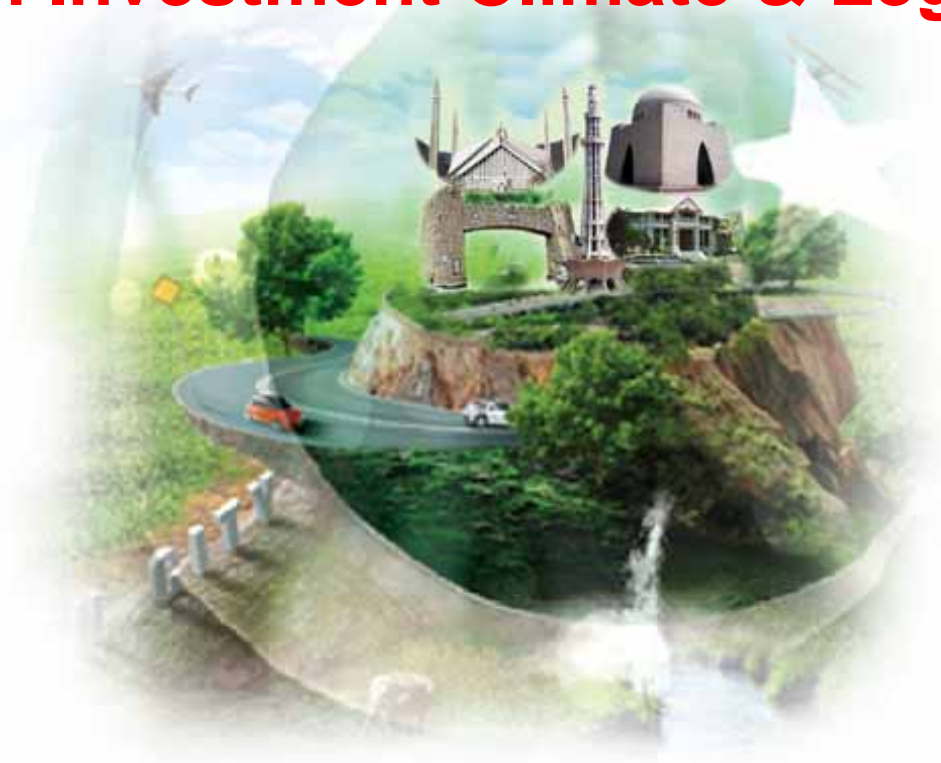




**VIBRANT  
PAKISTAN**



# **Pakistan Investment Climate & Legal Framework**



**Sajjad Hussain, Director  
Pakistan Board of Investment**

# SEQUENCE

- 1: Pakistan : An Introduction**
- 2: Pakistan Investment Regime**
- 3: Legal Frame Work**
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- 5: Special Economic Zones**
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- 7: Automotive Development Policy**

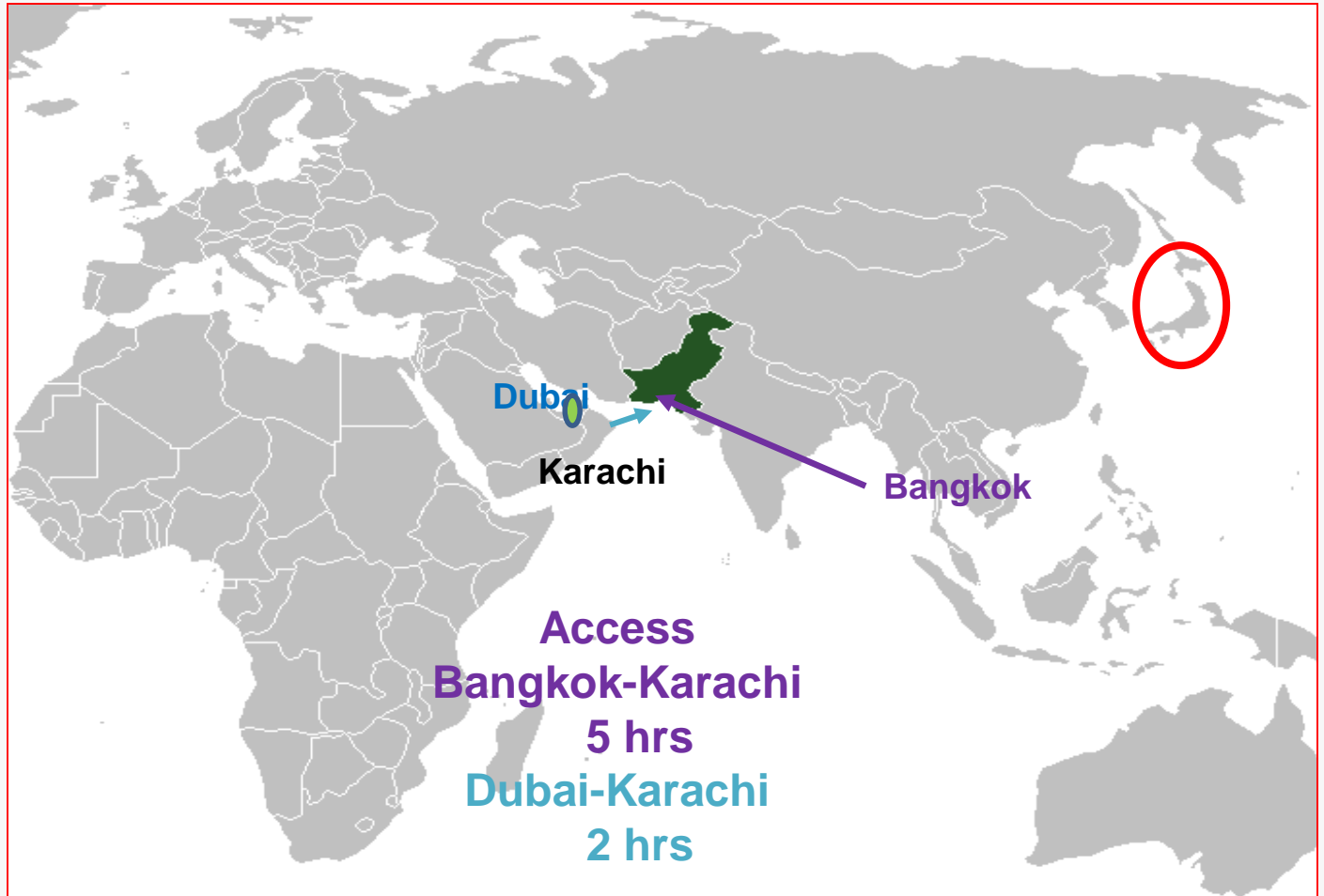
# PAKISTAN: An Introduction



# Pakistan Board of Investment

- **Established in 1991**
- **Pakistan's apex foreign Investment Promotion and facilitation agency.**
- **Secretariat of Special Economic Zones, Approval Committee & Board of Approvals**
- **Secretariat of CPEC for promotion of industrialization**
- **Seminars on investment in Pakistan and other countries**
- **Grant permission for setting up Branch/ Liaison Office by Foreign companies**
- **Work Visa recommendations to expatriates**
- **Liaison with all Federal & Provincial Ministries**
- **Security clearances of expatriates**

# Where is Pakistan?



# GEOGRAPHICAL LOCATION OF PAKISTAN



# Country Information

## Islamic Republic of Pakistan

Capital City	Islamabad (1.01 million)
Major Cities	1.Karachi (14.91million) 2.Lahor (11.0million)
Land Area	796,095km <sup>2</sup> (Double of Japan)
Geography	South Asia, bordered with China, Afghanistan, Iran, India. Coatline: 1,046km
Population/ growth rate	207.7million / 2.4% (2017, SBP) Middle Class: 45% and 29-39 years age = 31%
Language	Urdu (National), English (Official)
Literacy Rate	58% (2016, PBS*)
Government	Federal parliamentary system President: Mamnoon Hussain Prime Minister: Shahid Khaqan Abbasi
Administrative Units	4 Provinces: Pujab, Balochistan, Sindh, Khyber Pakhtunkhwa (KP), Islamabad Capital



# ECONOMIC OUTLOOK

- **Exports** **\$20.4 billion**
- **Imports** **\$52.9 billion**
- **Remittances** **\$19.3 billion**
- **Forex Reserves** **\$21.4 billion**
- **Pakistan Stock exchange** **42533 points +**
- **GDP Growth** **5.3 %**
- **GDP per capita (PPP)** **\$1,629**
- **Inflation rate** **4.15%**
- **Exchange rate with respect to JY = 0.98**

Source: Economic Survey of Pakistan:2016-17, Finance Division



# Mineral Resources

ITEMS	Reserves (Million Tons)	World Ranking
<b>Salt</b>	<b>100+</b>	<b>2<sup>nd</sup></b>
<b>Copper</b>	<b>1,352</b>	<b>3<sup>rd</sup></b>
<b>Coal (Thar)</b>	<b>175,000</b>	<b>5<sup>th</sup></b>
<b>Iron Ore</b>	<b>430+</b>	<b>5<sup>th</sup></b>
<b>Gold</b>	<b>22 million Ounce</b>	<b>5<sup>th</sup></b>



# International Endorsement

## **Bloomberg**

- 3<sup>rd</sup> among top ten Best Performing Markets in 2014
- 14<sup>th</sup> amongst top potential investment locations in 2016

**Moody's and Standard & Poor** – upgraded Pakistan's Economic ratings from stable to positive.

**The Economist:** Pakistan stands number one in positive perception change as an investment destination.

**JETRO-** Ranked Pakistan the best place for the investment in terms of returns.

**The World Bank** – Pakistan world's least expensive country.

**OICCI** – The Business Confidence Index showing an upward trend.

# Agriculture & Livestock



<b>ITEMS</b>	<b>PRODUCTION (Million Tons)</b>	<b>WORLD RANKING</b>
<b>Cotton</b>	<b>10 million bales</b>	<b>4<sup>th</sup></b>
<b>Wheat</b>	<b>25</b>	<b>8<sup>th</sup></b>
<b>Rice</b>	<b>7</b>	<b>12<sup>th</sup></b>
<b>Milk</b>	<b>43</b>	<b>4<sup>th</sup></b>
<b>Meat</b>	<b>3.9</b>	<b>2<sup>nd</sup></b>

# Energy Resources

- **60,000 MW of Hydel Power Potential**
- **340,000 MW of wind power potential exists,**
- **300 million barrel of crude oil Reserves,**
- **26 trillion cubic feet of natural gas reserves**
- **Untapped reserves of 9 billion barrel of shale oil and 105 trillion cubic feet of shale gas**
- **Coal Reserves are 175,000 million tons**





# INVESTMENT REGIME OF PAKISTAN

# INVESTMENT POLICY

- **All sectors of economy are open for investments except arms & ammunitions, high explosives, radioactive substances, security printing, currency & mint.**
- **Uniform treatment to local and foreign investments**
- **Up to 100% foreign ownership allowed in manufacturing and social sector**
- **Custom duty exemption on import of Plant, Machinery & Equipment**

# INVESTMENT POLICY

- **Agriculture 60:40**
- **Construction upto 70%,**
- **Banking/Financial Business upto 49%,**
- **Media not allowed,**
- **Aviation - only supporting services**
- **Other services sectors 100 %**



# INVESTMENT POLICY

- 100% repatriation of investment; profits and dividends
- 25% tax relief on initial depreciation on machinery
- Foreign Companies can borrow loans both from local and foreign banks
- Setting up Private Limited Company in Pakistan - Securities & Exchange Commission of Pakistan under Companies Ordinance 2017. website: [www.secp.gov.pk](http://www.secp.gov.pk)
- Setting up Branch / Liaison offices: website: [invest.gov.pk](http://invest.gov.pk)
- Work Visa



# Legal Framework

# Foreign Private Investment & Protection Act 1976

- **Protection to Foreign investment**
- **Repatriation of investment profits, re-appropriation of capital, foreign currency loans and their interest**
- **Remittances by foreign employees**



# Protection of Economic Reforms Act 1992

- Immunity to Foreign currency accounts (FCA)
- FCA exempted from wealth tax, income tax and zakat
- Banks shall keep complete secrecy and not impose any restriction on FCA.
- Fiscal incentives for investment shall not be altered to disadvantage of investors.
- Protection against expropriation

# Other Legal Treaties

**Avoidance of Double Taxation Agreement with 63 Countries**



# Tax Regime in Pakistan

Federal Taxes	Category	Rates
Income Tax	Companies	31%
	Banking Companies	35%
Sales Tax	On Goods by the Federation	17%
	On Services by the Province	16%
Custom Duty	General Items	0% - 20%
	Auto Sector	35% - 100%



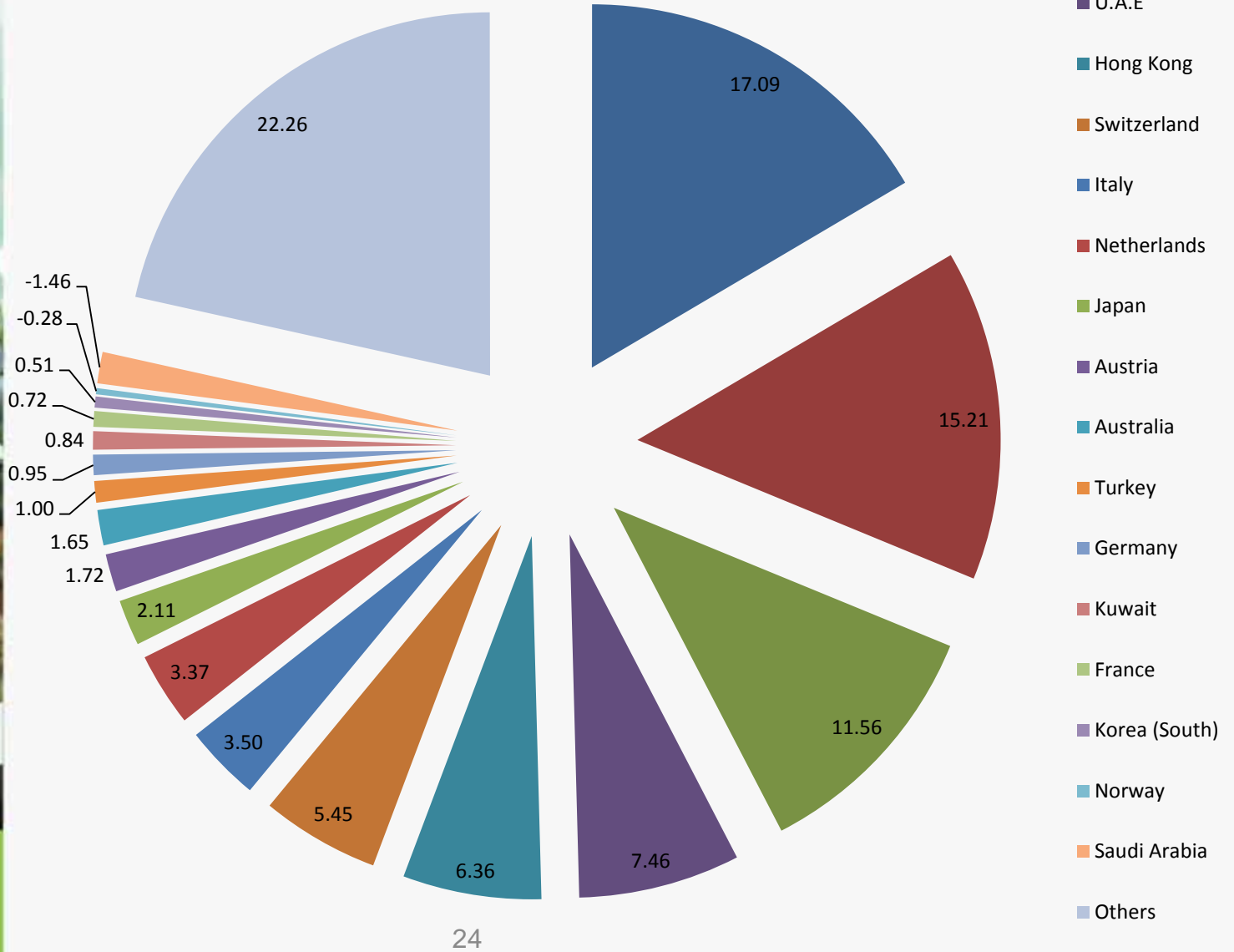
# INVESTMENT TRENDS



## FDI Inflows – Country wise (Million US\$)

Country	2014-15	2015-16	2016-17
USA	225.5	344.8	137
UK	264.1	272.7	80.4
U.A.E	252.6	240.2	57.1
Japan	74.9	38.2	49.0
Hong Kong	138.0	95.5	25
Switzerland	154.2	88.7	32.2
Austria	24.8	42.7	24.3
Saudi Arabia	68.3	34.8	1.9
Germany	10.5	16.2	44.2
Korea (South)	27.8	17.0	9.4
Netherlands	18.3	49.1	480.6
Italy	116.4	110.9	58
Norway	2.8	172.5	95.4
China	1059.3	726.8	1240.3
France	18.7	97.5	119
Turkey	49.1	16.6	139.6
Others	226.7	399.4	223.8
<b>Total</b>	<b>2,732.0</b>	<b>2,763.6</b>	<b>2,813.8</b>

# Country wise FDI 2007-17

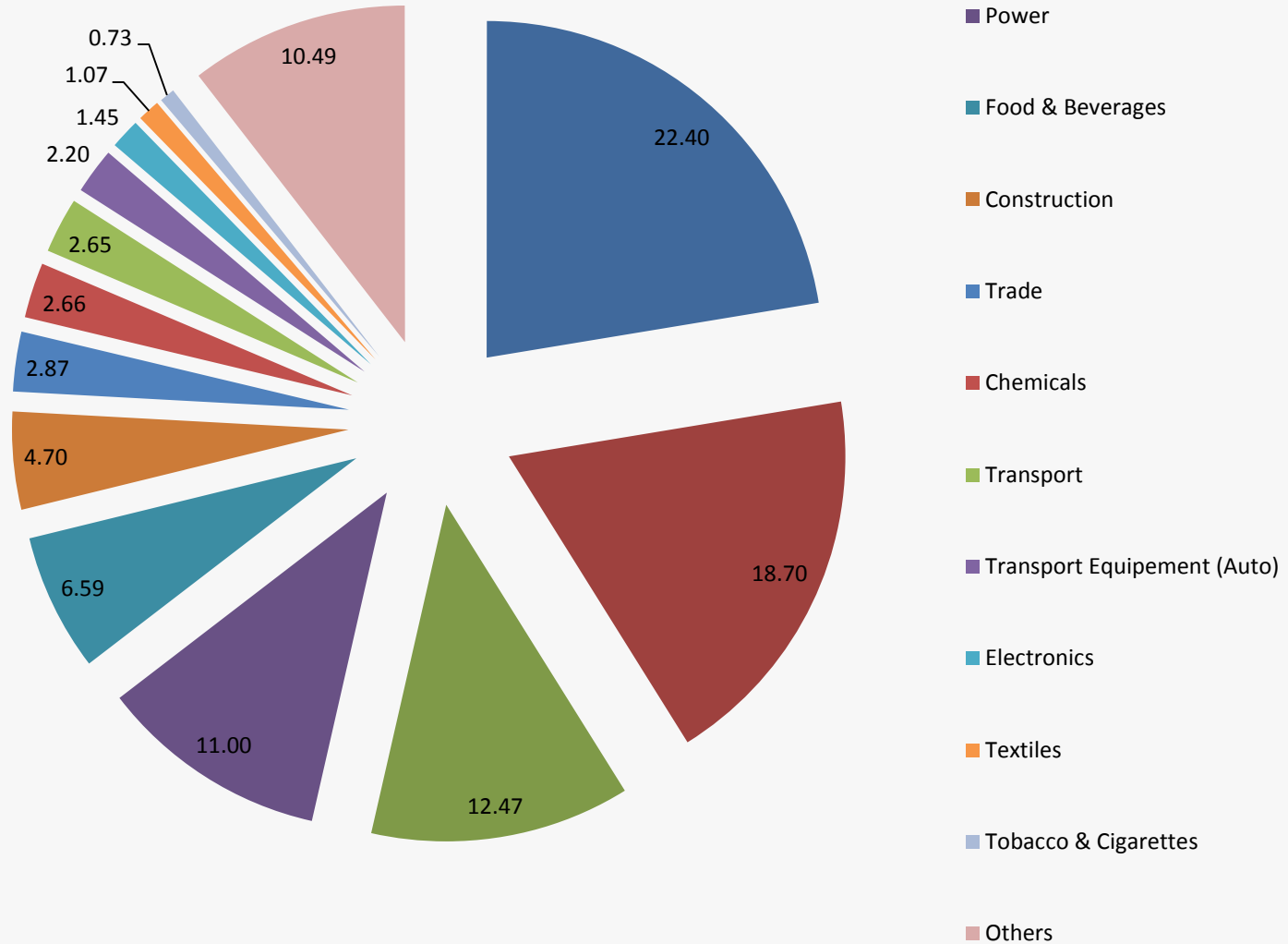




## FDI Inflows – Sector wise (Million US\$)

Sector	2014-15	2015-16	2016-17
Oil & Gas Explor.	303.8	266.6	162.2
Financial Business	407.0	391.9	100.3
Textiles	49.6	25.9	15.9
Trade	60.2	43.6	37.4
Construction	56.0	50.1	471.8
Power	270.1	809.7	815.2
Chemicals	94.1	106.0	28.9
Transport	13.1	83.7	65.7
Communications (IT & Telecom)	989.3	397.7	143.4
Food & Food Processing	145.2	75.4	515.4
Tobacco & Cigarettes	80.7	195.4	70.7
Others	262.9	317.6	223.8
<b>Total</b>	<b>2732.0</b>	<b>2,763.6</b>	<b>2813.8</b>

# Sectors Wise FDI 2007-17





# PAKISTAN – JAPAN BILATERAL TRADE AND INVESTMENT RELATIONS

# INVESTMENT RELATIONS WITH JAPAN

(US\$, Millions)

Years	FDI Inflow from Japan	FDI Outflow to Japan	Total FDI into Pakistan
<b>2012-13</b>	33.1	3.0	2099.1
<b>2013-14</b>	46.0	16.0	2665.3
<b>2014-15</b>	74.9	3.8	2732.0
<b>2015-16</b>	38.2	2.8	2,763.6
<b>2016-17</b>	49.0	3.9	2,813.8

Source: SBP



## TRADE RELATIONS WITH JAPAN

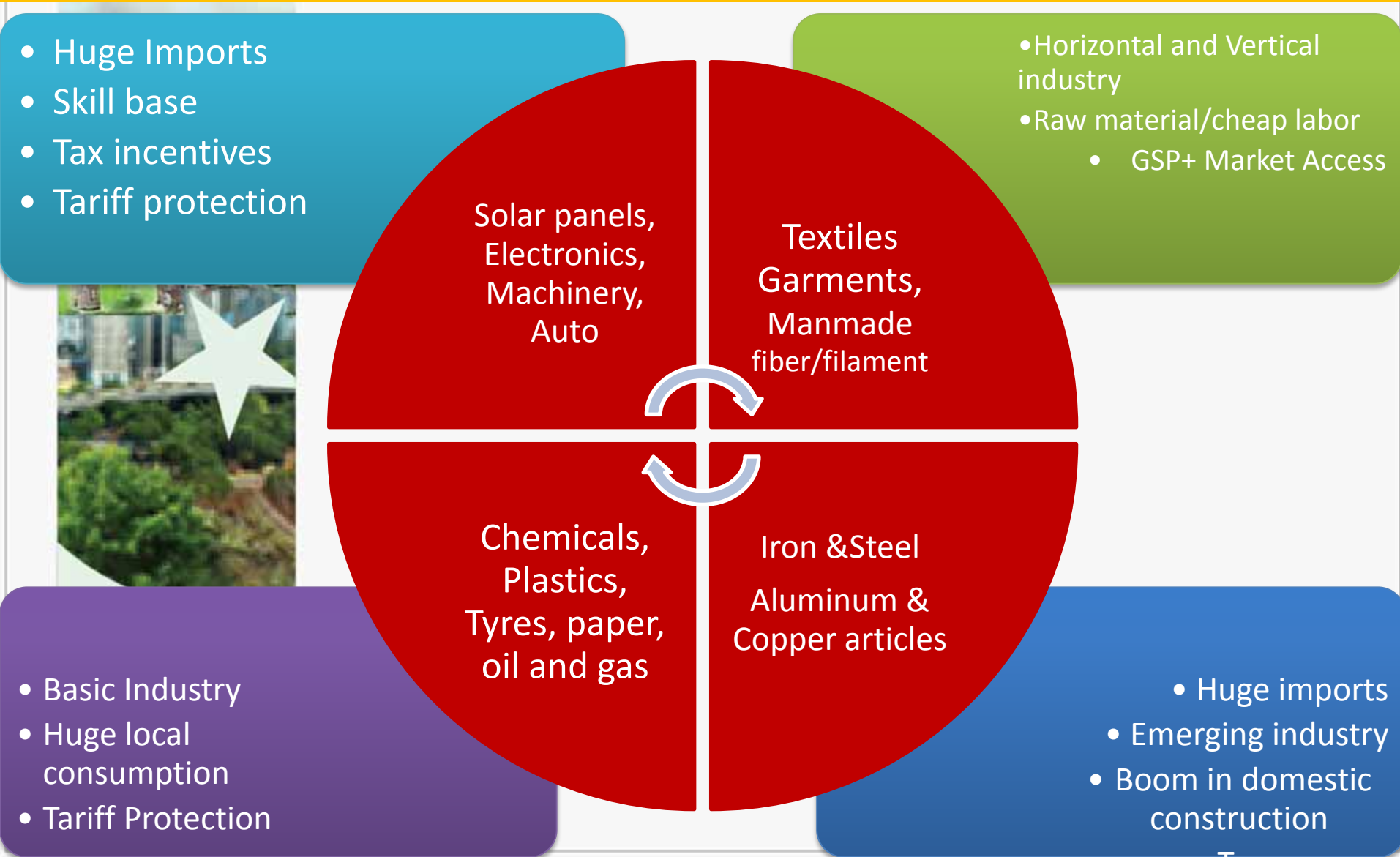
(US\$, Millions)

Years	Exports	Imports	Total Trade	Trade Balance
<b>2012-13</b>	188.31	1,430.81	1,619.12	( 1,242.5 )
<b>2013-14</b>	218.91	1,397.75	1,616.66	( 1,178.84 )
<b>2014-15</b>	245.93	1,401.3	1,647.23	(1,155.37
<b>2015-16</b>	196.8	1,398.1	1,594.9	(1,201.20)
<b>2016-17</b>	204.6	1696.5	1901.1	(1491.90)

**Export to Japan:** Cotton, Textile, Fruits and Vegetables, Copper waste and scrap, Fish, etc.

**Imports from Japan:** Automobile, Paper, Iron, Machinery, Chemicals, etc.

# Priority Sectors for FDI from Japan (Export oriented and value added sectors)



# PAKISTAN: HOME TO AROUND 1000 MULTINATIONAL BUSINESSES



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PAKISTAN



**Prime Minister's Office**  
**Board of Investment**



# Special Economic Zones

- SEZs can be developed by:
  - Public sector
  - Private sector
  - Public-Private Partnership basis
- Minimum 50 acres of land-70% area for processing and 30% for non processing)

## Incentives

- One time exemption on import of plant machinery & equipment
- Income tax holidays (5 years for developers and 10 years or enterprises)
- Captive power generation allowed.
- One window facilitation.

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## Potential sites identified for SEZs

S. No	Location	No. of Zone	Area (Acres)
1.	Khyber Pakhtunkhwa	17	5,349
2.	Balochistan	9	17,148
3.	Sindh	7	7,056
4.	Punjab	4	9,105
5.	Gilgit-Baltistan	2	450
6.	FATA	1	353
7.	AJK	4	1,410
8.	Federal Government	2	1,700
<b>Total</b>		<b>46</b>	<b>41,715</b>

## Functional SEZs - 07

S. No	Name of SEZ	Type of Industry
01.	Khairpur-140 acres, Sindh	Agro based Industry and date processing
02.	Bin Qasim-930 acres, PSM, Karachi	Light Engineering, auto vendors, steel fabricating units chemical & food, pharmaceuticals, electrical & consumer goods and furniture.
03.	Korangi Creek 240 – Karachi	Consumer goods, food & pharmaceuticals, garments, value added textile, light engineering, packaging & printing, warehouses / logistics
04	Hattar-KPK-424 acres	Mining, Marble, Fruit Processing



# Automotive Development Policy - 2016-2021

- **To attract new investors**
- **To encourage manufacturing of low price cars**

# Investment Categories

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## Category-A: Greenfield Investment

❑ Installation of New automotive assembly and manufacturing plant.

### ❑ Incentives

- One time basis Duty-free import of Plant & Machinery
- Import of 100 vehicles in CBU format at 50% of prevailing duty
- Custom duty 10% on non-local parts, 25% on local parts for 5 years (Car, LCVs)
- Import of all parts (5-35%) for 3 years
- Existing policy for Motorbike shall continue.

PAKISTAN



## **Category-B: Brownfield Investment**

- Revival of an existing assembly and/or manufacturing plants (non-operational or closed on or before July 01, 2013)
- Incentives**
  - ✓ 10% customs duty on import of localized parts and 25% on non-localized parts for 3 years
  - ✓ 5% to 35% Custom duty on Imports of all parts.



# Investment opportunity in Auto Sector



- There is a large demand in the following:
  - Large domestic demand in small cars ( below 800 cc)
  - Hybrid/electrical vehicles
  - Motorcycles (above 150 cc)
  - High tech auto part manufacturing
  - Large fleet of trucks, prime movers

There is high tariff protection on CBUs to encourage investment

# WAY FORWARD



- Presence of more than 80 Japanese companies
- Yamaha Motors, NIPRO Corporation, Marubeni-Itochu Steel and Ajinomoto Corporation are new
- Pakistan needs diversification in exports in the sectors:
  - Textile Products
  - Automotive
  - Steel and Base Metals
  - Electrical/Mechanical Machinery
  - Chemicals, Tyres, paper, oil and gas
- Japanese companies/ investors can establish their own exclusive/branded SEZ.



Japanese Investors are  
welcome to avail investor  
friendly profitable business  
opportunities in Pakistan





# Pakistan

The Preferred Investment Destination

