SPECIAL ECONOMIC ZONEs IN PAKISTAN

SEQUENCE

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Investment Policy

- Investment Policy 2013 is a sequel of Investment Policy of 1997
- Uniform treatment to local and foreign investments
- Up to 100% foreign ownership allowed except in specific sectors including airline, banking, agriculture and media
- Foreign investor is allowed to hold 60% stake in agriculture projects

Investment Policy

- 100% repatriation of investment; profits and dividends are allowed
- Foreign Companies are allowed to use borrowing facilities both from local and foreign banks
- Setting up Branch / Liaison offices allowed
- Work Visa facility available
- Visa on arrival allowed to 67 countries

SPECIAL ECONOMIC ZONE ACT 2012 (AMENDED IN 2016)

- SEZ Act passed by the Parliament in 2012 and subsequent amendments made therein in 2016 to make it more business friendly
- Special Economic Zone (SEZ) means geographically defined and delimited area which has been approved & notified by the Competent forum
- SEZs are allowed certain liberal fiscal incentives

Modes of Establishing SEZs

- SEZs can be developed by:
  - ✓ Public sector
  - ✓ Private sector
  - ✓ Public-Private Partnership basis
- SEZ Act 2012 provides for the establishment of SEZ anywhere in the country with **minimum 50 acres** of land
- 70% area is to be used for processing while remaining 30% as non processing area (hospitals, residence, vocational training institutes, etc.)

Main Incentives

(Fiscal Incentives)

For Developers:

- ✓ one time exemption from all custom duties and taxes on plant and machinery imported into Pakistan for the development, operation and maintenance of the SEZ
- ✓ Exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of five years, starting from the date of signing of the Development Agreement

For Zone Enterprises:

- ✓ One time exemption from all custom duties and taxes on imports of capital goods into the SEZ for installation therein;
- ✓ Exemption from all taxes on income for a period of ten years and five years after 30th June 2020.

Incentive Package (cont..)

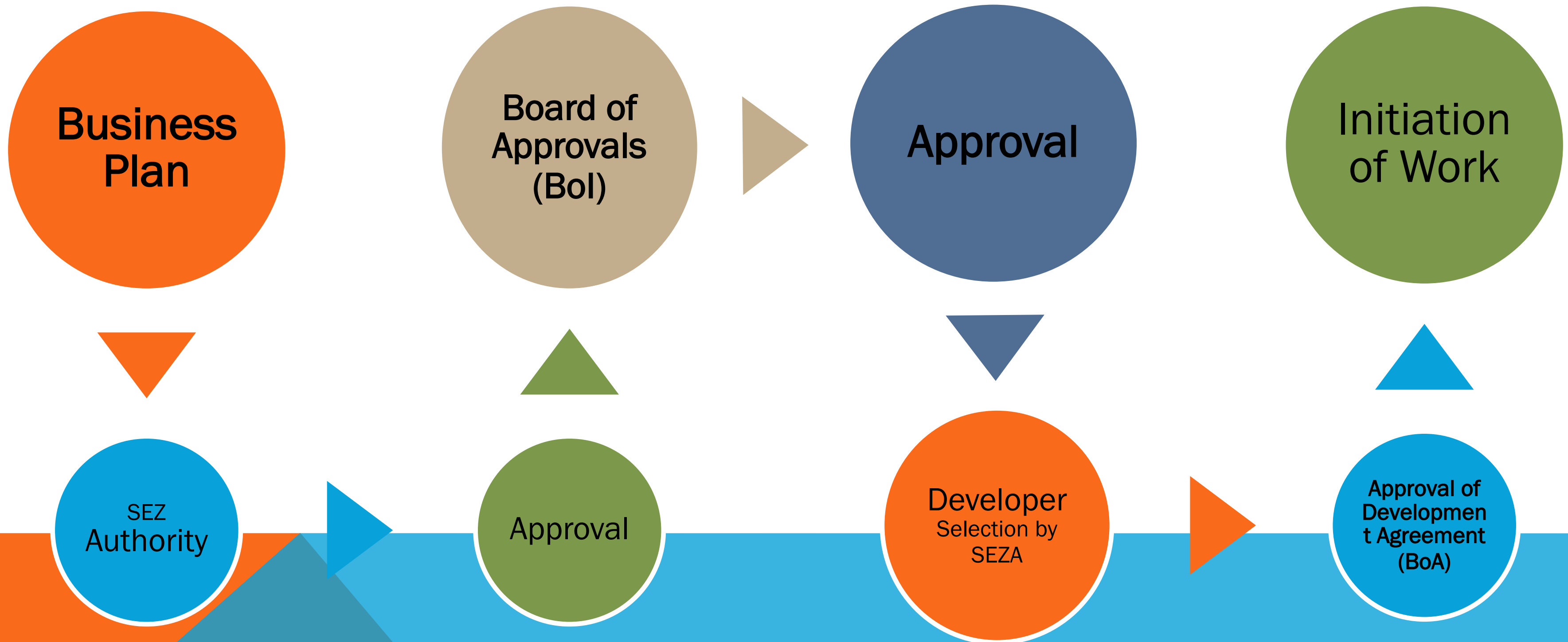
(General Incentives)

- Gas, electricity and other utilities will be provided at the zero-point of the Zones
- Captive power generation permissible to Developers of the Zones

Facilitation Services

- BoI to provide one-window facility within the Zones
- Provision of Security

DEVELOPMENT FLOW CHART



ZONE APPROVAL CRITERIA

- Zone shall have a minimum size of at least 50 acres;
- Not more than 30 % of the entire area of a SEZ shall be used for amenities (including commercial areas)
- Public-owned land, if used for SEZs shall be leased for a period of at least 50 years extendable for further period as laid down by the competent forum;
- Developers must undertake to comply with all environmental, labour and other applicable legislation in force in Pakistan;

ZONE APPROVAL CRITERIA

- Zone enterprises must begin construction of facilities within 06 months and assume business operations within 24 months of their approval
- There shall be no real estate activities in the zone. This would result to with-drawl of the title of land and termination of the Agreement; and
- Article of association of the Zone developer shall be approved by the Provincial SEZ Authority in accordance with the regulatory framework prescribed by BOA.

Role of BOI

a. Secretariat of BOA and Approvals Committee
b. Secretariat of SEZ Authority for ICT
c. Co-ordination of activities pertaining to SEZs, developers and zone enterprises
d. Processing zone application submitted by SEZ authorities for consideration of BOA
e. Processing applications for additional benefits
f. Reviewing development agreements
g. Domestic and international promotion of SEZ
h. Facilitating developers and enterprises during the whole business cycle

Prime Minister's Office
Board of Investment

THANK YOU

SEZ EXPERIENCE – WORLD WIDE

The SEZ model has been mix impact on the Industrial Growth

- *Success stories*

Dominican Republic created more than 100,000 manufacturing jobs.

Similar stories can be seen in Mauritius, Korea, Taiwan, Honduras, El Salvador, and Madagascar, and more recently in Bangladesh and Vietnam.

The recent success of Bangladesh underscores the importance of positioning to leverage its comparative advantage.

Bangladesh initially focused on high-technology investment. However, it only took off when it focused on the garments sector.

SEZ EXPERIENCE – WORLD WIDE

-*Failures*

The unsuccessful experience of zones in Africa to date highlights Following lessons in zone development:

- Strong commitment from government.
- Projects must be carefully designed based on clear strategic plans.
- Despite the concept of zones as enclaves, their success is almost fully entwined with the competitiveness of the national economy and the national investment environment.
- Many SEZs are operating in an environment of poor national competitiveness facing challenges in linking the zones and global markets, including critical infrastructure challenges regarding ports, roads, and electricity.

The authority responsible for developing Zones lacks resources and capacity and institutional authority.

SEZ EXPERIENCE – CONCLUSION

We need to adopt a more flexible approach in the most effective way to use the country's comparative advantage. This will require much broader policies than the narrow scope of any special-economic-zone programme alone, such as:

- Promoting skills development, training, and knowledge sharing;
- Promoting industry clusters;
- Supporting the integration of regional value chains; and
- Supporting public-private institutions, both industry specific and transversal.
- Most fundamentally, this will require a change in mindset away from the traditional reliance on fiscal incentives instead focusing on facilitating a more effective business environment to foster competitiveness, local economic integration, innovation, and social and environmental sustainability