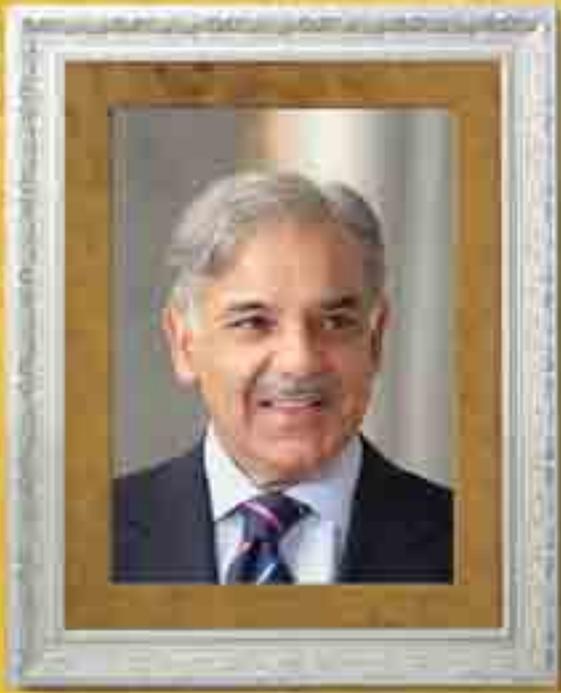




THE MAGNIFICENT  
**PUNJAB**  
INVESTMENT GUIDE 2012

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## Chief Minister Punjab's Message

Punjab has been firmly put on a path of high economic growth and is moving up quickly on the ladder of progress. It is becoming a progressively more significant player on Asia's economic map and is soon expected to exceed Sri Lanka, Nepal and Bangladesh in terms of the value of its Gross Provincial Product. Punjab's GDP stands at USD 286 Billion and its share in total GDP is over 60%. With a large population pool of 96 Million, Punjab is the most industrialized province of Pakistan. Today Punjab, being at the centre of economic activities is the epitome of the continuous efforts of its people and the Government to reach high standards in education, medical facilities, roads and mega infrastructure of science and research.

Punjab believes in free trade where there are no restrictions against exports or imports. Punjab also welcomes foreign direct investments (FDIs) and does not restrict the repatriation of profits and capital. Due to prudent economic policies in Punjab, it's economy has turned out to be more resistant to the recession and better managed than most of the world's developing regions. The pragmatic approach to financial management that Punjab has adopted has helped it to achieve an average growth rate of 6%.

As a largely agrarian province which sustains itself, Punjab offers abundance in food crops and livestock produce. Punjab produces exportable quality rice, cotton, wheat, dairy, meat and is rich in various mineral resources especially salt, iron ore and coal. Punjab also has the advantage of having the lowest transportation cost and a huge pool of skilled labor force which makes doing business in the region very cost effective. Punjab has historically been the hub of democratic forces supporting industrialization and a stable judiciary making it the safest region in Pakistan to invest in.

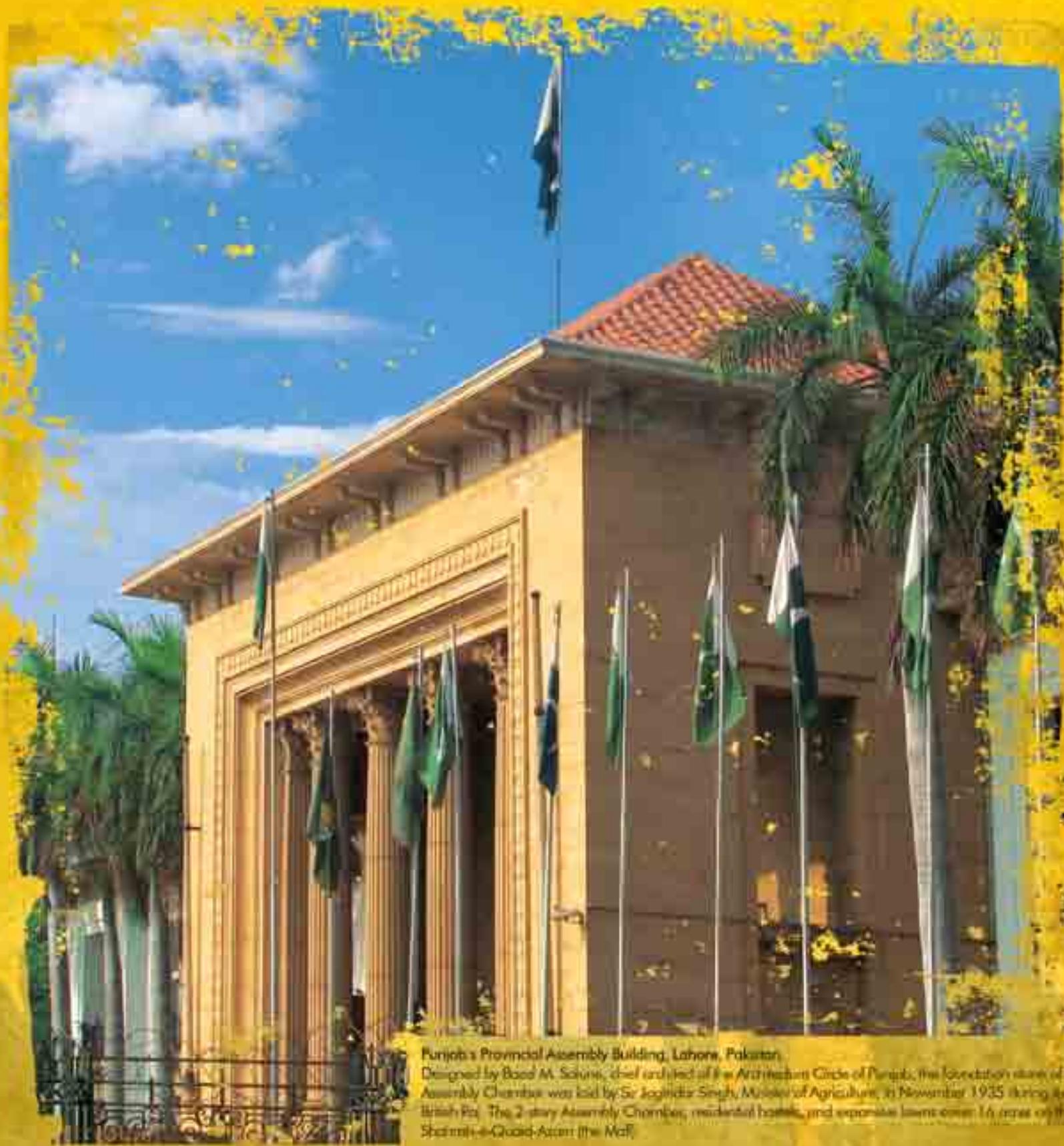
Much is being already done to help Punjab realize its potential in various sectors like dairy, livestock, mining and agriculture. Punjab is also looking forward and trying to explore new possibilities with local and foreign stakeholders to develop the local IT and pharmaceutical industries. Overall service delivery in education and health has also improved and so has the development of transport and other infrastructural facilities. The laptop scheme to distribute 125,000 laptops to students on an annual basis for the next three years and the Bus Rapid Transit system in Lahore are just a few such achievements worth mentioning.

In order to bring about development in the region and to attract local and foreign investment an institute has been specially established by the Punjab government called Punjab Board of Investment and Trade (PBIT) for which a team with global expertise and vision has been recruited.

Punjab is currently a hot zone for international and local investors to tap the available opportunities that this province has to offer and the vision of Punjab Government is to increase business in this province so that its people can enjoy economic prosperity and high living standards in the years to come.



(Muhammad Shahbaz Sharif)



Punjab's Provincial Assembly Building, Lahore, Pakistan.

Designed by Bood M. Sakina, chief architect of the Architects Circle of Punjab, the location stone of the Assembly Chamber was laid by Sir Joginder Singh, Minister of Agriculture, in November 1935 during the British Era. The 2-story Assembly Chamber, residential hostel, and extensive lawns cover 16 acres on the Shaheed-e-Quaid-Azam (the Mall).



## Vice Chairman's Message

Punjab covers an area greater than England, Netherlands and Belgium put together and home to more inhabitants than the population of all three countries combined. It is the most developed province of Pakistan, which is rightly known to be rich in many natural resources along with having a huge population, cheap skilled labour, low transportation cost and easy laws for doing business. Punjab is an economy of 286 billion dollars in purchasing power parity terms. Its sizeable population of over 96 million continues to urbanize and create demand for improving the living and social standards.

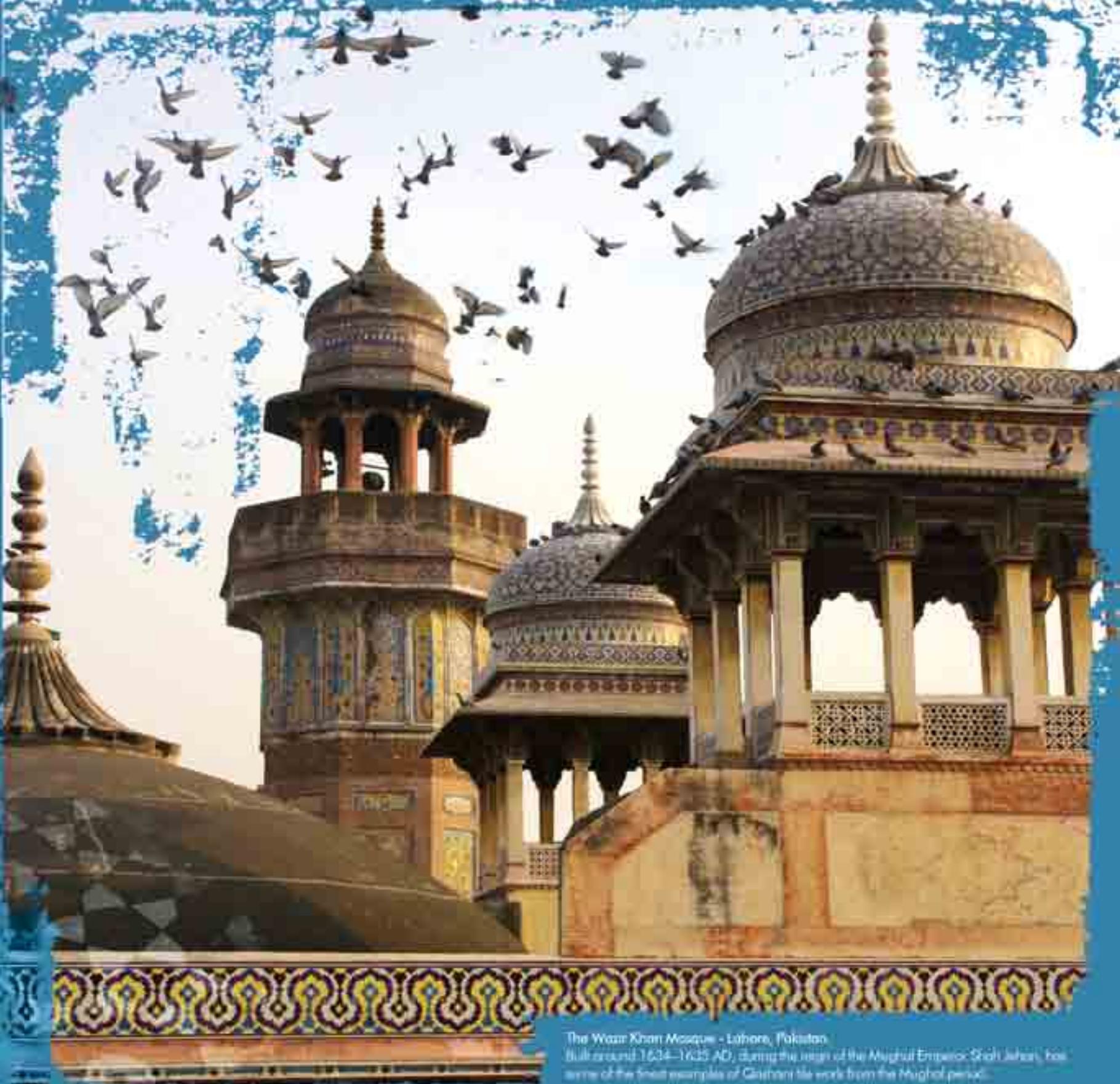
The advantageous combination of four diversified seasons, rich irrigated soil deposited by five rivers over centuries and an abundant, hardworking workforce places Punjab in an enviable position as a potential food surplus region. In fact, over the last 3 years, owing to high support prices and the global commodity price boom, Pakistan has witnessed net capital transfers from the urban to the rural economy as well as net wealth transfer from abroad in the form of record export growth. Pakistan is also ranked at par with China and ahead of India and many of its regional peers by the World Bank's ease of doing business indicators. Yet this potential remains underutilized and the limitless opportunities remain untapped.

Large investment opportunities remain available for investment in power production, financial services, development of urban and transport

infrastructure, food processing, retail, entertainment industry and many others, the demand for which keeps growing by leaps and bounds each year. Meanwhile the banking sector remains robust and well capitalized. Pakistan also boasts best in class legislation and regulatory frameworks covering private power production, telecom, banking, stock exchanges and for public private partnership.

Our mandate at Punjab Board of Investment and Trade (PBIT) includes not just helping create new investment but also redressing the grievances of existing investors and businesses. This investment guide has been specially compiled for answering questions in the minds of those investors who want to enter this region for the first time. My team and I look forward to discussing the business opportunities of interest with you and to help your business get a head start in Punjab.

  
(Dr. Arshad Simran)



The Wazir Khan Mosque - Lahore, Pakistan

Built around 1634-1635 AD, during the reign of the Mughal Emperor Shah Jahan, has some of the finest examples of Glazebrook tile work from the Mughol period.



COLOURS OF

# PAKISTAN





## INTRODUCTION



**Top to Bottom:** Shahjahan Mosque, Thatta  
Marine Creek (Under Construction) Karachi

Pakistan extends along either side of the Indus River, following its course from the high mountain valleys of the Himalayas down to the Arabian Sea covering an expanse of 796,095 square kilometres. It is bordered by India, China, Afghanistan and Iran. In Urdu the word Pakistan means the Land of Pure.

Pakistan boasts of a diverse and rich cultural heritage. Home to the 5,000 years-old Indus Valley civilization, the Indus plain has always been a melting pot of cultures and civilizations. Our cultural diversity is illustrated by the Buddhist, Hindu, Arab, Central Asian, Persian, and European traditions that make our culture what it is. Internationally famous heritage sites such as the archaeological ruins at Mohenjo-Daro and Harrappa, Buddhist Ruins of Takht-i-Bahi, Neighbouring City Remains at Sahr-i-Bahlol, and Mogul edifices in Lahore, are testaments of our rich cultural heritage. Today, Pakistan is a democratic country determined to keep pace with the modern world, but proud of its rich cultural legacy.

Pakistan is a federation of four provinces, viz., Baluchistan, Khyber Pakhtunkhawa, Punjab, and Sindh, with Islamabad as the capital territory. Pakistan is blessed with some of the most breathtaking and varied geography anywhere in the world, constituting some of the highest mountains, plateaus and lakes in the world, glaciers, deserts, alpine forests, and a thousand kilometre-long coastline. It is one of those rare lands which enjoys four distinct seasons in a year, rendering, among other things, a unique flavour and quality to its

agricultural produce.

Home to over 180 million people, Pakistan is the 6th most populous nation in the world. A dynamic population with an annual growth rate of 2%, about 60% of its inhabitants are between the age of 15 and 65<sup>1</sup>. Having a relatively young population, and a fast growing middle class, our people are the real asset of our country. Pakistan has the world's 10th largest labour force, estimated to be over 57 million (2010-11).<sup>2</sup> Pakistan produces highly-qualified and skilled labour in various fields, who are normally able to speak more than one language. Pakistani Diaspora has made a place for itself around the world, helped in part by the fact that English is the formal language of communication and education in the country.

Agriculture is one of the pillars of the economy of Pakistan, with wheat, cotton, rice, millet and sugarcane being the major crops. It also produces and exports fruit crops including mangoes and citrus. Other main exports of this country comprise cotton, textiles, leather, apparel and cereals; in the last few years software and other IT related services are also showing resilient growth. Pakistan has extensive natural resources that include coal, natural gas, salt and iron ore. Pakistan is quickly diversifying to an industry and services driven economy.

<sup>1</sup> Pakistan Economic Survey 2011-12

<sup>2</sup> Pakistan Economic Survey 2011-12

# ECONOMIC HIGHLIGHTS

The economy of Pakistan has shown resilience and has fared well overall despite a global meltdown. Major highlights of the economic performance are enlisted below:

## ECONOMIC HIGHLIGHTS OF PAKISTAN 2011-12<sup>1</sup>

- The GDP of Pakistan is estimated at USD 488 billion (Purchasing Power Parity basis), and with an estimated GDP growth rate of 3.7% in fiscal year 2011-2012, making it the 28<sup>th</sup> largest economy in the world.
- The GDP composition by sector is agriculture 20.9%, industry: 25.8% and services: 53.3% (est.)
- Population of Pakistan is estimated 180.71 million during the year 2011-12. Population growth rate is 2.03 percent in 2011-12 while it was 2.05 percent in 2010-11. Pakistan is witnessing rapid urbanization, the population in urban areas increased from 65.3 million in 2010-11 to 67.5 million in 2011-12.
- The total labor force has increased from 56.33 million in 2009-10 to 57.24 million in 2010-11.
- Exports witnessed a strong performance in 2011-12 attaining a level of \$ 25 billion showing a growth of 30 percent. Imports grew by 14.5 percent and stood at \$ 33.1 billion during July-April 2012.
- Pakistan's foreign exchange reserves stood at USD 15.3 billion at the end of June 2012.
- Worker's remittances increased to USD 10.88 billion in July-April of 2011-12, as against USD 9.05 billion in the comparable period of last year, registering a positive growth of 20.23 %.
- Foreign Direct Investment in Pakistan stood at USD 813 million during 2011-12.
- Agriculture registered a growth of 3.13 % against 2.38 % last year. The major crops including Cotton, Sugarcane and Rice witnessed growth in production of 18.6 %, 4.9 % and 27.7 % respectively.
- This performance was dominated by Finance and Insurance at 6.53 %, Social and Community Services 6.77 % and Wholesale and Retail Trade 3.58 %. The contribution of transport, storage and communication is estimated at 1.25 %.

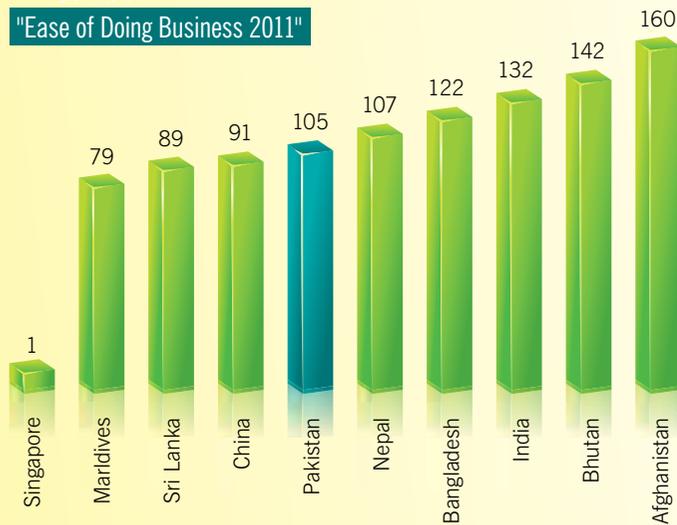
<sup>1</sup> Economic Survey of Pakistan 2011-12

## PAKISTAN ECONOMY ON THE RISE

The World Bank has forecast firm recovery in Pakistan's economic growth over the next two years, estimating that the growth is expected to be 3.8 % and 4.1 % in fiscal years 2012-13 and 2013-14. According to the report, "there are signs of an uptick in Pakistan and the inflation rate is expected to fall. Recent progress on reducing barriers to intra-regional trade in South Asia, if sustained, could expand markets within the region and bring significant benefits, in particular to South Asian economies other than India".<sup>1</sup>

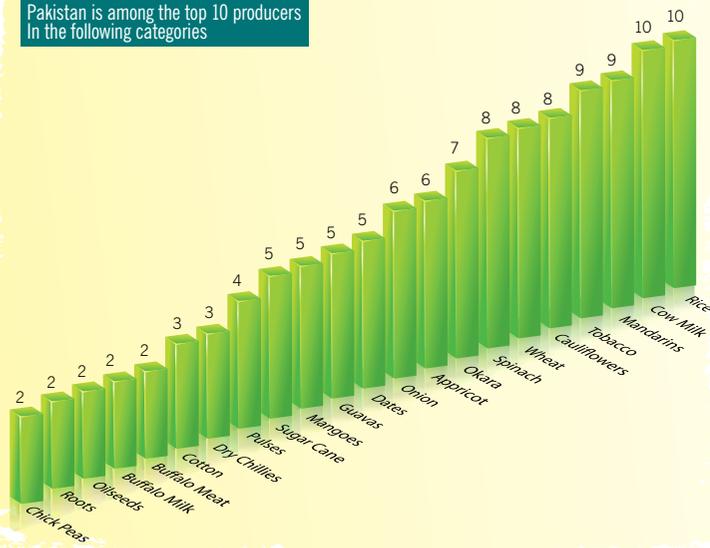
<sup>1</sup> World Bank Report on Global Economic Prospects 2012

## "Ease of Doing Business 2011"



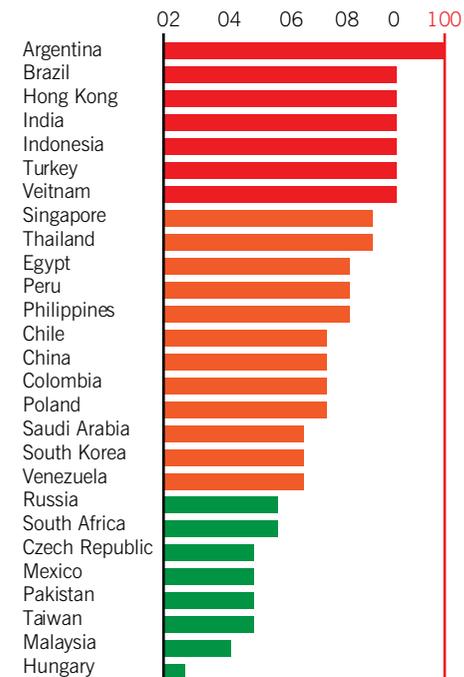
The World Bank recognized Pakistan, in Ease of Doing Business as being next to China and better than Nepal, Bangladesh, India and Bhutan in its annual 'Doing Business' report 2011.

## Pakistan is among the top 10 producers in the following categories



## The Sizzling seven

Emerging-market overheated index\*, Latest  
Maximum risk-100



\*Based on inflation, GDP growth, unemployment, credit growth, real interest rates and change in current-account balance

Sources: The Economist: national statistics: IMF

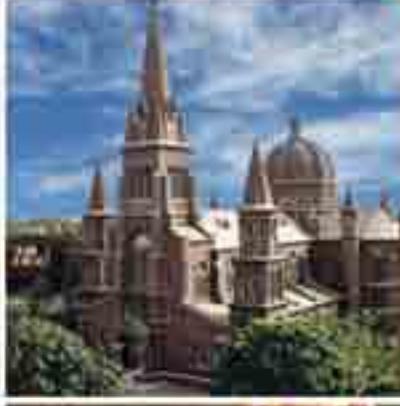
Intracative: Compare these emerging economies across six different indicators at [Economist.com/overheat](http://Economist.com/overheat)

## A PERFECT INVESTMENT DESTINATION

Based upon a report on overheating and emerging economies by "The Economist" in 2011 Pakistan has been pronounced as a green economy which means there is immense potential and opportunities for investment and business in Pakistan as compared to other emerging economies which includes India, China, Singapore, Hong Kong and Argentina.

The survey included 27 emerging economies, each economy's temperature was observed keeping the six indicators in view (Prices, GDP, Jobs, Credits, Interests and Account Balance). The red-hot economies (as shown in the chart) have come to a point of saturation while the Luke Warm economies are on their way of growing out from their capacity for further growth. Pakistan, according to this study, is a fertile economy- an unsaturated market with ample of growth potential.







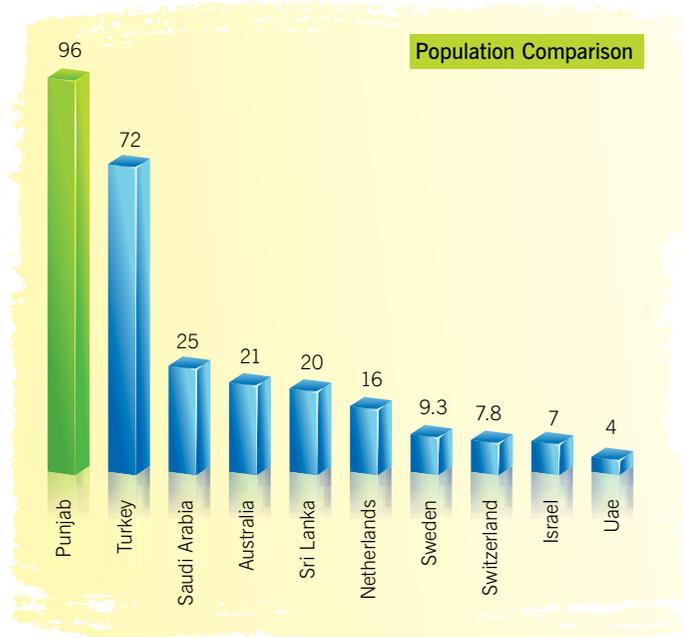
# LAND, HISTORY & PEOPLE

Punjab, spread over an expanse of 205,344 square kilometres, is situated at the heart of the communication arteries connecting it to vital players of the emerging global economy like India and China.

Punjab is the most populous province of Pakistan with approximately 98 million inhabitants, which is about 55% of the country's total population. It is also the most developed province in the country. Lahore the capital of Punjab is its administrative and economic hub.

Punjab has 9 administrative divisions namely; Bahawalpur, Dera Ghazi Khan, Faisalabad, Gujranwala, Lahore, Multan, Rawalpindi, Sahiwal and Sargodha Division. These divisions are further divided into administrative districts.

The province is home to five rivers and the name "Punjab" literally means Land of the Five Rivers. These rivers, Beas, Chenab, Jhelum,



Ravi, and Sutlej, create the fertile alluvial bed of Punjab. All rivers are tributaries of the great Indus River, with the River Jhelum being the largest. Punjab is Pakistan's only province that shares boundaries with all other provinces.

It also houses the federal enclave of the capital city of Islamabad. Punjab also shares a common international border with Indian states of Punjab and Rajasthan on the east. Punjab is the most prosperous region of the country with well-developed agriculture, industry and infrastructure.

Punjab boasts of a rich cultural heritage as well. It ensconces the magnificence of the Buddhist, Mogul and British architecture and its capital Lahore is known as the cultural and food capital of Pakistan. For centuries, Punjab has nurtured religions, music, literature, mysticism and celebrated its ethnic and cultural diversity. Punjab's strategic location has lured scholars, sufis, travellers and empire-builders over the millennia, who in their wake have left a unique culture imbued with unparalleled hues and richness.

Punjab has a varied landscape and a great many talents. Inhabited with hardy and industrious people it is blessed with a fertile and varied topography from the serene plains and deserts of central and southern Punjab to the hills in the north.

The province is a mainly a fertile region along the river valleys, while sparse deserts can be found near the border with India and Baluchistan. The Indus River and its many tributaries traverse Punjab from north to south. Punjab has the world's largest manmade contiguous canal network irrigating 14 million hectares. Total length of the canals is about 61,000 km with communal watercourses, farm channels, and field ditches covering another 1.6 million km.<sup>1</sup> Weather extremes are notable from the hot and barren deserts in the south to the cool hills of the north. The foothills of the Himalayas bind the extreme north of the province.

Punjab is called the food basket of Pakistan. The renowned Basmati

<sup>1</sup> Agriculture Department, Government of Punjab.

Rice is an indigenous variety of rice produced in Punjab. It also produces a bewildering variety of fruits, vegetables and grains. With a traditionally strong agricultural base, the economy of Punjab has fast evolved into an industrial and service based economy.

Other than the capital city of Lahore, other prominent cities in Punjab include: Faisalabad, known for the world's best textile production base; Sialkot, producing renowned surgical, leather, sports goods\*, and light engineering products; Multan, home to the world's finest mangoes and blue pottery; Sahiwal; housing the largest milk and meat producing livestock herds; Wazirabad, producing the finest quality cutlery products; and Sargodha, land of globally famous citrus.

*\* Pakistani footballs, of course, have a long history of being kicked around in Football World Cup tournaments. From the iconic Telstar (which was the first designated official game ball, at the 1970 Mexico World Cup and then at the 1974 World Cup in Germany) to the even more iconic Tango (the official ball of the 1978 and 1982 World Cups in Argentina and Spain), and even at the last World Cup in 2006 in Germany, hand-stitched, high-performance from Pakistan came from Sialkot - through Adidas, the official providers of match balls to the FIFA World Cups.*

## PUNJAB TODAY

Proud of a rich heritage, Punjab is equally contemporary. In addition to a vibrant cultural life, availability of modern amenities adds to the convenience of living, and makes it an exciting place.

### EDUCATION & LITERACY

Punjab possesses a well-developed education infrastructure and most the advanced educational resources in Pakistan. It has over 44,000 primary schools, 75,000 middle schools, 48,000 high schools, 1,800 intermediate and degree colleges and vocational training institutes, and over 50 professional universities. According to the Pakistan Social and Living Standard Measurement (PSLM) Survey 2010-11, the literacy rate in Punjab is around 60%, and rising fast.<sup>2</sup>

### COMMUNICATION INFRASTRUCTURE

The transportation infrastructure in Punjab covers a well connected network of highways, roads, railways, dry ports and aviation, laid throughout the province. A modern motorway network and urban ring roads represent the developed infrastructure in the province. Punjab has 2,659 km of national highways or motorways.<sup>3</sup>

Out of the 13 operational international airports in Pakistan, 7 lie within Punjab. Most major regional and international airlines operate from Punjab. Most major cities of the Middle East, Far East, and Europe are a direct flight away.

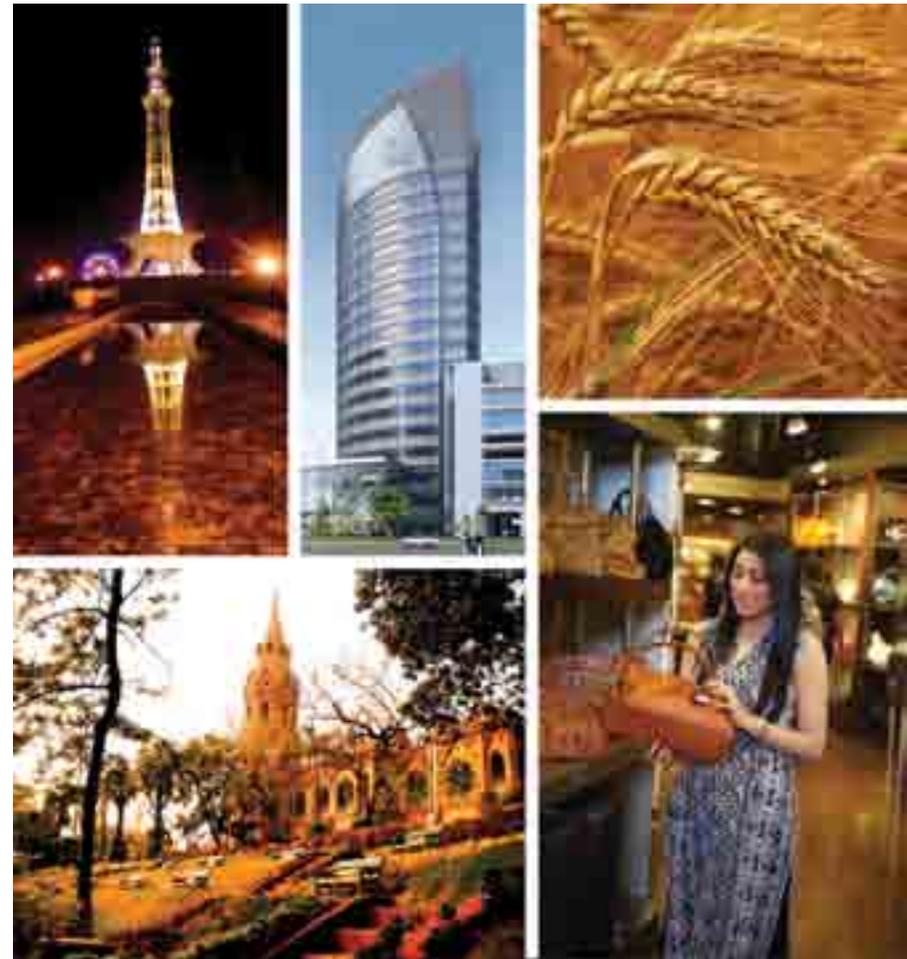
The telecommunication infrastructure in Punjab is one of the most

advanced in the world. Annual cellular subscribers have reached almost 120 million in Pakistan and the share of Punjab in number of cellular subscribers has risen significantly from 50 % to 62 % over the last decade. High speed internet and broadband services are available all across Punjab.<sup>4</sup>

### LIVING IN PUNJAB

There is a vast network of health care facilities available at primary, secondary and tertiary levels. Punjab has exceptional quality of specialist doctors and hospitals available in major cities.

Recreational facilities such as parks, sports clubs, golf clubs, cinemas, theatres, exquisite local and international cuisines, and modern shopping arenas enrich the living experience.



**Clock Wise:** Minar-e-Pakistan, Lahore | Arfa IT Tower, Lahore  
Wheat Field | Mall of Lahore | Government College University, Lahore

**Opposite Page:** UNESCO World Heritage Site,  
Shalimar Garden, Lahore

<sup>2</sup> Highlights of the Pakistan Economic Survey 2011-12

<sup>3</sup> Planning & Development Board, Government of Punjab.

<sup>4</sup> Pakistan Telecommunication Authority

## BEYOND BUSINESS

Punjab Thrives in Arts and Letters,  
Science and Sport

**Allama Muhammad Iqbal** (November 9, 1877 – April 21, 1938), was a philosopher, poet and politician in British India who is widely regarded as having inspired the Pakistan Movement.

Pakistani, Indian and other international scholars of literature admire Iqbal as a prominent classical poet. He is most appreciated for his Persian work. Along with his Urdu and Persian poetry, his various Urdu and English lectures and letters have been very influential in cultural, social, religious and political disputes over the years.

In 1922, he was knighted by King George V, giving him the title “Sir”. In much of Southern Asia, Iqbal is regarded as the Shair-e-Mashriq (Poet of the East).

He is also called Muffakir-e-Pakistan (The Thinker of Pakistan) and Hakeem-ul-Ummat

(The Sage of the Ummah). The Pakistan government officially named him a “national poet”. This legend was born in Sialkot, Punjab.

**Faiz Ahmed Faiz**, the prolific poet is considered one of the finest modern Urdu poets. His verses never cease to warm hearts of literature lovers around the world. Faiz was Member of the Most Excellent Order of the British Empire (MBE), an avowed Marxist and was a recipient of Lenin Peace Prize by the Soviet Union in 1962. Faiz Ahmad Faiz was born in a small village, Kala Kader located near Sialkot, Punjab.

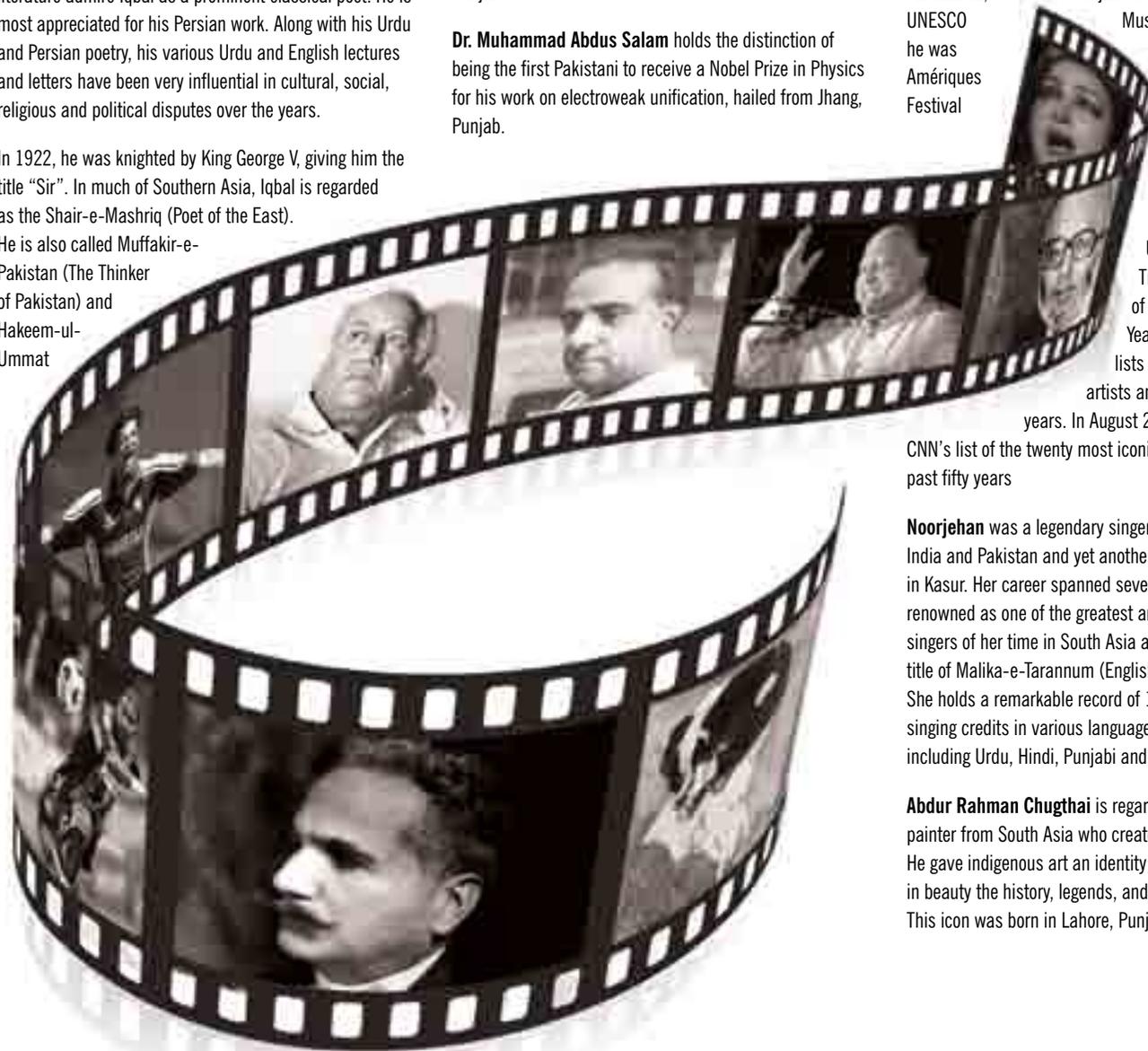
**Dr. Muhammad Abdus Salam** holds the distinction of being the first Pakistani to receive a Nobel Prize in Physics for his work on electroweak unification, hailed from Jhang, Punjab.

Punjab has produced some of the finest sporting heroes in cricket and hockey. In cricket, Fazal Mahmood, Sarfraz Nawaz, Imran Khan, Wasim Akram, Waqar Younas, and Shoaib Akhtar are perhaps among the best fast bowlers that the world has seen. Out of these cricketers **Wasim Akram & Imran Khan** are members of the ICC Cricket Hall of Fame.

The International Music Legend, **Nusrat Fateh Ali Khan**, who swayed the world with his enchanting voice and compositions with a message of love and peace, was from Faisalabad, Punjab. In 1995 he received the UNESCO Music Prize. In 1996 he was awarded Grand Prix des Amériques at Montreal World Film Festival for exceptional contribution to the art of cinema. In 2005, Khan was awarded the “Legends” award at the UK Asian Music Awards. Time magazine’s issue of November 6, 2006, “60 Years of Asian Heroes”, lists him as one of the top 12 artists and thinkers in the last 60 years. In August 2010 he was included in CNN’s list of the twenty most iconic musicians from the past fifty years

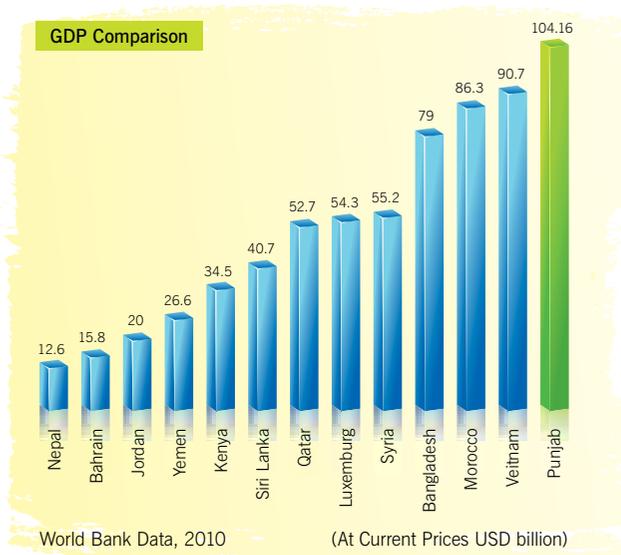
**Noorjehan** was a legendary singer and actress in British India and Pakistan and yet another gem of Punjab, born in Kasur. Her career spanned seven decades. She was renowned as one of the greatest and most influential singers of her time in South Asia and was given the honorific title of Malika-e-Tarannum (English: the queen of melody). She holds a remarkable record of 10,000 songs to her singing credits in various languages of India and Pakistan including Urdu, Hindi, Punjabi and Sindhi languages.

**Abdur Rahman Chughtai** is regarded the greatest modern painter from South Asia who created new styles in painting. He gave indigenous art an identity of its own and rendered in beauty the history, legends, and folklores of this region. This icon was born in Lahore, Punjab.



# ECONOMIC OVERVIEW

Not only is Punjab the largest province of Pakistan in terms of populations but it is also the economic hub of Pakistan with over 59% of the National GDP emerging out of the province.<sup>1</sup> Punjab like Pakistan was an agrarian economy in 1947, but much has changed since then. True to its role as the economic and cultural hub of Pakistan, Punjab has led the nation in its demographic and economic transition to a much diverse economy.



Today, the service industry in Punjab is its most vibrant accounting for 53% of the provincial economy possessing an extensive network of services including telecommunication, healthcare, education, banking & insurance, information technology, retail, and the recreation industry.<sup>2</sup> This rapid growth is testament to the overall economic growth that has seen Punjab quadruple its economic footprint since 1972.<sup>3</sup> This hints at a continuously increasing consumer base with expanding incomes and purchasing power to enjoy a larger share of services in their consumption bundles.

Punjab has also acted as the bedrock of Pakistan's entire economic citadel. Punjab experienced growth rates in excess of 8% during 2003 to 2007.<sup>4</sup> Even as the 2007 American financial crisis and the subsequent Euro zone

debt crisis were wrecking havoc across the globe, Punjab displayed strong resilience with its growth rate at a steady 6%, even as Pakistan's national growth rate slipped to 4%.<sup>5</sup>

This is in part due to the acclaimed leadership that Punjab has had in recent years which has led to a year by year increase in the Punjab Government's development budget which now includes some performance targets aimed at implementing the longer term development strategies envisioned in the Government's 2020 Vision.<sup>6</sup>

With all this, it would still be incorrect to state the Punjab has lost touch with its agrarian roots; Punjab is still the food basket of Pakistan and potentially the regional market with almost 61.5% of the total agricultural sector and almost 68% of its food-grain production.<sup>7</sup> Agriculture and livestock remain a lucrative growth sector for the economy of the province.

Punjab has a diverse manufacturing sector and a strong industrial base. It produces a plethora of products at the highest levels of technological sophistication. There are more than 58,000 large industrial units in the province. The small and cottage industries are in abundance, numbering 40,000. The number of textile units is 11,820. There are 6,355 units for processing of agricultural raw materials including food and feed industries.<sup>8</sup>

Punjab is also a mineral rich province with extensive mineral deposits of coal, rock-salt, iron ore, bauxite, dolomite, gypsum, limestone, and silica-sand. Punjab is the treasure trove of unutilized natural resources worth billions of dollars including the world's second largest rock salt reserves of 600 million tons, coal reserves of 500 million tons, iron ore reserves of around a billion tons, crude oil reserves of over 400 million barrels and immense quantities of limestone and marble.<sup>9</sup>

## KEY REASONS TO INVEST IN PUNJAB

1. Huge market size & strategic geographical location
2. Availability of trained yet cheap labour force
3. Provision of modern infrastructure.
4. Accessibility of abundant raw materials
5. One window administrative arrangements
6. Continuity of economic policies with strong political commitment to private sector development
7. Equal treatment of local & foreign investors with foreign investment fully protected under law

1 DRAFT of Punjab Competitiveness Report: Recovery and Rebuilding the foundations of Punjab's Competitiveness, (2010), Competitiveness Support Fund, United States Agency for International Development (USAID) & Ministry of Finance, Government of Pakistan  
 2 Punjab Development Statistics, (2011), Planning & Development Department, Government of Punjab  
 3 Pakistan: Balochistan Economic Report  
 4 Javed Akbar Ansari, Inequity in income, asset distribution, (2011), DAWN Newspaper

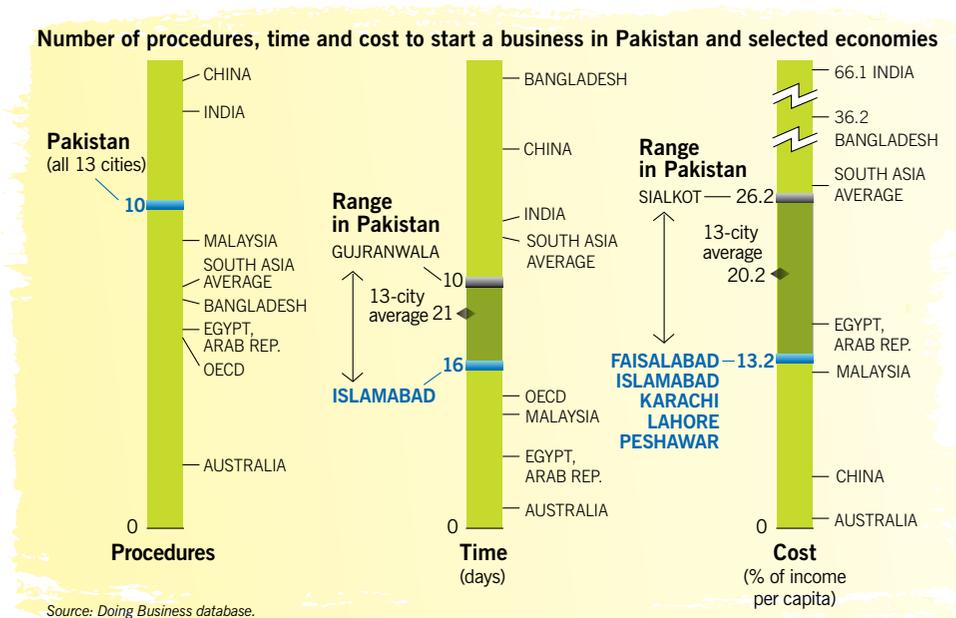
5 Ibid  
 6 Pakistan – Punjab Province: Public Financial Management Assessment, (2007), The World Bank Group, The European Commission, Department of International Development (DFID) & the Asian Development Bank  
 7 Punjab Development Statistics, (2011), Planning & Development Department, Government of Punjab  
 8 Ibid  
 9 Scoping Study of Pakistan's coal and renewable sectors, AUSTRADE

## BUSINESS CONDUCIVE ENVIRONMENT

Punjab is known to be one of the most business friendly regions in Pakistan. The cost of labour, transportation to and from the ports and cities and raw material is known to be cheapest in Punjab.

City, Province	Ease of doing business (rank)
Faisalabad, Punjab	1
Multan, Punjab	2
Lahore, Punjab	3
Islamabad, ICT	4
Sheikhupura, Punjab	5
Gujranwala, Punjab	6
Sukkur, Indus	7
Peshawar, Khyber Pakhtunkhwa	8
Karachi, Sindh	9
Rawalpindi, Punjab	10
Sialkot, Punjab	11
Quetta, Balochistan	12
Hyderabad, Sindh	13

Sub National Doing Business in Pakistan, report 2010, IFC & World Bank.



## INVESTOR FRIENDLY FDI POLICY FRAMEWORK

POLICY PARAMETERS	MANUFACTURING SECTOR	NON-MANUFACTURING SECTORS		
		AGRICULTURE	INFRASTRUCTURE & SOCIAL	SERVICES INCLUDING IT & TELECOM SERVICES
Government Permission	Not required except for specified industries such as arms and ammunition	Not required except specific licenses from concerned agencies.		
Remittance of capital, profits, dividends, etc.	Allowed	Allowed		
Upper Limit of foreign equity allowed	100%	60%	100%	100%
Minimum Investment Amount (M USD)	vNo	0.3	0.3	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 USD100,000--Max Rate 5%of net sales - Initial period 5 years		

IDA = INITIAL DEPRECIATION ALLOWANCE – PME = PLANT MACHINERY AND EQUIPMENT

Investment incentives and business regulations in Pakistan are designed to meet the needs of the investor. In addition to the incentive framework available, the Government of Punjab has made it easier to work with the public sector through introduction of a series of transparency initiatives. The reforms not only cover procurement processes but also public private partnership projects. The e-government initiative of the provincial government that includes digitization of land records has also made access to information very easy for the businesses. In Punjab, it is easy to do business not only with the private sector but also with the government.

### INDUSTRIAL INFRASTRUCTURE

Besides the policy package there is a huge network of modern infrastructure spread over entire Punjab which includes Industrial Estates, Special Economic Zones, Export Processing Zones, Motorway, Technology Parks, Expo Centers, Business complexes and Dry Ports etc. Few of the major Industrial estates include:

M3 Industrial Estate, Faisalabad	4400 Acres
Sundar Industrial Estate, Lahore	1500 Acres
Multan Industrial Estate, Multan	1400 Acres
Quiad-e-Azam Industrial Estate, Lahore	565 Acres
Value Added City, Faisalabad	215 Acres

The above designed to accommodate Small & Medium sized industries as well as, in the case of M3 Industrial Estate, Large Scale Manufacturing Units. These Estates include space allocated in block for; Textile, Garments, Food & Processing, Steel, Carpet, Engineering, Pharmaceuticals and Power.

Facilities provided / planned in these Industrial Estates include; Utilities, Hospital, Training institutions, Community, Bank Square, Technical Training Centre, Motel & Food Area, Petrol Pumps, Waste Handling Facility, Security System, Police Station, Effluent Treatment Plant, Weigh Bridge, Trucking Station and Air Strip.



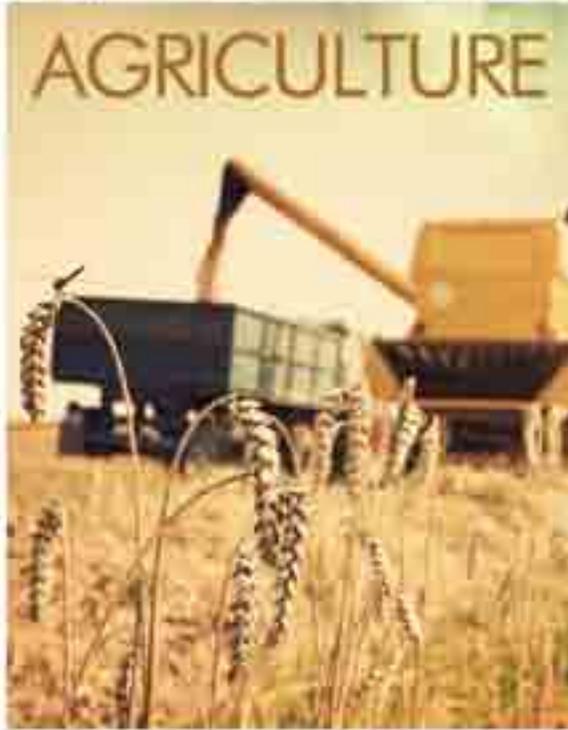
Top to Bottom: PIA, National Flag Carrier | Industrial Image  
Ring Road, Lahore | Dryport | Kalma Chowk Fly Over, Lahore

# INVESTMENT SECTORS

IN FOCUS

- AGRICULTURE
- LIVESTOCK, DAIRY & POULTRY
- TEXTILE
- MANUFACTURING & ENGINEERING
- MINES & MINERALS
- ENERGY
- RETAIL
- BANKING & FINANCE





The agriculture sector contributes 21% to Pakistan's total GDP, providing employment to around 45% of its labour force and 60% of its total rural population. The sector continues to display its natural weight by recording a growth of 3.1% in FY 2011-12.

Pakistan's vast stretches of alluvial land, dense irrigation networks and optimum climactic conditions are suited to the production of a number of crops. Pakistan has two cropping seasons: 'kharif' which includes crops like rice, cotton, maize and sugarcane sown in April-June and harvested in October-December, and; 'rabi' which includes wheat, grams and barley, grown in October-December and harvested in April-May.

The current emphasis of the agricultural sector lies on developing appropriate technologies for packaging and marketing and encouraging investments in value added agribusiness. Already, over 40% of the agricultural sector is involved in value addition. A few of the major crops sown here, including wheat, rice, cotton and sugarcane, alone account for 29% to the overall value added in agriculture and 6% of the GDP.

Pakistan ranks among the top ten producers in the world for at least 25 agricultural commodities. With increasing sophistication within the value addition and marketing end, Pakistan is likely to experience a boost to the already high export potential of its fresh and processed agricultural products.

Punjab, the most fertile province of Pakistan, has aligned its vision with the national objectives of providing food security as well as promoting exportable high value crops through improved agricultural practices, efficient input use and effective marketing systems.

### Strengths

- Punjab's dense and diverse canal irrigation network ranks among the world's largest
- Punjab, referred to as Pakistan's granary for its largely self sustaining agrarian character, possesses considerable differential agricultural advantage over other provinces
  - o One of the largest single tracts of agricultural land in the world, measuring 17.14 million hectares in size. Punjab is a significant contributor in the agricultural production of the country. The total cropped area in the province is 12.57 million hectares which is about 59% of the total cultivated area in Pakistan; whereas Punjab total cropped area (total cultivated area including area sown more than once) make up for 17.14 million hectares which is a 72% of the total cropped area in Pakistan<sup>1</sup>.

1 Punjab Development Statistics 2011

- o Large alluvial plain with an extensive irrigation network. The proud land of five rivers remains unparalleled by a similar area in the world with such natural drainage.
- o Four distinct seasons that encourage crop rotation and help preserve soil structure and fertility. With varying climactic zones like tropical, subtropical and temperate, Punjab is suited to the production of a wide range of agricultural varieties
- o Abundance of skilled and semi-skilled labourers ensuring ample labour supply in plantation and harvesting seasons as well as in downstream industries. Punjab is the economic hub of the majority of the agro-processing downstream industries.
- Punjab's share in the national production of principal crops is; 76.9% to wheat, 53.9% to rice, 66.2% to cotton and 76.7% to maize. Likewise contribution of Punjab in national production of principal fruits is; 78.8% to mango, 75.8% to guava and 94.3% to citrus.<sup>2</sup> Cotton and rice are the cash crops that contribute substantially to the national exchequer. Additionally mangoes and citrus also fetch sizeable export earnings each year.
- Due to its agricultural heritage, Punjab enjoys a well established infrastructure network with over 40,000 km of farm to market access roads.
- Punjab caters for 94% of Pakistan's total citrus production, of which Pakistan is the 5th largest producer in the world.

### Potential

- Of the total arable area of over 17 million hectares, a vast 1.7 million hectares of prime fertile land is still available for investments in agricultural production and corporate farming.
- As much as 30% (3.4 MT) of horticultural produce that goes waste every year can be converted into economic gain by investing in agribusiness industries like the dehydrated fruits and vegetables industry, fruit pulp processing and juice production.

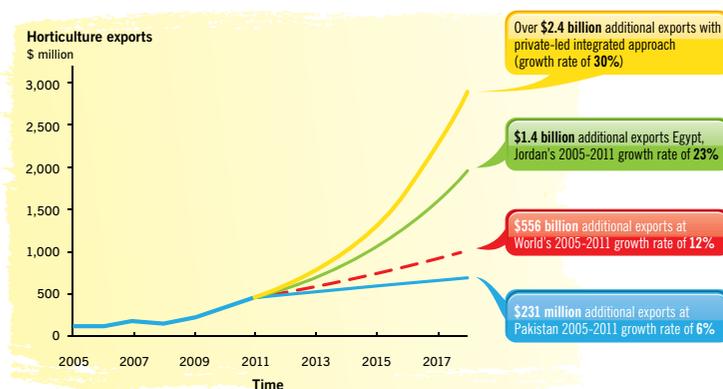
### Export

- Even though Pakistan is the world's eleventh largest rice producer, its fourth largest exporter and rice represents Pakistan's second largest foreign exchange earner further investments in the production and export of parboiled rice hold great export potential. This is because parboiled rice is the fastest growing rice product in the international market and any investment in parboiled and other rice technologies

2 ibid

can win significant export earnings.

- Additional investments in handling and processing can increase Pakistan's exportable horticultural produce by 50%.
- With urbanization and rising per capita incomes, consumption patterns in many of Pakistan's neighbouring countries like India have shifted from traditional food grains to high value fruits and vegetables and processed foods. Thus, with investments in value addition, the returns on investment from the export of processed foods like dried vegetables, citrus extracts, fruit juice pulps among a host of others to surrounding countries are exceptionally lucrative.



### Investment Opportunities

- Corporate level agriculture farming
- Supply chain of agriculture and horticulture commodities
- Processing of horticulture produce (dehydration, pulping and juice extraction)
- Spot commodity exchange
- Fertilizer, pesticides and modern farming technologies

### Horticulture Sector as an example 'Untapped Potential'

#### Incentive Package

The Government of Punjab is providing following measures to prop agriculture in the country:

- 1) Bulldozer facility at subsidized rates i.e. Rs. 560 per hour for agriculture purpose, land development and levelling.

- 2) Tube well installation, well/bore drilling facility with power drilling rigs machine, is being provided in hilly and rocky areas at subsidized rates
- 3) Agriculture production technology for productivity enhancement, diversification, and value addition without any cost.
- 4) On farm water management incentives at present included in National Program for Improvement of Watercourses in Pakistan, bearing all material cost. Similarly High Efficiency Irrigation System (HEIS) project like drip and sprinkler Irrigation provides 50% subsidy in cost.
- 5) Fruit and Vegetable Development Project for Punjab to train farmers on modern Farmer Fields School (FFS) Approaches of agriculture extension
- 6) Supply chain improvement of selected commodities by establishing traceability systems, GAP, IFS and relevant infrastructure facilities to set-up pack houses for agriculture commodities on cost sharing basis



Pakistan's livestock sector has exhibited tremendous growth in the past - in a matter of only 15 years i.e. from 1996 to 2011, its share in the agricultural sector has grown from 25% to a robust 60%. Further growth in the sector is estimated at 4.5 – 5%, which still is below the country's true potential. The Livestock sector employs more than 35 million people and produces almost USD 500 million worth of products.

The livestock sector contributes 11.6% to the country's GDP, with an estimated 47 billion litres of milk produced per annum. Demand for livestock products is increasing due to urbanization and economic development in Pakistan. Poultry and poultry related products grew by 7% in 2010- 2011, while milk production grew by 3.3%.

Amongst other things, the national strategy remains focused on genetic improvement of livestock breeds; improved storage, processing and marketing of livestock products; automation of milk collection and establishment of chilling and milk powder units; procession and preservation of milk and state of the art slaughter house.

### Strengths

- Punjab is blessed with various ecological zones, distinct terrains and climates conducive to a wide range of breeds. Some like the Nili Ravi buffalo (also known as Black Gold) and Sahiwal Cow is indigenous to this region and has acquired global repute.
- Punjab also maintains the major livestock population in Pakistan; it has about 48.8% of cows, 64.9% of buffaloes, 24.0% of sheep and 36.9% of goats
- The formal meat value chain in Punjab is well organized, comprising a network of well integrated market players and involves minimal middlemen intervention. Punjab's share in that national production of poultry meat is 70% while 43% for beef and 32% for mutton.

### Potential

- The growth potential in the dairy sector is as high as 20% since the industry is almost entirely based on informal channels (97%) and large portions possess the potential to be easily connected to the formal market mechanism for lucrative returns.
- The annual supply demand gap for milk is 618 million litres explaining the recent entry of some of the largest business groups from not only Pakistan but also from abroad in the sector.
- The demand is expected to grow across the board in coming years with annual demand rising by 200 million litres per annum illustrating a growth rate nearly 20% hinting at lucrative investments in milk processing and production.
- Punjab is also ranked among the countries with the lowest cost of factors in milk production. This is a result of the economies of scale that are otherwise only exhibited in countries like Australia where investments have completely saturated the market. This translates into a sector at the apex of its take-off point representing the most

ideal conditions for investment.

- This is also the case for the meat industry where with each passing year, domestic demand alone is growing by 6% and outpacing supply by 4.1%

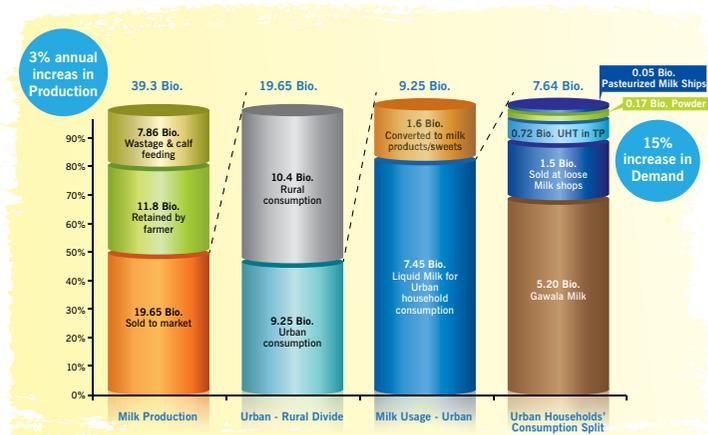
### Export

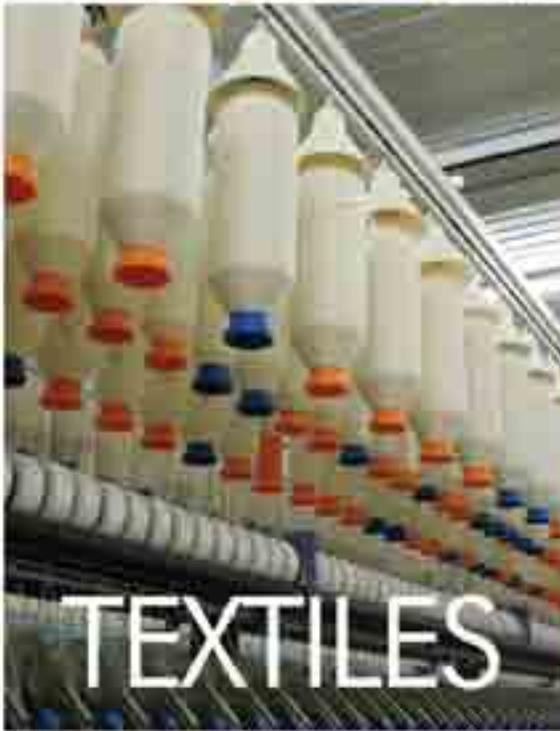
- As the global average income rises, the world is consuming meat and milk at a faster rate and the economies of scale offered in Punjab coupled with this demand for quality assurance in these markets provides investors with an excellent opportunity to provide for a rapidly increasing consumer base both in Pakistan and abroad.
- Being the 5th largest milk producer and strategically located between milk deficit countries in the Middle East and South East Asia, Pakistan's dairy sector carries immense export potential.
- Pakistan's meat sector too has considerable potential for export, particularly because the world meat market is growing and countries like Saudi Arabia and Malaysia are importing ever-increasing quantities. Pakistan enjoys an ideal location, providing its meat sector competitive advantages in tapping major markets in the Middle East, Egypt and Malaysia.
- The global Halal meat market is estimated at USD 350 billion - with the spread of relevant packaging and accreditation and transport infrastructure taking place in Punjab, its enormous livestock sector can become a giant provider in the Halal meat industry.

### Investment Opportunities

- Dairy processing and value chain infrastructure
- Large-scale poultry, livestock and dairy farming
- Meat processing for domestic and export markets
- Using inherent strength to exploit Halal market potential

### Milk Value Chain 2011





The Textile sector is a composite of various interdependent sectors namely ginning, spinning, weaving, processing, garments and made-ups. The sector contributes around 8.5% to the national GDP and is often regarded as the backbone of the economy.

Pakistan is the 4th largest cotton producer and 3rd largest cotton user in the world. The textile sector is the largest manufacturing industry in Pakistan and contributes one fourth of the total value addition in the manufacturing sector. The industry derives its competitiveness from availability of cheap raw material i.e. cotton, a pool of skilled manpower within diverse fields and widespread ancillary support from dyeing, chemical and other industries.

In Punjab, the industry is concentrated in the cities of Lahore, Faisalabad, Sialkot and Sheikhpura, which collectively house nearly 15,000 textile units and about 6,800 ginning industries. The industry provides employment to 2.1 million people in the province in addition to creating thrice as many indirect jobs.

### **Strengths**

- Pakistan produces around 8.5% of world's total yarn but accounts for almost 32% of its global trade in addition to 8.1% of world's total cotton cloth trade.
- Punjab alone is responsible for about 70% of the cotton yarn and 50% of cotton cloth production in Pakistan.
- Of the total installed capacity in Pakistan, 70% of the spinning sector, 54% of the weaving sector, 60% of the processing units and 65% of knitting units is located within Punjab.
- The Textile policy 2009-14 is yet another milestone, which takes a comprehensive account of the sub-sectors in the textile industry and provides investment and infrastructure support in addition to policies for skill development and quality standards compliance. The policy seeks to fuel growth of the sector and increase textile exports to USD 25 billion by the end of its tenure.
- The sector is a burgeoning one with revenues and profits growing by 39% and 183% during the first half of 2011-12 respectively.

### **Potential**

- With the development of wide-spread cotton warehousing in Punjab, Pakistan can greatly take advantage of the price and supply fluctuations which will result in lucrative returns on investments within the sector for any investor.
- The textile sector currently accounts for more than half of Pakistan's

export earnings but beyond its present and latent export potential, a rapidly developing middle class and double digit increases in spending power, the local market presents a huge number of opportunities in terms of greater integration and extension of forward linkages such as expanding the retail textile sector.

### **Exports**

- Pakistan's textile exports stood at USD 13 billion during 2011-12, almost 52% of Pakistan's total exports.
- The main contributors to textile export revenue in Pakistan are knitwear (USD 2.6 billion), cotton cloth (USD 2.3 billion), bed wear (USD 1.9 billion) and cotton yarn (USD 1.7 billion).
- During 2011-12, the European Union and the United States represented the destination for over 60% of Pakistan's total textile exports.
- The textile industry beyond its more traditional export markets like the USA and EU, it presents a rare opportunity to diversify and export to Pakistan's regional neighbours such as China, Malaysia and Sri Lanka which not only have a great latent demand for Pakistan's textiles but also signatories of Free Trade Agreements and MFNs with Pakistan.

### **Investment Opportunities**

- Specialized fabrics
  - o Performance Fabrics
  - o Technical textiles
- Home Furnishing Products
- Apparel and other value added products

### **TEXTILE POLICY 2009-14**

The five-year textile policy offers about Rs.87 billion cash subsidy to the textile and clothing sector to boost exports. It envisages plans to boost textile exports to \$25 billion from the current \$17.8 billion by 2014.

Under the new policy, the textile industry has been exempted from load-shedding. It will also enjoy priority in gas allocation like the fertilizer sector. An amount of Rs.2.5 billion has been allocated to make export refinance available at five per cent.

The proposed rates include one per cent of the FOB value of exports on processed fabric, two per cent of the FOB value on home textiles and three per cent of the FOB value on garments.

In addition, exporters achieving an increase of 15 per cent will get one per



cent additional drawback. Another Rs.5.4 billion has been earmarked for earlier refunds of research and development subsidy for the sector.

An amount of Rs.4.5 billion has been allocated to continue monetization of customs duty of PTA to offset additional cost for users for the current year. Another Rs.5 billion has been allocated to convert long-term loans on the same pricing as applicable to the LTF scheme together with a grace period of one year on both existing and converted facilities, without the facility of refinancing. Textile machinery will be zero rated.

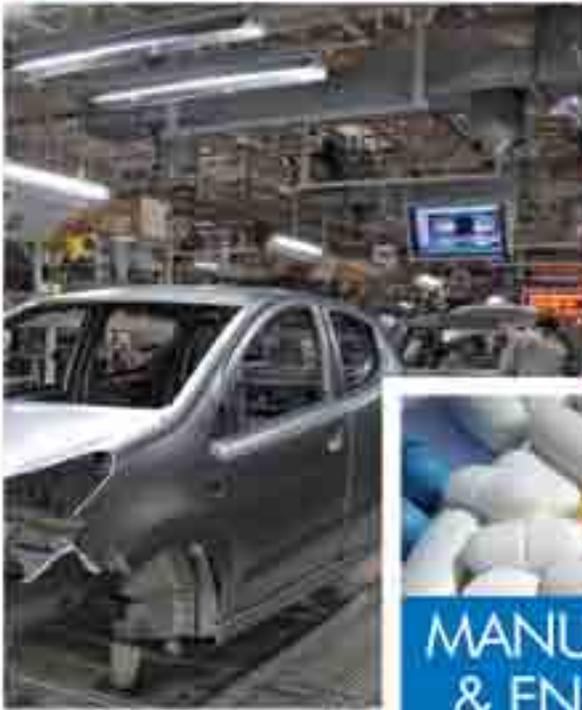
The government plans to treat local sales of yarn and fabrics to large exporter as deemed exports. For this purpose, small producers will get one per cent drawback on levies and unadjusted taxes on sales to export houses which will cost Rs.2 billion.



The government has set a target to increase the rate of conversion of cotton from \$1,000 to \$2,000 over the next five years. A textile investment support fund and technology up gradation fund (UTF) will be set up. An amount of Rs.1.6 billion has been allocated for the UTF for the first year. However, this fund will go up to Rs.17 billion by 2014.

Under UTF for capital intensive projects, the government will pick up 50 per cent of interest cost of new investment in plant and machinery with a maximum of five per cent. For small investments, government will contribute up to 20 per cent of capital cost as a grant.

An amount of Rs.1 billion has been earmarked for infrastructure development for 2009-10 in public-private partnership. More industrial estates will be established, besides developing clusters. An additional amount of Rs.1 billion has allocated for skill development initiatives.



MANUFACTURING & ENGINEERING



Pakistan is the 30th largest manufacturing country in the world. The manufacturing sector constitutes about 20% of the output produced in the national economy. Over the last five years, the sector has registered an average annual growth of 3.4%. The sector can be divided into two constituents namely the Large Scale Manufacturing (LSM) and the Small Scale Manufacturing (SME) sectors which grew by 2% and 8% respectively during 2011-12. Further, they are nominally valued at PKR 2.7 trillion (USD 28 billion) and PKR 653 billion (USD 7 billion) respectively.

As highlighted by the Census of Manufacturing Industries 2006, Punjab has a 48% share in the manufacturing output of the country. In Punjab, LSM is dominated by the sugar industry, food and beverage industry, paper industry, auto industry, pharmaceutical industry and the light engineering sector.

### **Cement Industry**

- The annual cement production capacity in Pakistan stands at 44 million MT. During 2011-12, total cement production exceeded 33 million MT, implying a capacity utilization rate of 74%.
- Pakistan exports about 9 million MT of cement; mainly to Africa, Afghanistan and the Middle East. This indicates a wide room for penetration into the international market.
- Punjab's share in total cement production stands at 54.4%
- Growth in the cement industry is directly correlated with development expenditure incurred by the government (PSPDP). A 14% increase in PSPDP by Punjab has been announced in the latest budget which is clear indication for the immense latent potential of the sector.

### **Pharmaceutical Industry**

- The pharmaceutical industry is one of the most technically developed sectors in Pakistan.
- The industry comprises 400 manufacturing units of which more than 350 are local entities while over 25 units are subsidiaries of well-known international pharmaceutical companies.
- The industry boasts over USD 2 billion in revenue, registering a growth of more than 65% during the last decade alone.
- During 2011-12, pharmaceutical exports amounted to USD 135 million, registering a 20% year-on-year increase. Over the last three years, exports by this sector have grown by an average annual rate of 13%.

- The establishment of a WHO certified international drug testing laboratory in Lahore, is expected to further boost exports by further standardizing the production of pharma products according to international specifications and acts as a lighthouse for attracting further investments in the sector.

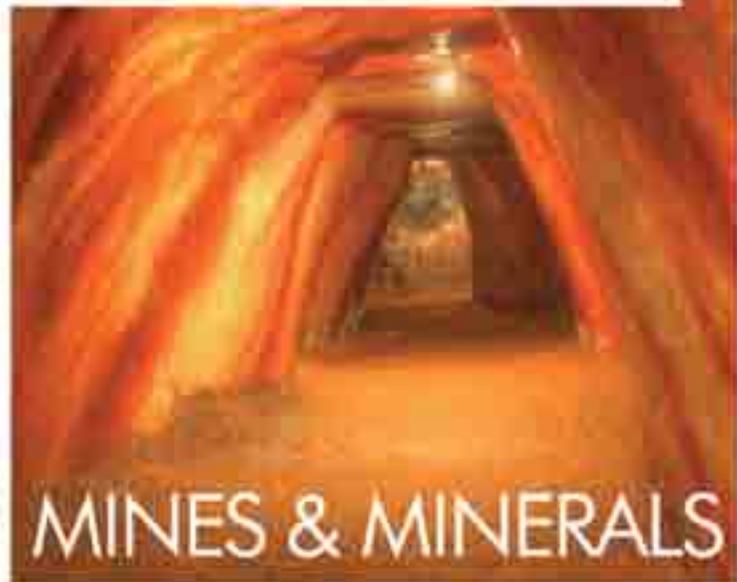
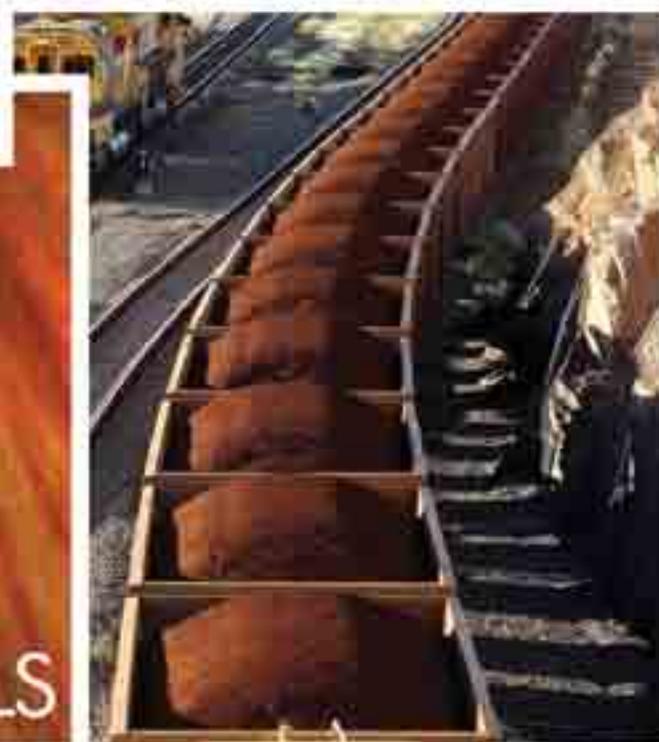
### **Light Engineering Industry**

#### **Surgical Instrument Industry**

- The surgical instruments sector, concentrated in the city of Sialkot, exports nearly 90% of its production comprising a wide range of medical, surgical and veterinary instruments.
- Over the last four years, exports have registered a cumulative growth of 20% and stand at USD 332 million as of June, 2012.
- The industry carries immense export potential due to the ever growing demand for quality health services and procedures. This is evident in the global valuation of surgical instruments market which in 2005 exceeded USD 50 billion.

#### **Auto Parts Industry**

- The auto parts industry in Punjab comprises at least 850 manufacturing units.
- More than 9 million vehicles were registered in Pakistan in 2011 alone. This highlights the vast potential of growth in the industry.
- With the relaxation in the import policy for vehicles, there is a need to cater to a wider array of cars that were previously not found on the market. During July 2011 – March, 2012, about 1.1 million cars were imported.
- There is great interest by a number of largest business groups of Pakistan within the sector and a number of investments are on the horizon.



# MINES & MINERALS

Pakistan is endowed with significant mineral resources and is emerging as a very promising area for the exploration of mineral deposits. The country's 600,000 square km of outcrop area demonstrates varied geological potential for a number of mineral deposits. The total value of the output from the mineral industry accounted for 2.9% of the GDP in 2009 and recorded a growth rate of 2.7% the same year.

Punjab's mineral resources also present very lucrative opportunities for investment in the downstream processing industries. Value addition in the mineral sector is mainly concentrated in few principal minerals including limestone, rock salt and gypsum.

Realizing the potential of this vast spread of resources, multinational companies are increasingly eyeing out Pakistan for its lucrative investment opportunities in exploration and the development of forward and backward linkages in the mining and minerals sector.

### **Strengths**

- Punjab is the treasure trove of the unutilized natural resources worth billions of dollars including the world's second largest rock salt reserves of 600 million tons, coal reserves of very high quality of 500 million tons, iron ore reserves of around a billion tons, crude oil reserves of 407 million barrels and immense quantities of limestone and marble.
- Virtually all parts of Punjab with substantive mineral presence are located within the developed region of the country and are at close proximity to large urban centres.
- Furthermore, these are not only connected through an excellent network of highways and rail links but have across the board access to utilities including high voltage power and natural gas supply.
- Punjab is home to a well developed, efficient and skilled human resource and possesses the necessary technical expertise to successfully extract and process a variety of mineral and stone reserves.

### **Potential**

- According to a recent World Bank report; based on the experience of other countries with similar geological endowment, it is estimated that Pakistan can really turn this potential and can not only generate significant profits but can advantageously affect local economic development.
- This report continues that the mineral sector provided sufficient capital has the capacity to contribute annual revenues to the tune of USD

1.5-2.0 billion (2-3 %) to Pakistan's GDP, stimulate secondary and tertiary economic activity, promote growth and provide employment and community development in a variety of locations all across Pakistan and Punjab.

- Each year, Pakistan imports over USD 1.5 billion worth of iron and steel scrap to cater to its steel requirements. It is widely accepted that there is immense latent demand hidden within the figures which remain insatiable due to lack of necessary capital depth to import more iron the demand of which presently range around 5 million MT per annum.
- Against reserves of 500 MT, current production of coal is limited to just 1 MT in Punjab signalling great room for further coal production.
- Government of Punjab is greatly incentivizing investments into the coal extraction and in coal based power generation.
- Punjab's limestone reserves have a cement production capacity of over 17 MT per annum. With 11 large cement plants operating in the province, limestone deposits in the Salt Range, Margalla Hills and Koh-e-Suleman Range can be exploited to provide for existing as well as the installation of new cement plants.

### **Investment Opportunities**

- Limestone mining and quarrying
- Coal extraction and supply chain
- Iron ore extraction and steel processing
- Rock Salt and associated mineral extraction
- Gypsum mining and processing
- Bauxite ore extraction
- Potash fertilizer production

### **Incentive Package**

Following fiscal concessions is available to mining industry:

#### **1. Exploration stage:**

- a) 0 % duty on import of machinery & equipment
- b) Exemption from sales tax and other Government levies

## **2. Construction stage:**

- a) 5% custom duty on import of machinery & equipment deferred for a period of construction
- b) Except for royalty, there will be no other Provincial or local levies of taxes imposed on minerals or mining operations.
- c) No sales tax will be levied on minerals that are exported

Royalty on ad valorem basis:

- a) Precious stones            10-15%
- b) Precious Metal            3-5%
- c) Base Metals                2-5%
- d) Others                      1-2%

Taxes Rate as per Mineral Policy, 1995:

### **Concession on Imports:**

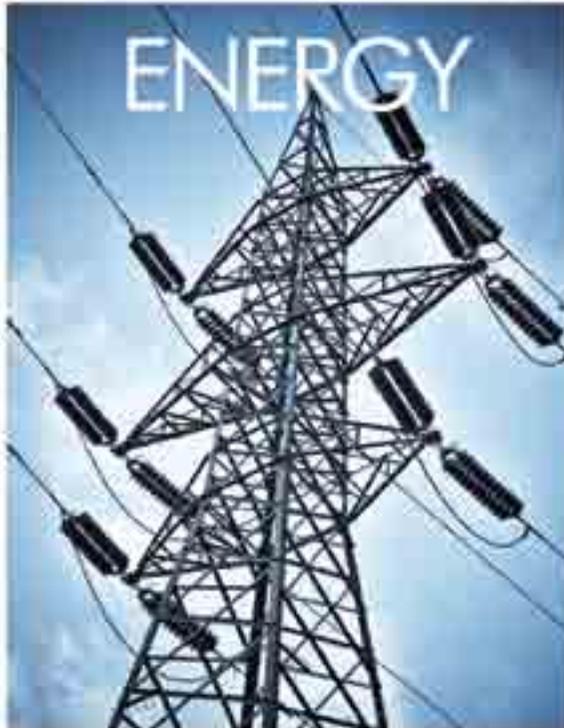
Import of machinery, equipment, material, specialized vehicles (4\*4 non-luxury, accessories, spares, chemicals and consumables (non-manufactured) as per SRO 469(1)/2004 dated 12th June, 2004.

### **Customs duty:**

- Nil (during exploration phase)
- Exempt in excess of 5% (during mine construction phase) and payment also would be deferred.
- Exempt in excess of 5% ad-valorem (during extraction phase)

### **Other Incentives**

- Protection from Expropriation
- Repatriation of Capital & Profits allowed
- Mining operators will be allowed to insure their assets and risks with international insurance companies.



Primary commercial energy sources in Pakistan include oil, natural gas, coal, hydro and nuclear energy. The overall contribution of oil and to a larger extent, that of gas has remained significant in primary energy supplies of the country.

In Punjab, at present, there is a demand-supply gap of about 4000 MW which is expected to increase. This gap coupled with burgeoning population and rapid economic growth provides an ideal opportunity for private investment in the energy sector.

### Strengths

- Punjab possesses great potential for power production not only using conventional production resources like coal and hydroelectric but also from a wide variety of renewable sources.
- Per capita energy consumption has been increasing at 8-9% on an annual basis due to improved standards of living and greater economic spending power of the people.
- National peak energy demand is expected to reach 27,000 MW by 2015, while maximum net production remains at approximately 16,000 MW.

### Potential

- Punjab has over 500 million tons of coal deposits along with a readily available technical & skilled manpower.
- Punjab Mines and Minerals Department has identified sites and proposed configuration for power generation from Punjab coal with 50MW, 100 MW and 200 MW and even larger power plants with a potential to produce 1,400 MW from coal alone.
- Punjab lies in an area of one of the highest solar radiation in the world. The average daily radiation amounts to 5-7kWh/m<sup>2</sup>.
- 5000 Acres of land in Cholistan has been reserved by the Government of Punjab for the establishment of cluster of solar power plants. Punjab has an ideal climate for solar power given the hot, sunny climate, and the long daytime hours.
- The Kalar Kahar belt (20 km wide and 250 km long) has been identified as an excellent wind corridor by the national Renewable Energy Laboratory of the US Department of Energy with a wind power density at 50 m of over 800 W/m<sup>2</sup>.
- Punjab has over 306 hydel raw sites under 50 MW with a cumulative generation potential of over 700 MW. Additionally, Punjab has a total low-head hydel potential of 600-1000 MW on canals and barrages.
- There's a huge potential of biomass & biogas based power generation from agricultural and municipal organic waste.
- 16 Industrial Estates under Punjab Small Industries Corporation have been targeted for establishment of dedicated power plants (10-50 MW) using a mix of coal, biomass and solid waste.

FAST – TRACK PROJECT DEVELOPMENT AT HIGHEST PRIORITY

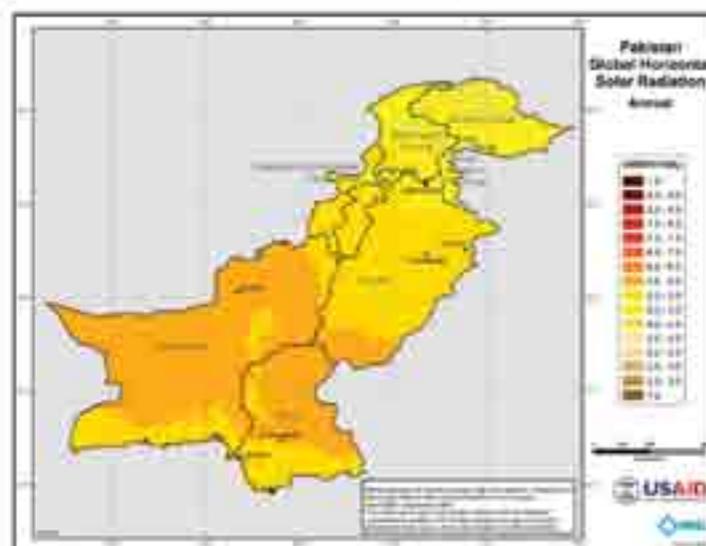
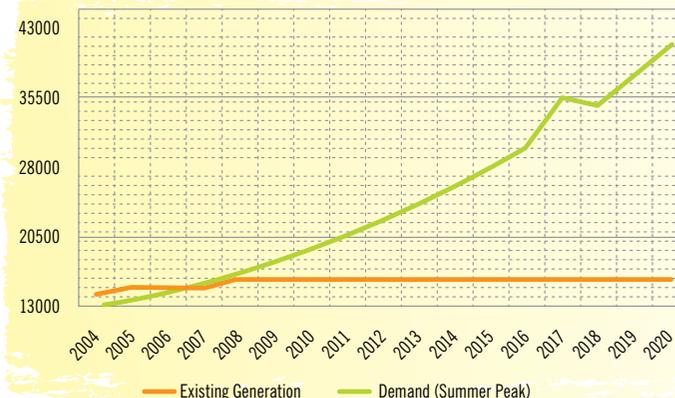
GUARANTEED PURCHASE OF ELECTRICITY BACKED BY GOVERNMENT OF PAKISTAN

STATE SUPPORT - MODES OF OWNERSHIP  
VARIOUS PUBLIC PRIVATE PARTNERSHIP MODELS AVAILABLE  
INDEPENDENT POWER PRODUCER (IPP) – GOVT. OF PUNJAB AS A FACILITATOR

PRICE SETTING MODEL EMPLOYED- "COST PLUS TARIFF"-  
MINIMUM 15% ROE GUARANTEED NET OF TAXES (USD BASED)  
MANY OF THE VARIABLE OPERATING COST ARE PASSED-ON IN THE TARIFF MODEL

SPECIAL INCENTIVES  
TAX BENEFITS (CAPITAL-GAINS TAX, INCOME TAX AND TURNOVER TAX EXEMPTION)

HYDROLOGICAL RISK TAKEN BY THE POWER PURCHASER FOR HYDROPOWER PROJECTS. UP TO 50 YEARS OF CONCESSION AVAILABLE



DEBENHAMS



MANGO



RETAIL

METRO



Wholesale and retail trade forms the 3rd largest sector in Pakistan after agriculture and manufacturing and the second largest employer, employing around 16% of its total labour force. The retail sector constitutes 33% of the overall service sector in Pakistan and contributes around 18% to its total GDP. The country's retail industry is valued at USD 42 billion with retail sales expected to cross the significant milestone of USD 100 billion by end 2012. Moreover, the sector is expected to have grown by USD 30 billion (almost 70% of what it is now) by 2015 i.e. in a matter of only 3 years.

The contemporary retail sector in Pakistan is well reflected in major cities like Karachi, Lahore, Islamabad and Faisalabad in the form of sprawling shopping centres and complexes. Consumer's drive for quality and convenience in shopping has steered Pakistan towards large supermarkets and wholesale centres from its historical small-sized retail clusters. Pakistan has, in less than a decade, become home to three of the world's largest wholesalers, Metro Cash & Carry, Makro and Carrefour. More recently, the popular UK retail store, Debenhams, has also opened its doors in Pakistan and is expected to expand its operations all across the country.

The country also boasts of acting host to an increasing array of international brands including Next, Splash, Levis in apparel, Charles & Keith, Nike, Bata in footwear, Nandos, Hardees, Domino's, Pizza Hut, KFC, Gloria Jean's, McDonald's in food and Apple, Swatch, Bodyshop, L'Oreal, Accessorize, ELC Mothercare in some others to name just a few. (ADD LOGOS)

Growth in the retail sector has also provided impetus to local business development in Punjab. From food to apparel and footwear to consumer electronics and IT, Punjab has experienced a massive growth in local business activity. A good example is women wear in the apparel sector, where rapid proliferation of designer lawn brands in the last couple of years has swelled the market to the tune of PKR 9.6 billion. More recently, some of the largest textile houses in the country including the likes of Bareeze, Gul Ahmed, Chen-One, Nishaat and Al Karam have also established exclusive display centres for product lines in home furnishings like bed linens, cushion covers and curtains, concentrating as much on local sales as exports, if not more.

Ushering the shopping revolution in Pakistan, therefore, local and foreign large scale real estate investments in Punjab's major cities will not only remain crucial in developing the required infrastructure for such shopping areas but will be assured very lucrative returns on investment. Similarly, developments in the retail industry, as it appears, are also influencing those in the real estate sector.

Currently being in its nascent stage, the scope for Pakistan's commercial real estate market for modern retail is simply unlimited. Punjab, in particular, with major popular cities like Lahore, Rawalpindi, Faisalabad and Sialkot remains the ideal retail and real estate investment destination for many. Lahore, the provincial capital, has historically been the epicentre of Pakistan's economic, political, entertainment and cultural reformation and after Karachi, represents the 2nd largest city of Pakistan and 122nd amongst the richest cities of the world with over 10 million inhabitants. Showing

consistent intake of various international chains, real estate experts and businessmen have come to believe that Lahore is a natural breeding ground for multinational companies, banks & international brands. Lahore, in 2011 was named a was ranked as a Gamma+ world city by the Globalization and World Cities Research Network, grouped with cities like Glasgow, Doha, Baltimore and Edinburgh.

### Strengths

- Pakistan is the world's 6th most populous country, and Punjab, it's most populated province, is the retail investment destination for thousands of local and foreign investors
- Nearly 73% of the Punjab's population is below the age 35 and is increasingly becoming active income earners within the society and expanding the middle income class of the country.
- Defining the middle class as daily income/expenditure ranging from USD 2 to USD 20 per person per day, it is estimated that Pakistan respectively comprises as many as 76.7 million/81.3 million within this category.

### Potential

- Both urban and total population are on the rise in Pakistan, indicating greater demand for, and access to, goods and services.
- At a broader level, factors likes globalization and liberalization of trade are fuelling consumerism in Pakistan. Pakistan's global imports recorded a significant growth of 14.7% during 2010-11.
- Easy availability of credit, convenience of online shopping and increased access to social media by small and large retailers are other factors contributing to the growth of Pakistan's retail industry.
- Pakistan is becoming home to new retail formats with the progression of time – trending away from traditional retail clusters of small sized businesses and 'mom and pop' stores, it is increasingly attracting large international wholesalers.
- Retail developments are also fuelling the demand for commercial real estate. Low share of organized retailing, comparatively low real estate rents and growing consumer aspirations are attracting investments in both retail and real estate

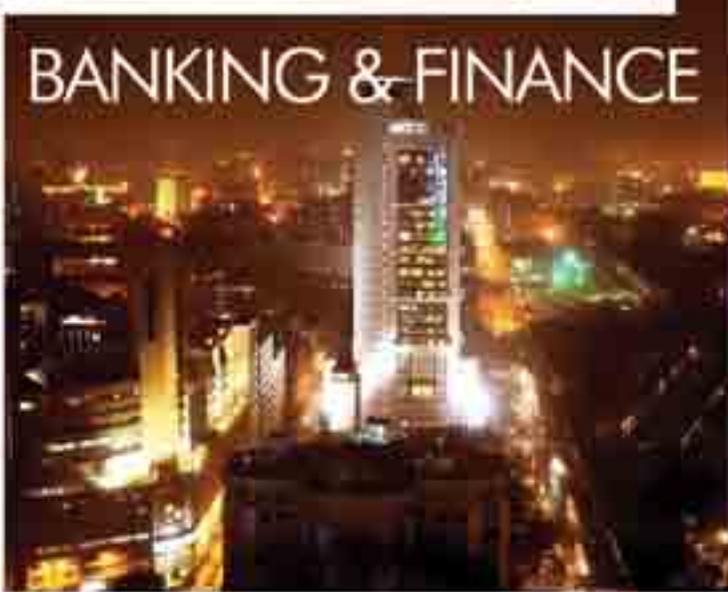
### Investment Opportunities

- Innumerate retail investment opportunities exist in a range of sectors in Pakistan like food, apparel, footwear, health & beauty, consumer electronics, home furnishings etc through independent retailing, franchising, joint ventures and strategic licensing agreements
- Lucrative real estate investment opportunities exist in the construction of large shopping complexes in Lahore and other major cities of Punjab.

#### Pakistan's Retail Sales (USD Billion)

Year	Retail Sales (USD billion)	Growth in Retail Sales (%)
2012	105.1	9.48

Source: Planet Retail, Economist Intelligence Unit Forecasts.



## BANKING & FINANCE

СНОВЕТ БАНКА РОССИИ  
№ 5837085

The Financial System in Pakistan has grown considerably both in terms of diversification, sophistication as well as in terms of market depth in the past few years. Over the last decade, the sector has registered growth of 43% in real terms. The financial market in Pakistan mainly comprises, the banking system, money market, insurance market, and capital markets further divided into the debt and equity market. The sector contributes nearly 5% to the GDP.

The total financial sector assets in Pakistan amounted to PKR 8.4 trillion in March 2012. The World Economic Forum 2008 in its first Financial Development Report ranked Pakistan at 34 ahead of the countries like The Russian Federation, Indonesia, Turkey, Poland, Brazil, Philippines, and Kazakhstan in terms of market performance.

The performance of Pakistan's financial sector has been outstanding throughout the current economic situation. In 2008, Pakistan's Muslim Commercial Bank (MCB) is ranked as the most profitable bank in Asia with 32.5% return on equity (ROE). Other Pakistani banks ranked in the top 10 include, Allied Bank ranked fourth with 29% ROE and United Bank ranked 6th with 24.8% ROE.

### **Strengths**

- The extraordinary performance of the banking sector has induced Foreign Direct Investment (FDI) of USD 4.2 billion over the last 7 years. Almost 90% of this has been received by the banking sector, which has attracted USD 3.7 billion of FDI.
- Re capitalization and prudent lending supported by strong regulatory and supervisory framework have lowered net non-performing loans to historical lows.
- Well established global financial institutions are now active participants in the domestic financial sector.
- Today, more than 80% of banking assets are in the hands of the private sector which has brought in a new culture of professionalism and service orientation in place of bureaucracy and apathy.
- Pakistan's equity market is one of the best performing equity markets in the world for almost a decade with aggregate market capitalization increasing to PKR 3,148 billion during 2010-11 which is a growth of over 15.2% over last year. Further, the KSE-100 index has shown 25% growth in comparison to fiscal year 2011.

### **Potential**

- Savings as a %age of GDP wavers between 11-13%. This indicates a huge potential for mobilization of deposits and improvement of

liquidity in the banking system.

- The KSE market capitalization to GDP ratio stands at 15% indicating an immense potential for further deepening of the equity market.
- The small and medium enterprise sector has been growing at a steady rate of 7% annually. To cater to the sector's needs, diversification of specialized financial products will result in even higher growth of the banking industry.
- To reduce the vulnerability of the industry to commodity price fluctuation, development of commodities and futures market can be further expected to fuel the financial quantum of growth.

# SUCCESSFULL INVESTORS IN PUNJAB



"I do believe Punjab has bright prospects. Punjab has 93 million people and more than half under the age of 25. This is a great sector with potential to contribute to the society. Punjab is ideally located geographically, has huge water resources, skilled labor and well established infrastructure."

**Mian Muhammad Mansha**  
Chairman Nishaat Group of Industries (Net worth USD 5 Billion)



"If you are a foreign investor, like we are, you look at the environment in which you are investing and don't just look at 3 or 5 years rather at 25-30 years ahead. If you look at the population in Punjab, the industry and the business environment, it is a no-brainer that future potential is there-that's why we are here. In Punjab you get an environment with growing people, wealth and growing GDP. The people in Punjab are well educated, entrepreneurial people who are willing to learn. So if you have a long term vision, then Punjab is an environment in which you have to invest."

**James Scott**  
Regional Operating Officer, METRO Cash & Carry (Net worth USD 148 Billion)



"Punjab provides certain advantages which certainly are better than they would be elsewhere in Pakistan. Firstly the business climate is very conducive, there is unlimited supply of talent with both the blue and white collared worker. Punjab provides educated talent with skills upto Master and PhD. These people help you take your mission forward in industry."

**Syed Babar Ali**

Founder of Packages Limited and Chairman of Coca Cola Beverages Pakistan.



PUNJAB  
BOARD OF  
INVESTMENT  
& TRADE

# YOUR INVESTMENT PARTNER IN PUNJAB

Punjab Board of Investment & Trade (PBIT) is the trade and investment promotion agency working under the aegis of the Chief Minister of Punjab Muhammad Shahbaz Sharif, who serves as Chairman of our board. The Government of Punjab, cognizant of the importance of the private sector in the development of the provincial economy, established PBIT in 2009. Since the inception, PBIT, steered by a dynamic Board of Directors, comprising of leaders from both the private and the public sector, has been striving towards achieving the vision of a prosperous Punjab.

Although a fairly young organization, PBIT has quickly established its focus around three key objectives: facilitating new and existing businesses investing and established in Punjab; creating a conducive business environment through proactive policy advocacy both at the provincial and federal

level; and, promoting Punjab as the ultimate investment destination.

The unique combination of public officials and private sector experts who work at PBIT helps bridge the gap between businesses and the government. We provide investors and businesses with a one-window facility and reduce their time to market. In essence, PBIT acts as a catalyst in harnessing the innate potential of Punjab.

As an IPA, PBIT enjoys an increasing global recognition today. PBIT is a Steering Committee member and the Director of South Asia at the World Association of Investment Promotion Agencies (WAIPA), a prestigious world association of organizations similar to PBIT created by UNCATD. In its endeavour to put Punjab on the world map, PBIT has been conducting, and participating in, global and local trade and investment events.

# APPENDICES

## APPENDIX A: REALISING FDI FUNDS INTO PAKISTAN

The foreign direct investor may invest in by any of the following investment vehicles/methods in Pakistan:

- By incorporating a wholly owned subsidiary or company, by acquiring shares in an associated enterprise
- Through a merger or an acquisition of an unrelated enterprise
- Participating in an equity joint venture with another investor or enterprise

### FOREIGN DIRECT INVESTMENT INCENTIVES IN PAKISTAN

Making a direct foreign investment allows companies to accomplish several tasks:

- Avoiding foreign government pressure for local production.
- Circumventing trade barriers, hidden and otherwise.
- Making the move from domestic export sales to a locally-based national sales office.
- Capability to increase total production capacity.
- Opportunities for co-production, joint ventures with local partners, joint marketing arrangements, licensing, etc;
- low corporate tax and income tax rates in Pakistan
- tax concessions/exemptions to particular businesses
- special economic zones developed by the government of pakistan
- cheap labour in Pakistan
- Job training & employment subsidies
- Infrastructure subsidies
- Research and Development support
- Early Entry Advantage.

Pakistan has a very liberal policy on repatriation for foreign direct investors; therefore, investing in Pakistan gives foreign direct investors the following added advantages.

- Remittance of royalty, technology and franchise fee is allowed to projects in social, service, infrastructure, agriculture and international chains food franchise.
- Minimum share of the local (Pakistani) partner in a joint venture will be 60:40 for the service sector. However, 100% foreign equity can be owned for first 5 years.
- The FBR (Federal Board of Revenue) will not question as to the source of investment; however, the FBR will only want to know whether the investor has paid requisite Income Tax on that specific investment. The FBR will not inquire into the source of the funds.
- Foreign investors are allowed to invest in industrial project on 100% equity basis without any permission from the government.
- There is no requirement for a No Objection Certificate from the Provincial

Government.

- In addition to manufacturing sector foreign investment on a repatriate-able basis is allowed in services, infrastructure and social sectors.
- Full repatriation of capital gains, dividends and profits.
- The facility for contracting foreign private loans is available to all those foreign investors who make investment in the approved sectors.
- Foreign controlled manufacturing concerns are allowed to borrow on the domestic market according to their requirements.
- Foreign controlled semi-manufacturing and non-manufacturing concerns can access loans equal to @ 75% & 50%, respectively, of their paid up capital including reserves.
- BOI's (Board of Investment) approval is not required for foreign companies to open a bank account.

### CORPORATE STRUCTURES

Various Corporate structures are available for setting up a place of business in Pakistan. In terms of the Investment Policy of the Government of Pakistan, there are three (03) ways, whereby, a foreign company may have its presence in Pakistan.

- Liaison Office;
- Branch Office; and
- Locally incorporated subsidiary

### TREATMENT OF A FOREIGN INVESTOR

Foreign Private Investment (Promotion and Protection) Act, 1976 and the Furtherance and Protection of Economic Reforms Act, 1992 provide legal cover for protection of foreign investors/investment in Pakistan.

Furthermore, since Pakistan has entered into Bilateral Agreements on Promotion and Protection of Investment with more than 46 countries. These Agreements provide the following:

- The Contracting Parties shall encourage investments in their respective territories by investors of the other Contracting Parties
- Non-discrimination between local investors and foreign investors
- Equal/non-discriminatory treatment in case of compensation for losses owing to war, other armed conflicts or a state of national emergency
- Free transfer of investments, and income deriving including profits, dividends, interest income, proceeds of sales or liquidation, repayments of loans, salaries, wages and other compensation, etc.
- A dispute settlement mechanism to settle any dispute between the countries with respect to the interpretation of the respective agreement and a dispute settlement procedure to settle any dispute between a host country and an investor of the other country.

DESCRIPTION	BRANCH OFFICE	LIAISON OFFICE
<b>SCOPE OF ACTIVITIES</b>	A branch office is set up by a foreign firm to execute the contracts awarded to it. Activity will be restricted to the work mentioned in the agreement/ contract signed Cannot indulge in commercial/ trading activities	Activity is restricted to the promotion of product(s), provision of technical advise and assistance, exploring the possibility of joint collaboration and export promotion (these activities are to be mentioned in the application) Cannot undertake any commercial/ trading activities
<b>MEETING EXPENSES</b>	All expenses will be met out of funds transferred from abroad through normal banking channel and converted to local currency account or from the amounts received through execution of the agreement / contract	All expenses will be met out of funds transferred from abroad through normal banking channel and converted to local currency account
<b>REMITTANCE FACILITY</b>	Remittance of profits etc. is allowed subject to submission of information / documents as required in terms of Para 13 Chapter XIV of the Foreign Exchange Manual of SBP.	No remittance facility allowed.
<b>HIRING OF FOREIGN NATIONALS</b>	Employment of foreign nationals shall be made subject to the prior approval of the Government as per policy and in accordance with the policy of Pakistanization.	Employment of foreign nationals shall be made subject to the prior approval of the Government as per policy and in accordance with the policy of Pakistanization
<b>IMPORT AND EXPORT OF MACHINERY</b>	Import/Export of machinery and equipment and its re-export shall be governed by the Import/Export policies of the Government	Nil
<b>REGISTRATION WITH SECP</b>	Mandatory	Mandatory
<b>FINALIZATION OF CASE</b>	6-8 weeks;	6-8 weeks;
<b>PERIOD OF PERMISSION</b>	3-5 years; renewable	3-5 years; renewable
<b>DOCUMENTS REQUIRED</b>	Six sets of the following documents are required: 1. Application form 2. Copy of registration of the foreign company duly attested by Pakistan Mission 3. Copy of Articles and Memorandum of Association 4. Copy of agreement / contract in case of Branch Office 5. Copy of Company Profile 6. Copy of Resolution / Authority letter of the company to establish branch office in Pakistan.	Six sets of the following documents are required: 1. Application form 2. Copy of registration of the foreign company duly attested by Pakistan Mission 3. Copy of Articles and Memorandum of Association 4. Copy of Company Profile 5. Copy of Resolution / Authority letter of the company to establish liaison office in Pakistan
<b>RENEWAL</b>	Following documents are required: 1. Copies of valid agreements/ contracts along with their duration 2. Income tax returns (for the last 03 years) 3. Copy of latest Audited Accounts 4. Proceeds Realization Certificates	Following documents are required: 1. Performance/Activity report 2. Receipt and Payment Statement 3. Proceeds Realization Certificates
<b>TAXATION</b>	35% corporate tax on the taxable income.	Nil
<b>CHANGE OF ADDRESS / TELE ETC.</b>	Has to be intimated to the Board of Investment and other concerned quarters	Has to be intimated to the Board of Investment and other concerned quarters
<b>DOCUMENTS REQUIRED FOR CLOSURE</b>	The following documents are required: 1. Request letter for closure 2. Activity Report, Proceeds Realization Certificates, and Audited Accounts for the last permitted period 3. Copies of press clippings regarding closure published in two national dailies. 4. Confirmation from tax authorities that all assessments and dues are clear.	The following documents are required: 1. Request letter for closure 2. Activity Report, Proceeds Realization Certificates, and Receipt and Payment Statement for the last permitted period 3. Copies of press clippings regarding closure published in two national dailies. 4. Confirmation from tax authorities that all dues are clear.

## APPENDIX B: LIBERAL VISA REGIME

Missions abroad are authorized to grant five year validity (multiple) visa within 24 hours to businessman of various countries on Business Visa List (BVL), with the duration of each stay restricted to three months. The foreign nationals seeking a business visa need to produce one of the following documents:

- Recommendation letter from Chamber of Commerce & Industry of the respective country of the applicant
- Invitation letter from business organization duly recommended by the concerned Trade Organization / Association in Pakistan
- Recommendation letter by Honorary Investment Counselors of BOI
- Recommendation letter from the Commercial Attaché of Pakistan in the region.

Business-persons and investors from any of the BVL listed countries will also be granted a thirty-day landing permit on arrival at any airport in Pakistan.

### **Work Visa Procedure**

- Work visas are granted subject to a constructive plan to train Pakistani personnel to take over the technical and managerial responsibilities over a reasonable period of time.
- The multiple-entry work visa is issued for a period of one year or

up to the date of expiry of the applicant's passport, whichever is earlier. The concerned Pakistani Mission abroad will grant work visas to the applicant, whereas extension in work visa is endorsed by the Regional Passport Office of the city where the expatriate is working, upon authorization by the Ministry of Interior.

### **Conversion of Business visa into work visa**

For the purpose of changing the category of visa of foreign national employees and investors from business visa to work visa, the concerned expatriate is no more required to leave the country. The Ministry of Interior will process such requests, upon receiving verification from the BOI.

### **Granting of Pakistan citizenship to foreign nationals (Investors)**

Any person of a country recognized by Pakistan may obtain Pakistani Citizenship by investing a minimum of USD 0.75 million in tangible assets and USD 0.25 million (or equivalent in major foreign currency) in cash on a non-repatriable basis, and by fulfilling the conditions of the Pakistan Citizenship Law. Investment on a non-repatriable basis means that the amount is brought to Pakistan through normal banking channels, converted into Pakistan Rupees, and never remitted back.

