

Investment Policy Statement of the Government of the Province of Punjab in Pakistan

I. Preamble

The Government of the Province of Punjab in Pakistan (GoPunjab) wishes to encourage private sector investment in the Province of Punjab to help meet its development goals, in particular accelerating private sector investment and creating jobs, as declared in the *Punjab Growth Strategy 2018: Accelerating Economic Growth and Improving Social Outcomes* and support national goals, as outlined in *Pakistan Vision 2025*. The 18th Amendment to the Constitution of Pakistan, passed by the National Assembly on April 8, 2010, which shifts the structural contours of the State from a heavily centralized to a predominantly decentralized federation, has given provinces in Pakistan authority to regulate relevant policy areas, including the ones related to the creation of business environments conducive to investment. Using this authority, the Province of Punjab will strive to design and implement a reform agenda to promote domestic and foreign investment in the Province and maximize the benefits from it. This Investment Policy Statement outlines the first phase of reforms to be implemented by GoPunjab, with subsequent phases to be developed and implemented following the completion of this phase.

GoPunjab recognizes and appreciates that both domestic and foreign private sectors have important roles to play in contributing to its development goals. In particular, GoPunjab recognizes that foreign direct investment, as well as non-equity modes of investment, the latter referring to contractual relationships between foreign and domestic investors in the form of franchising, licensing, contract manufacturing, services outsourcing and other similar forms, can bring multiple benefits to the domestic economy. These benefits include the injection of additional capital, the creation of employment, including high-skilled jobs, the transfer of technical and managerial know-how, and improved access to international value chains and distribution networks of multinational enterprises.

GoPunjab views the continuous upgrading of the business environment in the Province of Punjab as an important pre-requisite for attaining goals of the Punjab Growth Strategy 2018 and the Pakistan Vision 2025 this vision. It is committed to creating an investment climate conducive for domestic and foreign investment that generates positive effects on the domestic economy aimed at producing an “economically vibrant, industrialized and knowledge-based Province, which is prosperous and where every citizen can expect to lead a fulfilling life”, as stated in the *Punjab Growth Strategy 2018*.

GoPunjab’s vision, set out in the *Punjab Growth Strategy 2018*, is for investment to support private sector-led economic growth, with a focus on employment generation and export growth. In that context, investment in the development of infrastructure services, such as electricity generation, which due to the 18th Constitutional Amendment is of concurrent authority, transport and logistics, is important as it underpins all private-sector activities and supports exports and export-oriented investments. Reforms undertaken will be aimed at increasing the attractiveness of the Province of Punjab for all types of investment, but in particular for investments aligned with this vision.

The objectives of these reforms will be achieved by:

- (a) Providing an efficient, effective and transparent system for attracting and carrying out investment;
- (b) Improving and modernizing the legal framework for investment, to the extent it falls under the jurisdiction of the Province of Punjab; and
- (c) Promoting the development and application of good international standards and best practices regarding investment.

II. Good investment policy principles

Using as guidance good practices found in international investment agreements to which Pakistan is a Contracting Party and in line with Pakistan's Foreign Private Investment (Promotion and Protection) Act of 1976 and in the Furtherance and Protection of Economic Reforms Act of 1992, GoPunjab will endeavor to implement in a consistent manner the core guarantees which are fundamental when investors make a decision to invest or reinvest in a given location.

In pursuit of investment policy reforms, GoPunjab will endeavor to promote the following key international principles in investment policy:

- Ensure non-discrimination between domestic and foreign investors. Accord to all foreign investors and investments in relation to the establishment, expansion, operation, and protection of their investments treatment no less favorable than that accorded in like situations to domestic investors, with exceptions as provided for in domestic laws, regulations and policies.
- Safeguard non-discrimination among foreign investors: Treat establishment, expansion and operation of investors and investments from one country no less favorably than that accorded to investors from any other economy in like situations, without prejudice to relevant international obligations and principles.
- Ensure effective property protection: Safeguard all investments from expropriation, or from measures taken that will have a similar effect, except when such expropriation is for a public purpose and on a non-discriminatory basis, in accordance with national laws and principles of international law, and against the prompt payment of adequate compensation.
- Pursue good regulatory practices: Ensure that all laws, regulations, administrative guidelines and policies pertaining to investment are enacted following proper notice and consultation and are available publicly in a prompt, transparent, and readily accessible manner.
- Promote effective investment retention: Implement effective mechanisms to manage investors' grievances in order to foster confidence, ensure that investment is retained, and increase regulatory and administrative transparency.

- Use “smart” incentives when needed and promote full transparency in awarding incentives: Encourage the use of “smart” incentives when needed aimed at attracting domestic and foreign investment, as well as fostering investor behaviors in response to key public policy objectives; produce a consolidated inventory of investment incentives; and ensure adherence to the principles of accountability, non-discrimination, clarity and transparency in the process of granting incentives to investors.
- Maintain environmental and social standards: Strive to ensure that all labor, health, safety, and environment regulations are adhered to by domestic and foreign investors.
- Ensure that distortive performance requirements are not adopted. Performance requirements that distort or limit the expansion of trade and investment are not introduced or adopted.
- Facilitate entry and sojourn of personnel: Facilitate the entry and sojourn of foreign technical and managerial personnel and their families for the purpose of engaging in activities connected with foreign investment.
- Pursue high standards of governance: Endeavour to combat corruption at all levels and strive to ensure that all public agencies maintain high standards of governance.

III. Reform action plan

Taking into account the good investment policy principles outlined above, Government of Punjab will implement the first phase of a reform action plan during 2016-2018, aimed at advancing its vision for domestic and foreign investment. This action plan will be supported by technical assistance in investment policy reform provided by the World Bank Group in the context of the Punjab Investment Climate advisory project.

Competition for investment and changing global circumstances necessitate a dynamic investment policy framework. To ensure responsiveness to the ongoing changes in the global economy, subsequent phases of reforms and reform action plans will be developed and implemented.

1. Develop a modern investment promotion and retention strategy and delivery framework

Government of Punjab will enhance and implement a modernized investment promotion and retention strategy, incorporating the most up-to-date elements and accompanied by an effective delivery framework.

In this context, Government of Punjab will undertake the following actions:

1. Enhance and modernize the investment promotion and retention strategy

Government of Punjab will update the investment promotion and retention strategy, clearly articulating the roles of domestic and foreign investment towards achieving its vision for

investment and the strategy for achieving it. The strategy will differentiate between different types of investment, as well as sectors, to be targeted for investment attraction. The strategy will give greater clarity to the roles and responsibilities of key provincial agencies involved in investment promotion and facilitation. A robust monitoring and evaluation system will be developed and implemented to give GoPunjab the tools to track progress against set goals.

2. Enhance delivery of the investment promotion and retention strategy

The updated investment promotion and retention strategy will be complemented by a delivery framework and implementation plans with key performance indicators for ensuring adequate results and impacts.

3. Engage in proactive investment promotion through the Punjab Board of Trade and Investment

GoPunjab will take actions to enhance and upgrade the investment promotion functions of the Punjab Board of Trade and Investment and ensure their effective implementation. Proactive investment promotion will follow good practices, such as sector targeting and aftercare.

4. Leverage Pakistan's free trade agreements

GoPunjab will leverage Pakistan's free trade agreements to take advantage of market access for encouraging export oriented investments. In that context, GoPunjab will ensure compliance of the Province with the social conventions of GSP Plus.

5. Develop an inventory of all existing fiscal and non-fiscal incentives

GoPunjab will develop and publish an inventory of all incentives currently offered to investors in the Province of Punjab. This inventory will be updated periodically to ensure that it remains current. Incentives will be revisited periodically to ensure that they are effective, well aligned with the public policy goals and awarded in accordance with principles of transparency.

6. Encourage investment retention through improved investor confidence

GoPunjab will implement mechanisms, such as an investor grievance management tracking tool, and systemic responses following good practices to address concerns and grievances that investors face during the conduct of their business in the Province of Punjab. GoPunjab's efforts to resolve grievances will boost investor confidence, help retain investment and encourage existing investors to expand operations, while addressing systemic issues in public sector agencies of the Province of Punjab.

7. Encourage the development of high growth clusters and skills

GoPunjab will create a fund to improve the capabilities of small and medium-sized enterprises in the Province's potential high growth clusters and a training fund to finance quality improvements in the training provided by firms to their workers.

8. Simplify and modernize business regulations

GoPunjab will develop an inventory of business regulations, including permits and licenses, and a mapping of related administrative procedures with the objective of simplification of the regulatory framework and streamlining of individual regulatory processes. GoPunjab will modernize business inspection regimes so that regulatory enforcement is enhanced in a way that meets societal objectives, while making it easy for businesses to comply. GoPunjab will leverage information technology, including automation, to improve functioning of regulatory interfaces.

9. Reduce administrative costs by streamlining processes and procedures

GoPunjab will take actions to ensure improvements in the required processes and procedures followed by investors, addressing in particular the areas of entry and establishment and investment operations. These actions will aim at closing the gap between procedures specified in laws and regulations and their de facto implementation. GoPunjab will implement reforms to reduce the costs and risks of doing business in Punjab and will support improvements in those Doing Business Indicators that are under the purview of the Province. By streamlining processes and removing unnecessary steps, GoPunjab will minimize administrative barriers and will strive to ensure an investor-friendly business environment.

10. Enhance regulatory governance and transparency

GoPunjab will establish processes for stakeholder consultation on proposed laws and regulations, reporting on the results of such consultation, use of evidence and analysis in formulating new regulations, making information on existing regulations and procedures easily available, and obtaining regular feedback from businesses on the quality of the regulatory interfaces.

11. Engage in dialogue with the private sector

GoPunjab will put in place a mechanism for structured, inclusive and results-oriented dialogue between government and the private sector, such as a PPD Council, supported by a well-resourced secretariat.

12. Coordinate effectively and support investment climate reform implementation

GoPunjab will make operational the Investment Climate Reform Unit (ICRU) to help specify and prioritize investment climate reform recommendations, assign responsibilities for implementation within the provincial government, monitor implementation progress, identify and address implementation bottlenecks and coordinate reform actions across government agencies. As part of its responsibilities, ICRU will coordinate investment policy reforms to ensure their prompt and timely adoption and implementation. ICRU will lead the investment policy reform effort through own assessments and recommendations.