



INVESTMENT CLIMATE IN PUNJAB

By:
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LOCAL & FOREIGN INVESTMENT...

- Is critical for economic development
- Enhances competitiveness by:
 - Transfer of technology
 - Strengthening infrastructure
 - Raising productivity and
 - Generating new employment opportunities
- Builds export potential
- Increase income and culture diversity



Challenges to Local Investment...

At present:

- **Access to formal finance,**
- **The cost of finance and**
- **Cumbersome loan procedures pose major challenges for rural entrepreneurs in Pakistan, particularly in terms of availing of long-term financing for investment purposes.**
- **Access and quality of electricity supply,**
- **Marketing difficulties and**
- **transportation-related problems also pose major obstacles.**

These obstacles have a negative impact on enterprise productivity, the level of investments made by existing firms and discourage the start-up of new enterprises.



Challenges to Foreign Investment...

- Increasing competition for FDI
- 150 national and many hundreds of sub-national IPAs globally.
- Economic regions are striving to be more demand driven

 - Targeted approach
 - Proactive Not reactive
 - Responsiveness to investor needs

- Competition is based on quality of services, reduced bureaucracy, facilities and infrastructure

Investors are looking for integrated solutions that enable profitable production, distribution and service activities capable of trading effectively in global markets



Summary of Administrative Procedures Faced by Foreign Investors

■ **Entry Approvals:**

- Company registration
- Initial bank deposit
- Tax office registration
- Foreign investment licensing
- Statistical office registration
- Social security registration



Summary of Administrative Procedures Faced by Foreign Investors

■ **Land, Site, Development, Utilities:**

- Access to Land
- Town planning certificate
- Site inspections and general approvals
- Building permits
- Electricity and Power connection
- Telephone and Gas
- Water and Sewerage



Summary of Administrative Procedures Faced by Foreign Investors

■ **Operation requirements:**

- Import-export intention and permits
- Import-export clearance process
- Foreign exchange control
- Fiscal situation certificate
- Health and safety inspections
- Labour inspections
- Social welfare plan payments



Meeting the Challenges...

- Punjab Government is cognizant of the fact that Private Sector development is the key to promote private investments, generate employment and reduce poverty.
- It is mindful that fostering a vibrant private sector by lowering the cost of doing business (including less red tape and corruption), lowering risks (through more secure property rights and less policy uncertainty) and lowering entry barriers will likely generate more employment and result in higher wages thereby having a positive impact on poverty




Meeting the Challenges...

- This would call for Addressing the constraints faced by non-farm business in villages and small towns as well as foreign investors.
- Punjab Government realizes that it has to develop Investment climate improvements that drive growth and is conducive to poverty reduction in a number of ways.
These improvements could also benefit the poor by reducing the costs of producing and distributing goods and services.



STRATEGIC POLICY INTERVENTIONS (FOREIGN AND LOCAL INVESTMENTS)

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- 1. CREATION OF A PSD FOCUSED DEPARTMENT.**
 - 2. PSD STRATEGY FOR PUNJAB**
 - 3. COST OF DOING BUSINESS SURVEYS**
 - 4. PUBLIC PRIVATE PARTNERSHIP CELL**
 - 5. FORMATION OF COMMITTEE TO WORK ON INSTITUTIONAL
MECHANISM TO FACILITATE FOREIGN INVESTORS**
 - 6. CREATION OF PUNJAB BOARD OF INVESTMENT AND TRADE (PBIT)**



1. CREATION OF A PSD FOCUSED DEPARTMENT

- **Punjab Government is committed to private sector growth and job creation by facilitating private sector development.**
- **The quality of policy and policy dialogue between public and private sectors has been and remains inadequate.**
- **The proposed merger of the Industries Department and the Commerce and Investment Department into an entity with a broader role and policy mandate provides an opportunity to address this issue.**



Broadly...

The PSD Department will mobilize government efforts to encourage, facilitate and support investors, owners and managers to develop competitive and profitable businesses delivering expansive job creation, & serving customers in Pakistan and abroad.



Core Functions of the new merged PSD dept.

Core Function 1:
Create Positive Business Environment

Core Function 2:
Support Business Activity Development in Punjab

Core Function 3:
Promote Domestic and Foreign Investment

Core Function 4:
Promote Domestic and International Trade



2. PSD STRATEGY FOR PUNJAB

- **DFID TAMA is helping the Government of The Punjab develop its PSD strategy, which describes the key “drivers” for success. This strategy is being developed through on-going dialogue with the public sector, the private sector and academia based on solid benchmarking and drawing upon international linkages that can help Punjab address gaps that are identified. This approach ensures ownership and underwrites successful implementation.**



Overarching Themes in the strategy

- **smart support, not subsidy, to support and generate private sector led growth (e.g., to cover interest costs on targeted investment loans or funding)**
- **design, enforce and monitor supportive policies and regulations where these are within the purview of Provincial decision-makers while advocating for greater devolution of policy and regulatory execution to the Province and advocating for more favourable policy reform at the federal level (e.g., the macro-economic framework)**



Overarching Themes in the strategy (Contd.)

- **Foster cluster development (micro-economic framework) with strong and well articulated value chains (big firms, retail brands and supermarkets will pull along other players in the value chain)**
- **diversify Punjab's markets within Pakistan and outside (e.g., improve domestic market policy and regulatory framework)**
- **manage multi-lateral and bi-lateral lenders and donors through better strategy and coordination while advocating for better terms on commerce and trade in lieu of aid**



3.COST OF DOING BUSINESS SURVEY

- Punjab Government through the Commerce & Investment department has been coordinating the efforts of World Bank along with USAID to conduct the Sub-national Doing Business (SNDB) surveys in 7 districts of Punjab.
- The new Sub-national *Doing Business in Pakistan 2009* report, to be published in August 2009, will be the first country specific and Sub-national report in Pakistan
- The mission visited Pakistan **09th-20th February 2009** to initiate the project. The sub-national project activities in Punjab included visit to Rawalpindi, Lahore, Sheikhpura, Multan, Gujranwala and Sialkot **(11-19 Feb 09)**



Benefits to Punjab of SNDB surveys

- Punjab will be able to benchmark its performance against relevant countries, regions and cities of the world
- Identify the problem areas
- Track changes in them and build recommendations for solutions
- Track progress on policy changes and results achieved
- Shares these regulatory improvements with national & international investors.
- The Doing Business project is expected to motivate reforms through country / regional benchmarking, informing the design of reforms, enriching international initiatives on development effectiveness.
- International investments and aid agencies are expected to rely on these numbers to identify hurdles and reformed areas.



4. PUBLIC PRIVATE PARTNERSHIP CELL

- A dedicated PPP Cell has been established in the P&D Department to facilitate the PPP mode of investments in Punjab
- It is headed by a ministerial committee with representation of key secretaries from various line departments of Punjab Government.
- PPP Cell will develop priority areas for development through PPP mode of investment.



5. FORMATION OF COMMITTEE TO WORK ON INSTITUTIONAL MECHANISM TO FACILITATE FOREIGN INVESTORS

- Chief Minister has formed a Committee to:

- Develop institutional mechanism for FDI
- Streamline laws/regulations/licensing
- Suggest evidence based information for
 - **Policy development** at provincial level
 - **Policy advocacy** with federal government



Legal Experts – Terms of Engagement

- To assist the Committee regarding the existing Foreign Investment Laws of Pakistan/Investment Policy and examine their impact on business;
- To Keep the Committee informed about general updates/amendments regarding Investment laws in Pakistan;
- To propose amendments and suggestions in the existing Investment laws;
- To examine procedural details and indicate barriers in Foreign Investment procedure in Pakistan and propose solutions accordingly.



Legal Experts – Terms of Engagement

- **To Examine Bilateral Investment Treaties and propose action plan for Punjab;**
- **To advise on Taxation, International Tax, Corporate Structuring, Complex Dispute Resolution & Foreign Investment and Joint Ventures;**
- **To propose mechanism for one window operation.**



6. PUNAJB BOARD OF INVESTMENT & TRADE (PBIT)

- PBIT has been recently formed as the focal agency for investment (both local & foreign) facilitation and promotion in the province
- While the Legal team is working on regulations
- PBIT is to work on
 - Investment promotion
 - Facilitation and Research
 - Act as a one window mechanism



PBIT will maximise effectiveness...

- Set as an autonomous agency – *Inline with best practises*
- Reporting to the head of government – *Inline with best practises*
- Have private sector participation in the board – *Inline with best practises*
- Have capacity to employ staff with private sector experience – *Inline with best practises*
- With adequate financial resources and no user fees – *Inline with best practises*
- One window Facilitation – *Inline with best practises*



CONCLUSION

- **The Government of Punjab is not only aware of the constraints to the development of private sector and investments in the region, it is adequately geared to address these constraints in an effective manner.**

PERSISTENCE NOT PERFECTION IS THE KEY

- **No country has a perfect investment climate, focusing on the important constraints and thereon development of a sustainable process of improvements is of utmost importance.**
- **Punjab Government has chalked out its priorities and it hopes to maintain the momentum required to undertake these changes which is actually essential for addressing the identified constraints**



THANK YOU