds Throng Shah Rukn-e-Alam Shrine in Multan,” 2019). There are more than 3,000 shrines in Multan (Salman, 2022). Sukkur in Sindh province and Multan in Punjab province are the centers of religious tourism for their respective provinces. Most of the country’s religious tourists come from within the country, although exact numbers are not available.

The M5 is particularly interesting because it connects two sites famous for religious tourism. It has made access easier for religious tourists from the areas south of Sukkur to visit Multan and for those north of Multan to visit Sukkur. This improves the usage of the M5, thus adding to its value. Furthermore, common services used in religious tourism, such as transport services, can be supplied to both cities by a single transporter, thus adding economies of scale.

Socioeconomic Profiles of Sukkur and Multan

Table C.1 compares the socioeconomic profiles of Sukkur and Multan.

Table C.1. Socioeconomic Profile of Sukkur and Multan, 2023

Characteristic	Sukkur	Multan
Province	Sindh	Punjab
District	Sukkur	Multan
Population (city)	582,000	2,200,000
Population (district)	1,640,000	5,360,000
National population rank (city)	14	3
Major economic activities (city)	Textile processing, religious tourism	Textile processing, religious tourism
Household size	7	6.2
Rooms per household	1.4	3
Unemployment rate (%)	37.4	22.8
Literacy rate (%)	38	60
Annual household income in Rs. (US\$)	25,528 (US\$92.11)	48,571 (US\$175.26)
Poverty rate (%)	35	30

SOURCE: Features information from Pakistan Bureau of Statistics, undated-a; Pakistan Bureau of Statistics, undated-b.

NOTE: The data in the table pertain to the Sukkur and Multan districts, except where marked as city-level data.

Questionnaire

In this appendix, we reproduce the questionnaire that the authors provided to business owners and managers of Sukkur and Multan between August 2021 and August 2022.

Belt and Road Initiative and Supply Chain Development: Case Study of the Sukkur–Multan Motorway in Pakistan and Religious Tourism Supply Chain Development

Survey Questionnaire—Industry

Preamble—Read to Respondent

The broad objective of the study is to understand how a key element of China’s global strategy, the Belt and Road Initiative (BRI), is changing business practices in countries that host BRI projects. Focusing on religious tourism in Pakistan through a case study of the launch of the Sukkur–Multan Motorway, we are interested in exploring: (1) which elements of the supply chain, such as modes of transport and lodging, are affected, (2) what are the changes in value-added work, such as providing more digitized reservations at hotels, and, (3) what is the capacity of the host country, Pakistan, to develop complementary resources, such as skills and digital technologies, to leverage BRI projects, and, in that context, empower women. Arising from these developments, we are interested in the strategic issues that ensue, such as the need to prioritize particular kinds of resources, and in developing recommendations to support changes. To this end, we have prepared this questionnaire on the tourism supply chain.

We would like to obtain your responses through this questionnaire. Additional information about the study and the questionnaire is provided below.

Confidentiality of Responses

We will keep your responses confidential and not link names to survey responses. The results of this survey will be included in a report that combines all responses. All information provided will be subject to RAND’s Human Subjects Protection Committee (HSPC) standards and procedures regarding protection of information.

Notes to the Interviewer for Explanation to the Respondent

1. **What is “global strategy”:** We define global strategy as a long-term plan to translate the priorities of national security into actions. National security here is broadly defined to include advancing *socio-economic development, diplomatic, and defense goals*. For example, the United States has traditionally promoted multilateral institutions, such as the United Nations and the World Bank, to achieve its diplomatic and developmental goals. The BRI is usually seen as fulfilling the development needs of China and the host countries while also, in some cases contributing to diplomatic and defense goals.
2. **What is the Belt and Road Initiative (BRI):** The BRI is an infrastructure-intensive foreign aid and investment program to support both the development of infrastructure in partner countries and connect the partner countries with China and with each other through facilities connectivity, trade, and in other ways. It is a key element of China’s global grand strategy. This is evident from its inclusion in the Constitution of the Chinese Communist Party in 2017 and the large number of transformative projects that are being or have been implemented under the BRI.
3. Some questions in this questionnaire ask the respondent to rank the importance of some factors from 1 to 5 (low to high). A rank should be interpreted as follows:
 - a. 1 = Unimportant/no significance
 - b. 2 = Mostly unimportant/low significance
 - c. 3 = Somewhat important/some significance
 - d. 4 = Important/high significance
 - e. 5 = Very important/very high significance
4. Some questions provide examples in order to help the respondent provide a response. Important: *The examples are not intended to guide the respondent’s thinking in any way.*

Questionnaire

Note: This section may be shared with the respondent as a printout. The interviewer should write down the responses in his/her own version.

Name:

Name of the organization represented

Contact address:

Email (organization or personal):

Organization Website:

Number of years of the organization in the business

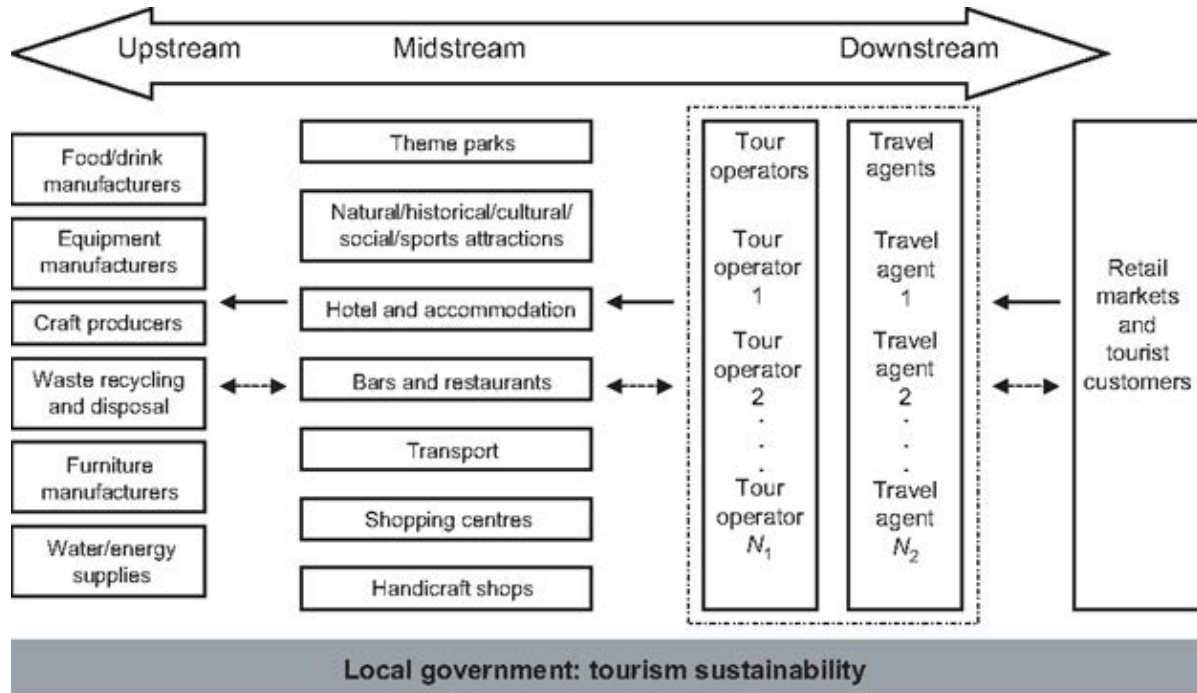
Number of FTE staff:

Some questions in this questionnaire ask the respondent to rank the importance of some factors from 1 to 5 (low to high). A rank should be interpreted as follows:

- a. 1 = Unimportant/no significance
- b. 2 = Mostly unimportant/low significance
- c. 3 = Somewhat important/some significance
- d. 4 = Important/high significance
- e. 5 = Very important/very high significance

Questions

1. From the figure below, please circle what kind of business you operate/work in? Please circle all that apply.



2. Provide details of your business here:
 - Main business activity of the organization
 - Indicate whether business caters to the lower, middle and/or higher end of the market. Select all that apply.
3. How has the S–M Motorway [Sukkur–Multan Motorway] renovation changed the composition of the client base and the goods and services that your establishment sells over the last 12 months? Where indicated, provide percentage shares and a ranking to indicate the change from 1 to 5, from no significance to very high significance.

Impact on ↓	Type	Finance	Size	Reliability	Other (Please Specify)
Client attributes	1. Change in share of wholesale vs. retail clients/resellers 2. Change in share of high-end clients 3. Change in share of new clients	Change in share of advance vs. on-the-spot sales	1. Percentage change in size of client base 2. Change in share of block sales	Change in predictability of client base (direction and rank)	
Product/service sold attributes	Main new product/service sold	Pricing power (direction and rank)	Share of new products or services in total revenue	Change in predictability of demand for product/services offerings (direction and rank)	

4. What goods and services does your organization regularly purchase? Examples: internet connectivity, online payment engine, website services, raw food materials, gasoline, transport services. List all that are relevant.

5. How has the S–M Motorway changed the goods and services that your organization purchases over the last 12 months? Provide the percentage shares, and where indicated, provide a rank to indicate the change from 1 to 5, from no significance to very high significance.

Impact on ↓	Type	Finance	Size	Reliability	Other (Please Specify)
Vendor attributes	Change in share of wholesale vs. retail vendors	Change in share of advance vs. on-the-spot purchases	Percentage change in size of vendor base	Change in reliability of vendors (direction and rank)	
Product/service purchased attributes	Main new product/service purchased	Pricing power (direction and rank)	Share of new product/service purchased in total costs		

6. How has the S–M Motorway changed your organization’s business processes, costs and profitability? Where indicated, provide a rank to indicate the change from 1 to 5, from no significance to very high significance.

Impact on ↓	Type	Finance	Size	Reliability	Other (Please Specify)
Outsourcing	<ol style="list-style-type: none"> 1. Outsourcing of back-office operations 2. Outsourcing of core business processes 3. Other (please specify) 	Change in costs of each outsourced business process		Indicate direction and rank below <ol style="list-style-type: none"> 1. Change in quality of skills 2. Change in quality of output 	
Workforce	Indicate type, direction and rank below Skills	Change in cost of workforce	<ol style="list-style-type: none"> 1. Percentage change in size of workforce (temporary and permanent) 2. Percentage change in size of female workforce (temporary and permanent) 	Indicate direction and rank below <ol style="list-style-type: none"> 1. Change in reliability of workforce 2. Change in productivity of workforce 	
Overhead items		<ol style="list-style-type: none"> 1. Change in rental costs 2. Change in utilities costs 3. Change in other overhead costs 			
Operating costs		Change in operating costs			
Operating profits		Change in operating profits			

7. What challenges does your organization face in improving its business? Provide a rank to indicate the change from 1 to 5, from no significance to very high significance. Please add comments, if any, on the challenges and how your organization proposes to address these challenges.

- High rents and other costs (provide details, if possible, in the comments below)
- Shortage of skilled workforce (provide details, if possible, in the comments below)
- Difficulty accessing clients
- Difficulty accessing supplies

Comments:

Glossary

BRI	Belt and Road Initiative
Consumer service providers (providers)	A category of services that a tourist expects a city to provide, which consists of the following services: lodging, transport, shrine visits, shopping (mostly for local handicrafts), and dining.
CPEC development corridor	China–Pakistan Economic Corridor A stretch of land, usually surrounding a highway, along which developmental activities spring up as a result of a transport corridor.
KBPI	key business performance indicator
KSPI	key social performance indicator
M5	Sukkur–Multan motorway
N5	National Highway 5
NGO	nongovernmental organization
PML-N	Pakistan Muslim League (Nawaz)
SDG	sustainable development goal
supply chain	The system by which resources are processed as they move from the supplier to the customer.
transport corridor	The transport system along a stretch of road or rail.
value added	The amount by which the value of a product or service is increased at each stage of its production, after deducting costs.
value chain	The value added at each link of the supply chain.

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