

Presentation by Pakistan Delegation

**CAREC
Business Development Forum
Urumqi-China**

July 29-30, 2010





Pakistan

**Preferred Destination
for
Investment**



Business Environment

At The Center of Asian Growth

Pakistan becoming Asia's trade, energy and transport corridor

Pakistan potential can make her Asia's premier trade, energy and transport corridor

Geographical location suites transit trade

- Proximity to Middle-East, West Asia, Central Asia, China and South Asia

Recent developments to realize this vision include:

- Gawadar port, located at the Straits of Hormuz, to be linked by road & rail to Afghanistan, Iran and China and onwards to Central Asia, Middle East



Economic Overview of Pakistan

- ✓ 4.1% GDP growth (2009-10)
- ✓ FDI inflows during 2008-09 (\$3,719.9 million) 2009-10 (\$2,205.7 M)
- ✓ Exports during 2008 - 09 (\$ 17.69 billion) 2009-10 (\$ 19.63 B)
- ✓ Imports during 2008 - 09 (\$ 34.82 billion) 2009-10 (\$31.01 B)
- ✓ Forex Reserves (03-June, 2010) \$ 16.013 B
- ✓ Worker's Remittances during 2008-09 (\$ 7.81 B) 2009-10 (\$8.905 B)
- ✓ 2% growth in Agriculture Sector (2009-10)
- ✓ 4.6% growth in Services Sector (2009-10)
- ✓ 4.9% growth in Manufacturing Sector (2009-10)
- ✓ 4.4% growth in Large Scale Manufacturing Sector (2009-10)

Liberal Investment Policy

- ✓ All economic sectors open to foreign investors
- ✓ Foreign equity up to 100% allowed
- ✓ No Government permissions required
- ✓ Import of raw material for export manufacturing zero-rated
- ✓ Bilateral Agreements
 - Investment Protection 48 Countries
 - Avoidance of Double Taxation 52 Countries

Legal Protection to Investments

Foreign Private Investment (Promotion and Protection) Act, 1976

Protection of Economic Reforms Act, 1992

Salient Features

- ✓ Equal treatment of local & foreign investors
- ✓ Protection of agreements
- ✓ Full repatriation facilities
- ✓ Remittance by foreign employees allowed
- ✓ Fiscal incentives for investment shall continue for the term specified & shall not be altered to the disadvantage of the investors

Policy Package

| POLICY PARAMETERS | Manufacturing Sector | Non-Manufacturing Sectors | | |
|---|--|---|-------------------------|--|
| | | Agriculture | Infrastructure & Social | Services including IT & Telecom Services |
| Govt. Permission | Not required | Not required except specific licences from concerned agencies. | | |
| Remittance of capital, profits, dividends, etc. | Allowed | Allowed | | |
| Upper Limit of foreign equity allowed | 100% | 100% | 100% | 100% |
| Minimum Investment Amount (M \$) | No | 0.30 | 0.30 | 0.15 |
| Customs duty on import of PME | 5% | 0% | 5% | 0-5% |
| Tax relief (IDA, % of PME cost) | 50% | 50% | | |
| Royalty & Technical Fee | No restriction for payment of royalty & technical fee. | Allowed as per guidelines - Initial lump-sum up to \$100,000 - Max Rate 5% of net sales - Initial period 5 years | | |

Home to over 700 MNCs



Board of Investment (BOI)

Mandate

“Promoting Foreign and Domestic Investment by enhancing Pakistan’s International Competitiveness to contribute in economic and social development”

Mission

“Encash Pakistan’s Investment potential through competitive policies, incentives & reforms”

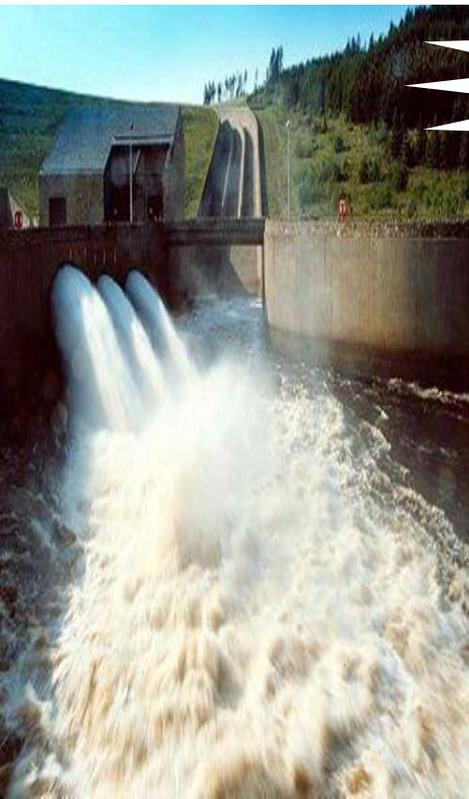
Effectiveness

“BOI perform effectively being part of Prime Minister’s Secretariat”

Investment Priorities



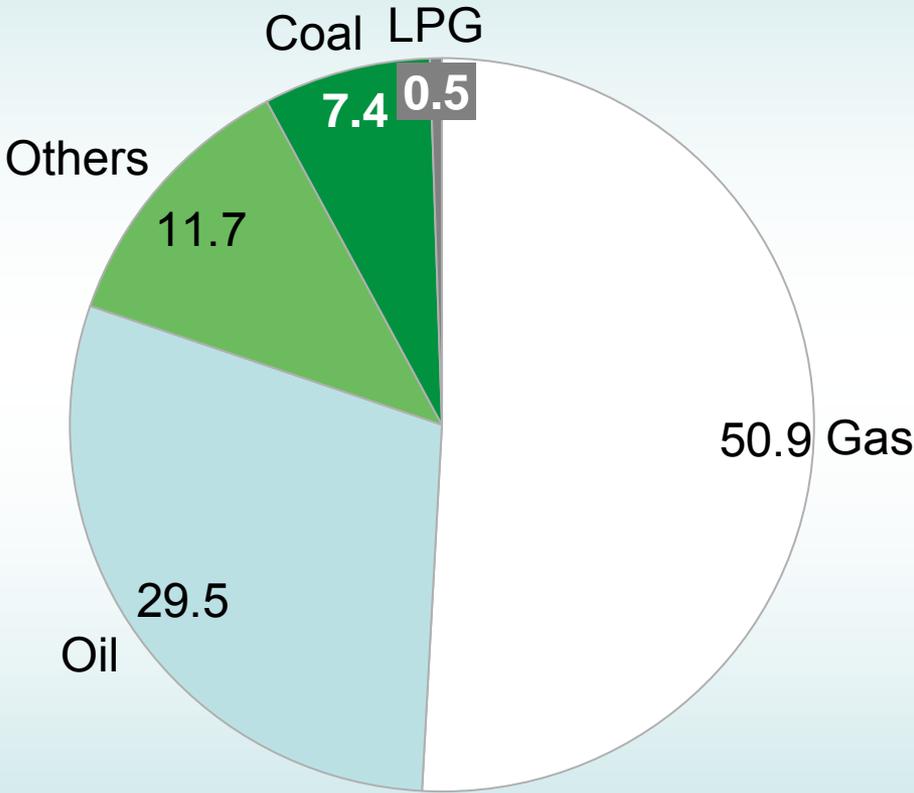
Energy Sector



Pakistan's Energy Supply

Percent

Pakistan energy supply mix



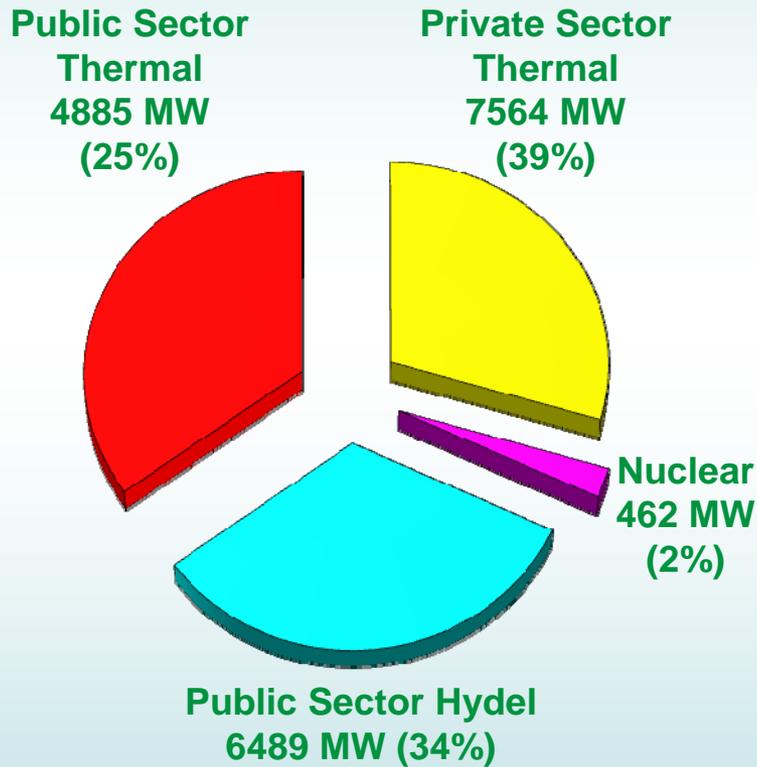
Oil & Gas Exploration

| | Potential | Untapped ¹ (%age) | |
|---------------------------------------|-----------|---------------------------------|--|
| Oil Sector (Million TOE) | 20.10 | 5.93 (32.1%) | ▪ Exploration and Production, Refineries, Pipelines, Distribution |
| Gas Sector (Million TOE) | 30.24 | 14.84 (49.1%) | ▪ Exploration, Compression, Transportation, Distribution, Storage |
| Coal Mining (Billion Tons) | 187 | 99.9% ² | ▪ Exploration, Extraction, Gasification, Integrated Power Generation |

¹ Large Untapped Potential in Coal, Gas & Oil

² Single largest untapped coal reserve of 175.5 billion tons in Thar, Province of Sindh

Power Sector Status



Public Sector

| | MW | % |
|------------------|---------------|-----------|
| WAPDA-PEPCO | 11,374 | 59 |
| NUCLEAR | 462 | 2 |
| Sub Total | 11,836 | 61 |

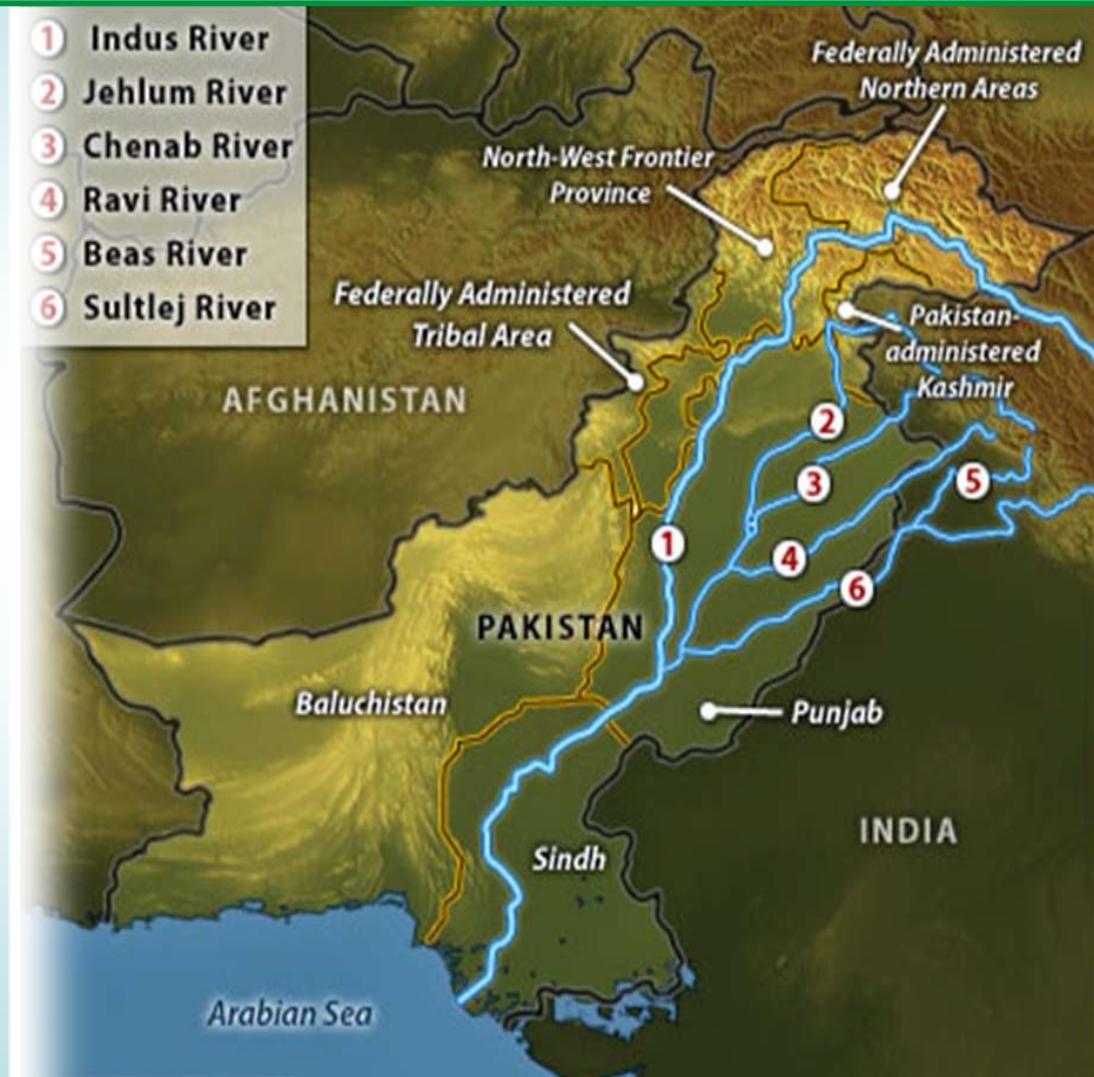
Private Sector

| | MW | % |
|--------------------|---------------|------------|
| IPPs | 5,808 | 30 |
| KEESC | 1,756 | 9 |
| Sub Total | 7,564 | 39 |
| Grand Total | 19,400 | 100 |

Investment opportunities in Power



- **Hydel:**
 - Water Storage/Irrigation Network
 - Conjunctive Hydro Power Generation
 - Run of the River
 - Low Head Hydels
- Integrated CBM/Coal & Power Generation Project
- Renewable Energy Generation
- PPP on BOO & BOOT basis
- Incentivized Packages for Investment with Security/Protection Arrangements



Agriculture sector overview

| | |
|---|--------------------|
| GDP Share: | 21% |
| (Crops-46%, Livestock-52%, Fisheries-1%, Forestry-1%) | |
| Employs | 44% of labor force |
| Dependency | 66% of pop. |
| Export share | 66% of total |
| Share in value added | 51% |
| 5 years avg. growth | 4.1% |

| Crop | Production¹ (Million tons) |
|-----------------------|---|
| ▪ Seed Cotton | 6-7 |
| ▪ Sugar | 3-4 |
| ▪ Wheat | 21-23.5 |
| ▪ Rice | 5-5.5 |
| — Basmati | 2-2.5 |
| — Irri | 2.8-3 |
| ▪ Maize | 2.8-3.2 |
| ▪ Fruits & Vegetables | 13-14 |

- Agro-ecological diversity
- 90% prod. from irrigated agriculture
- Inefficient irrigation water usage

- High post harvest losses
 - Grains: 5-10%
 - Fruits & Vegetables: 30-40%
- Inadequate storage and cool chain infrastructure

Investment opportunities in Agriculture



- Farm equipment/machinery & pressurized irrigation systems
- Commercial production of olives, edible oil seeds, tea, herbs and cut flowers
- Certified seed incl. hybrid/BT seeds & Nursery Production
- Silos/Warehouse Storages (30-35 million tonnes)
- Absence of wholesale markets and commodity exchanges

Horticulture investments

Production

- Hybrid seed & plant material
- Vegetables under green houses/plastic tunnels
- Herbs & floriculture

Processing

- Dehydrated fruits & vegetables
- Juices, concentrates & pulps
- Canning & frozen packaging
- Tomato paste
- Essential oils

Infrastructure

- Cool chain systems
- Export houses
- Packaging technology

Investment opportunities in Livestock



| Product | Production |
|---------------------------------|---------------|
| ▪ Milk (b of Lts) | 42.2 |
| ▪ Beef (m of mt) | 1.6 |
| ▪ Mutton (m of mt) | 0.6 |
| ▪ Hide & Skins (m of mt) | 47.5 |
| ▪ Poultry Meat (m of mt) | 0.6 |
| ▪ Eggs (billion) | 10.7 |
| ▪ Livestock product export | \$457m (3.2%) |
| ▪ 5 years avg. livestock growth | 4.6% |
| ▪ 3rd largest milk producer | |
| ▪ Only 3-4% milk processing | |
| ▪ Demand increasing | |
| — Milk | 12-13% |
| — Red meat | 2-5% |
| — Poultry meat | 14-15% |

Livestock investments

- Commercial dairy farming/ processing plants
- Establishment of modern slaughter/ abattoirs
- Dedicated livestock farms and calf fattening for halal meat production
- Sheep goat rearing for Hajj
- Camel breeding farms
- Veterinary & lab services
- Feed mills & fodder prod.
- Silage facilities
- Cool chains

Investment opportunities in Fisheries

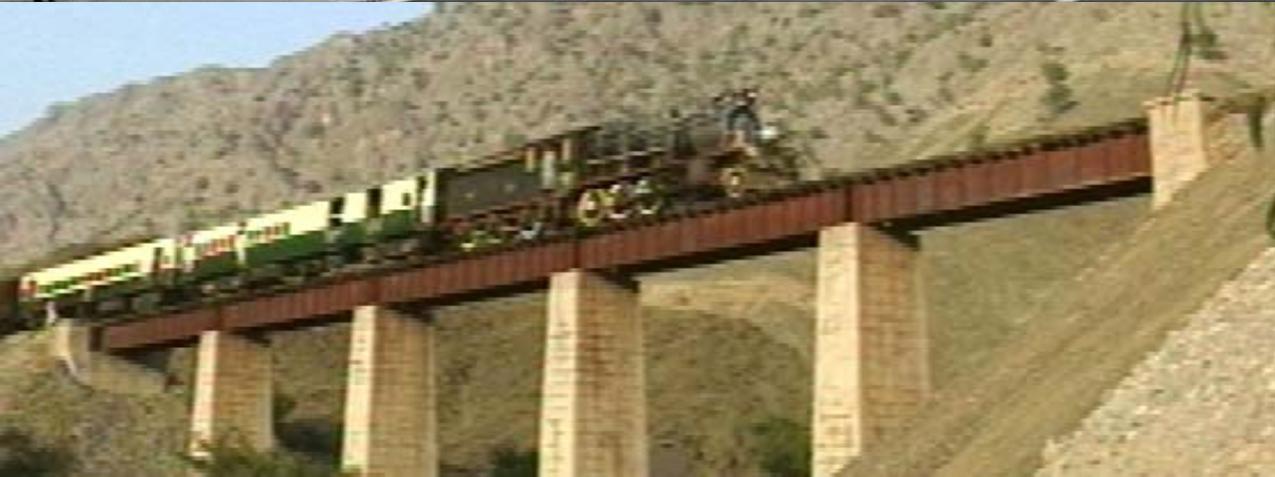


Salient features

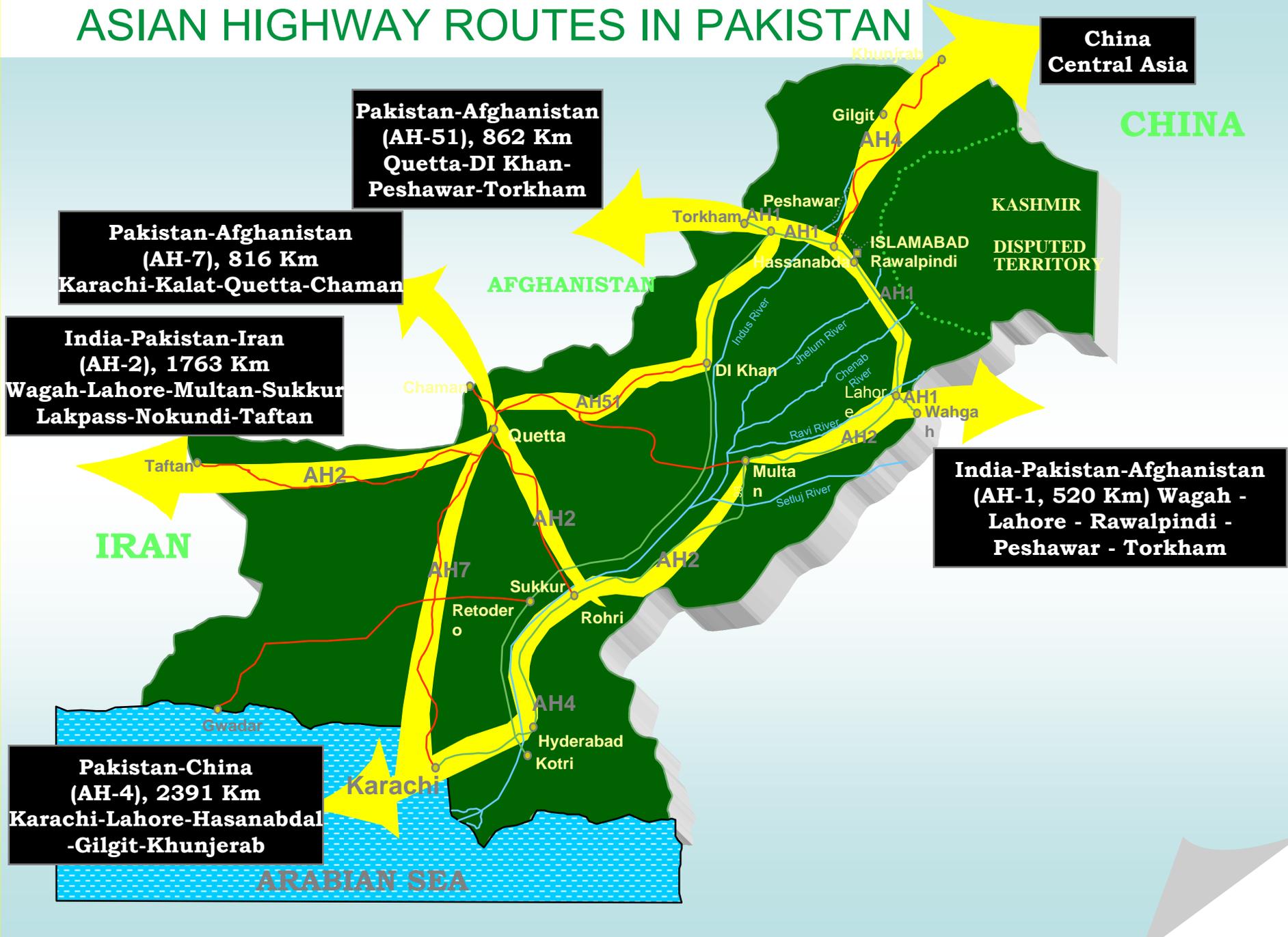
- **Share in GDP:** 1%
- **Production:** 565,000 tons (60% marine captured)
- **Consumption per capita:** 1.8 kg per year
- **Exports:** \$160-200 million
- **Export potential:** in value added form \$1 billion
- **Coastline:** 1,146 km's
- **Inland water bodies:** 4.5% of the total area

Investment potential

- Coastal and inland aquaculture
- Hatcheries & fish breeding farms
- Exploitation of cold water fisheries
- Market & other infrastructure
- Promotion in domestic market
- Upgrading of Karachi/Korangi fish harbors & fishing fleet
- New fish harbors at Pasni & Gawadar
- Value addition and fish processing with compliance on international quality & health standards



ASIAN HIGHWAY ROUTES IN PAKISTAN



**Pakistan-Afghanistan
(AH-51), 862 Km
Quetta-DI Khan-
Peshawar-Torkham**

**Pakistan-Afghanistan
(AH-7), 816 Km
Karachi-Kalat-Quetta-Chaman**

**India-Pakistan-Iran
(AH-2), 1763 Km
Wagah-Lahore-Multan-Sukkur
Lakpass-Nokundi-Taftan**

**India-Pakistan-Afghanistan
(AH-1, 520 Km) Wagah -
Lahore - Rawalpindi -
Peshawar - Torkham**

**Pakistan-China
(AH-4), 2391 Km
Karachi-Lahore-Hasanabdal-
-Gilgit-Khunjerab**

**China
Central Asia**

CHINA

**KASHMIR
DISPUTED
TERRITORY**

IRAN

ARABIAN SEA

Airport Infrastructure



- **Major airports:** Karachi, Lahore & Islamabad
- **Secondary airports:** Peshawar, Quetta, Multan, Faisalabad, Sialkot & Sukkur
- Several regional airports
- Air craft movements at airports (000) 197,486
- Passengers handled (million) 141.2
- Cargo (million tonnes) 31.6
- Mail (million tonnes) 5.3
- **Investment Opportunities:**
 - New airports/upgrading of existing airports
 - Cargo terminals/villages
 - Outsourced operations, facilities and services
 - MOB for aircrafts at Karachi

Ports and Shipping



- **Main ports:** Karachi, Qasim and Gawadar
- **Port entries:** 3372 vessels with registered tonnage of 50 million tonnes
- Cargo handled 64.8 million tonnes
- Cargo in containers 5.9 million tonnes
- **Investment opportunities**
 - Cargo villages & industrial parks
 - Container terminals
 - Outsourced operations, facilities and services
 - KPT enclave
 - Miscellaneous supporting infrastructure

Pakistan Trade with CAREC Countries

(US\$ Million)

| Country | 2008-09 | 2009-10 |
|---------------------|----------------|----------------|
| Afghanistan | 975.97 | 1,207.42 |
| Armenia | 2.19 | 1.81 |
| Azerbaijan | 11.87 | 12.38 |
| China | 3,369.15 | 4,493.62 |
| Georgia | 10.16 | 9.74 |
| Kazakhstan | 5.32 | 8.03 |
| Kyrgyzstan | 1.28 | 0.38 |
| Mongolia | 0.08 | 0.1 |
| Tajikistan | 1.99 | 4.11 |
| Turkmenistan | 3.26 | 2.62 |
| Uzbekistan | 16.53 | 29.43 |

Investment Opportunities

Pakistan PPP Policy

- The PPP policy is a pivotal part of the overall PPP framework
- It aims to set the intent of the Government in adopting the PPP investment strategy
- It provides the underlying structure to the PPP program
- It aims to establish clearly delineated institutional roles; in doing so it strengthens the institutional framework as well
- Creates an enabling environment for potential investors; local and international
- Safeguards the Government's role and limits its liabilities

Current State of Development of PPPs in Pakistan

Legal Framework and Govt. Support

The Government of Pakistan has structured a PPP program that includes;

- Involving Private sector in infrastructure development of the country
- The Economic Coordination Council (ECC) of the Cabinet, approved “Pakistan Policy on Public Private Partnership” on January 26, 2010.

Status and Progress

- 21 PPP Active Projects valuing US\$ 1.4 billion.
- 23 more projects for development on PPP basis

Cont...

Types of Projects that can be arranged as PPP

As per PPP Policy of the Govt. of Pakistan, the priority sectors eligible for PPP includes;

- Transport and Logistics
- Mass Urban Public Transport
- Local Govt. Services
- Energy Projects
- Tourism Projects
- Energy Projects
- Industrial Projects
- Irrigation Projects.



Types of Projects that can be arranged as PPP

Regardless of sector or level of Government, the Govt. of Pakistan is committed to pursue the PPP Projects that are affordable to the Govt. and consumers, and represent value for money, i.e. provide a better approach than public procurement.

Incentive Available for PPP investors

PPP investors would be eligible to all the incentive available to the private investors. Some of these are;

- All sectors except specified sectors of arms and ammunition, currency and mint, high explosives and radioactive substances are open even to foreign investors.
- Legal protection to foreign investment
- A special package of incentives for development of Economic Zones in the country
- Industry status given to Tourism, Housing and Construction and IT
- Detail of incentives available at www.pakboi.gov.pk and www.ipdf.gov.pk

What do PPP investors need to do to invest in Pakistan

Detailed procedure for undertaking PPP Projects is mentioned in the “Pakistan Policy on Public Private Partnerships” available at www.ipdf.gov.pk

There are two Types of PPP Projects. Each has different procedure for approval of the Government. These two types of Projects are:

- I. Govt. originated Projects
- II. Non-Govt. originated / Unsolicited Proposals

The two types of projects have different sets of procedures

Cont...

Key Issues and Major Impediments for PPP implementation in the Country

- Investment in infrastructure had been largely stagnant.
- Increase in public sector funding for infrastructure is not likely because of
 - Limited Fiscal Space
 - Competing needs for social sectors

Key Issues and Major Impediments for PPP implementation in the Country

- Lack of depth and ability in local capital markets to provide substantial funds
- Lack of Capacity & Expertise in public sector.

These are the reasons that compelled the Govt. of Pakistan to vigorously pursue the PPP Policy.

Recommendations for PPP Development in Pakistan

- Capacity Building of all stake holders by concerned agencies like UNESCAP (United Nations Economic and Social Commission for Asia and Pacific), APEC (Asia Pacific Economic Cooperation) and other multilateral and donor agencies.



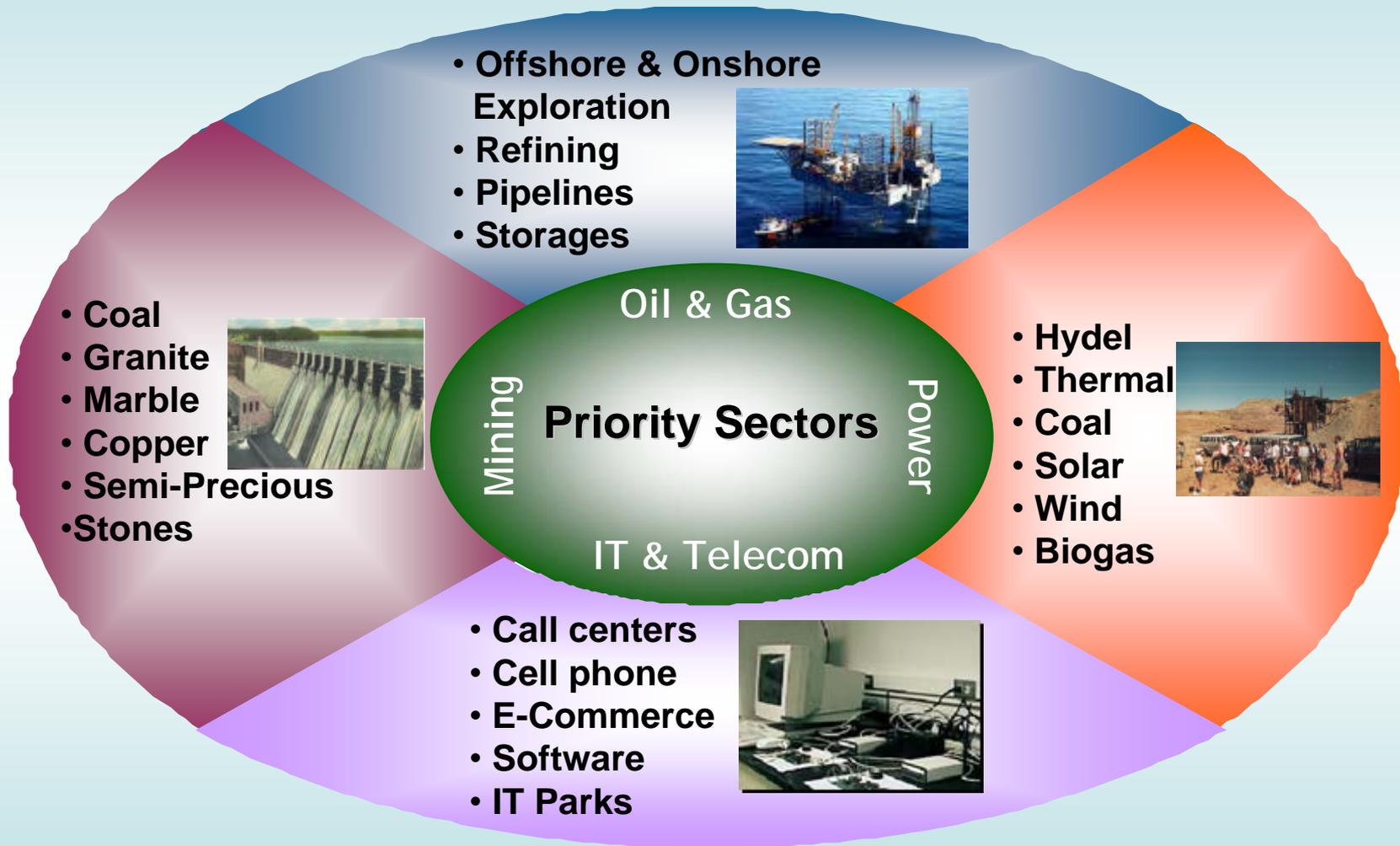
Recommendations for PPP Development in Pakistan

- Most of the infrastructure projects are viable economically but don't generate funds needed to attract private sector. In order to attract private sector there is a need to create different funds like Viability Gap Fund, Project Development Fund and Infrastructure Project Financing Facility Fund to finance projects which are otherwise economically viable but not financially

Special Economic Zones (SEZs)

- SEZ Act is being framed to create cluster of manufacturing investors with effective and efficient infrastructure to compete globally
- Tax Holidays
 - 10 years for Zone developers
 - 5 years for investors in the Zone
- Duty free imports of plant and machinery
- One window facility offered by BOI

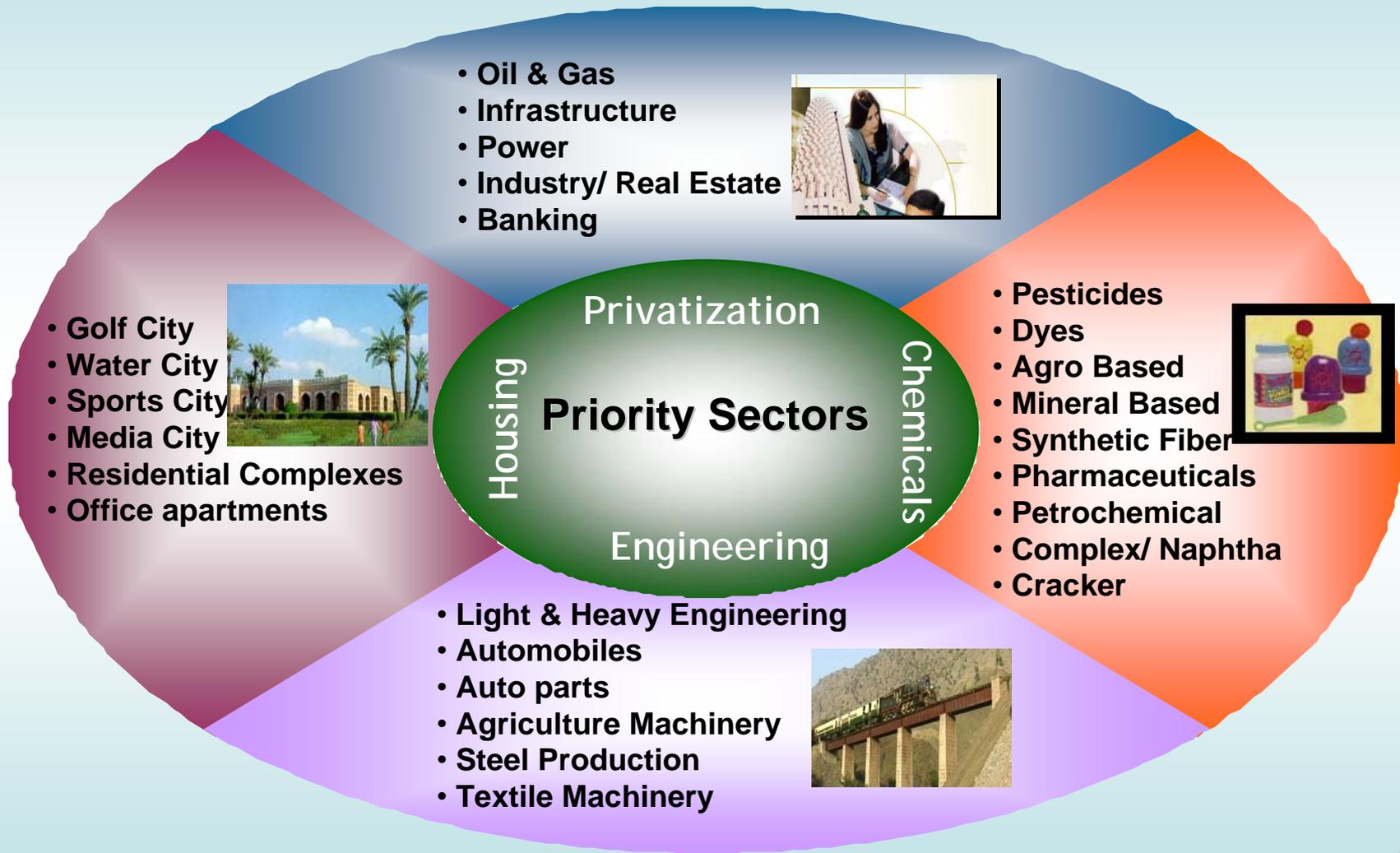
Investment Opportunities



Investment Opportunities



Investment Opportunities





Pakistan

The Preferred Investment Destination

