



# **FOREIGN DIRECT INVESTMENT (FDI) STRATEGY 2013-17**

## TABLE OF CONTENTS

<b>Subject</b>	<b>Page(s)</b>
<b>EXECUTIVE SUMMARY</b>	<b>6</b>
Introduction	6
Mandate of the BOI	6
FDI Generation and International Competitiveness	<b>7</b>
Focus on Foreign Direct Investment	8
Pakistan Economic Targets	9
Operational Windows of FDI Strategy	9
Approaches of the FDI Strategy	10
Catalyst Functions of BOI	11
Strategy for Domestic Investment	12
FDI Strategy Document	12
<b>1. Policy Formulation &amp; Public-Private Sector Dialogue</b>	<b>14</b>
1.0. Purpose	14
1.1 Structure and Modus Operandi	15
1.2 Reporting System	16
<b>2. FDI Promotion Campaign</b>	<b>18</b>
2.0 Introduction	18
2.1 Target Investor Regions	19
2.2 Project – Focused FDI Promotion	19
2.2.1. Approach	19
2.2.2 Project Promotion Cycle	19
2.3. Enhancing Pakistan’s Image as an Investment Location	21
2.3.1 Country Message	22
2.3.2 Image Enhancement Campaign	23

<b>3.</b>	<b>Investment Facilitation (One Window)</b>	<b>24</b>
3.0.	Scope	24
3.1.	One Window	25
3.2.	Initial Priorities	26
<b>4.</b>	<b>Development of Special Economic Zones</b>	<b>27</b>
4.0.	The SEZ Act	27
4.1.	SEZ Policy and Implementing Regulations	28
<b>5.</b>	<b>Coordination Networks with Stakeholders Ministries</b>	<b>30</b>
5.0.	Purpose	30
5.1.	Building Co-operative Networks	30
5.1.1.	Maximizing Administrative Efficiency and Economy	30
5.1.2.	Two Co-operative Networks	30
<b>6.</b>	<b>Reorganization &amp; Capacity Development of the BOI</b>	<b>32</b>
6.0.	Introduction	32
6.1.	Governance Structure	32
6.2.	Operational Structure of BOI	33
6.3.	Capacity Development	34
6.3.1.	Human Resources	35
6.3.2.	Information Technology	36
<b>7.</b>	<b>BOI as self Financing Organization</b>	<b>37</b>
7.0.	Need for Increased Funds	37
7.1.	Self-financing	37
7.2.	Donor Support	37

\*\*\*\*\*

## **ABBREVIATIONS**

ADB	Asian Development Bank
AEDB	Alternate Energy Development Board
BITs	Bilateral Investment Treaties
BOA	Board of Approvals
BOI	Board of Investment
CRM	Customer Relationship Management
CTS	Client Tracking System
ICSID	International Centre for Settlement of Investment Disputes
ECC	Economic Coordination Committee
EPA	Export Processing Zones
EU	European Union
FEG	Framework for Economic Growth (Policy Document by Planning Commission)
FIC	Foreign Investor Council
FIAS	Foreign Investment Advisory Service of the World Bank & IFC
FPCCI	Federation of Pakistan Chambers of Commerce & Industry
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GoP	Government of Pakistan
HR	Human Resources
ID	Investor Documentary
IFI	International Financial Institutions
IPA	Investment Promotion Agencies

IPDF	Infrastructure Project Development Facility
IPFF	Infrastructure Project Finance Facility
IT	Information Technology
ITS	Investor Tracking System
MIGA	Multilateral Investment Guarantee Agency
MOLJHR	Ministry of Law, Justice and Human Rights
MOU	Memorandum of Understanding
OICCI	Overseas Investors Chambers of Commerce & Industry
OPIC	Overseas Pakistan Investors Council
PPD	Public-Private Sector Dialogue
PMTDF	Pakistan Medium Term Development Framework
PBC	Pakistan Business Council
PBIPA	Pakistan Business Industry Promotion Association
PPP	Private-Public Partnership
RIA	Regulatory Impact Assessment
SMEDA	Small and Medium Enterprise Development Authority
SME	Small and Medium Enterprises
SEZs	Special Economic Zones
USD	United States Dollar
VGf	Viability Gap Funding
WIPA	World Association of Investment Promotion Agencies

\*\*\*\*\*

## **EXECUTIVE SUMMARY**

### **Introduction**

The first Investment Policy by Board of Investment (BOI) was given in 1997, which opened services, social, infrastructure and agriculture sectors for foreign and local investors. It was a major step forward for integration of Pakistan's economy into international markets as prior to this policy; foreign investment was restricted to manufacturing sector only.

The global integration of economies have forced the developing countries to adopt liberalized policies for attraction of Foreign direct Investment (FDI). Around the world countries have adopted proactive and liberal policies to attract FDI. Special Economic Zones (SEZs) have gained momentum in attracting FDI. To meet global competitiveness effectively and efficiently, creation of SEZs in the country had become an acute necessity. The law to establish SEZs has been promulgated which necessitate to review the existing Investment Policy backed by FDI Strategy for 5-year to implement the policy through strategic interventions.

### **Mandate of the BOI**

The Ordinance 2001 (Clause -9) mandates BOI to promote, encourage and facilitate local and foreign investment inflow in Pakistan. Towards this end, the BOI is an intermediary of the Government of Pakistan (GoP) between the public and the private sectors. Its mandate encompasses;

- a) **policy advocacy** with a view to promoting business friendly regulatory reforms that improve the enabling conditions for doing business
- b) **investment promotion** through
  - i. **enhancing the image** of Pakistan as an investment location
  - ii. **marketing investment opportunities** to attract investments into projects
- c) **investment protection** with a view to strengthening investor confidence in the stability of investment conditions through concluding international investment agreements
- d) **investment facilitation** at all the stages of the investment cycle, notably through
  - i. acting as an intermediary between private investors and Pakistani authorities (“one window” or “one stop shop” concept);
  - ii. matching foreign and domestic joint venture partners
  - iii. promoting public-private partnerships

- e) **networking and coordinating** with public authorities and non-governmental organizations in Pakistan with a view to implementing a coherent investment promotion strategy

The BOI's mandate approximates that of the most successful investment promotion agencies in the world which have played a crucial role in achieving private sector based prosperity in their countries. These agencies notably include the Singapore Development Board, the Irish Development Authority, the Thailand Board of Investment, Turkish Investment Promotion Agency and the Malaysian Industrial Development Authority.

The BOI Board is comprising of both public and private sector members (Clause 3 of BOI Ordinance, 2001) chaired by the Prime Minister of Pakistan. The BOI Board has been established by BOI Ordinance as the highest joint public-private sector policy council on private investment, the BOI Organization has emerged as the administrative organization implementing decisions of the BOI Board. This implies that the policy agenda of the BOI Board may be broader than the action programs administered by the BOI Organization. In other words, policy consultations in the BOI Board can be pursued without prejudice to the administrative competencies of ministries and agencies.

In October 2009, BOI was placed under the administrator control of the Prime Minister's Secretariat by the decision of the Prime Minister. Since then BOI is working under the leadership of the prime Minister as Minister-in-charge.

### **FDI Generation and International Competitiveness**

For an investor, the expected relative risk/return ratio is the driving force of investment decisions. Therefore, they tend to invest in countries and projects where they expect the highest returns and the lowest risks relative to alternative investment opportunities.

Pakistan's success in attracting foreign investment thus depends on its competitiveness as an investment location relative to other countries. Boosting Pakistan's international competitiveness on a global scale will be crucial in reaching Pakistan's growth targets in general and its FDI targets in particular.

Pakistan is widely perceived as a high risks investment proposition. A pro-active campaign will be launched under this FDI Strategy to enhance Pakistan's international image as an investment location.

International investors must be persuaded that Pakistan, despite challenges, offers investment opportunities with risk/return ratios outcompeting alternative opportunities elsewhere. This calls for a strategy concentrating on identifying, developing, marketing and facilitating "Competitive Projects" in Pakistan.

Such a strategy, to yield results, must encompass a broader "Investment Generation Cycle", including the:

- 1) Identification and Development of “Focal Sectors” , i.e., sectors with favorable fundamentals for Competitive Projects;
- 2) Identification and Development of “Competitive Projects” in Focal Sectors;
- 3) Identification and Advocacy of policy measures likely to increase the profitability of and decrease the risk level of investments in Pakistan (“Competitiveness Enhancement”),
- 4) International Promotion of Competitive Projects with a focus on “Target Investors” (i.e., investors most likely to be attracted by Competitive Projects on offer) and “Target Regions” (i.e., countries/regions with most Target Investors); and
- 5) Investment Facilitation, i.e., services provided to potential foreign investors with a view to converting their interest in Competitive Projects into actual investment in Pakistan.

### **Focus on Foreign Direct Investment**

Although BOI’s mandate covers both domestic and foreign private investment, this Strategy focuses on generating Foreign Direct Investments (FDI), i.e., investments of foreign nationals into business activities in Pakistan. This focus is proposed, because FDI promotion is the uncontested core competency of the BOI as Pakistan’s investment promotion agency.

Foreign investors operate in the Pakistani economy alongside with domestic Pakistani investors. The Investment Policy 2013 offers equal treatment to both local and foreign investors. Therefore, to avoid distortions of competition, the same framework conditions must in principle apply to all enterprises operating in the Pakistani market. Efforts towards improving the investment climate in Pakistan (“policy advocacy”) are hence envisaged to stimulate both domestic and foreign investment in Pakistan while offering the level fields. In the same vein, sector strategies aiming at developing Focal Sectors should be designed with a view to energizing domestic and foreign private investments in these sectors.

To maximize the contributions of FDI to Pakistan’s economic development, this FDI Strategy furthermore envisages special programs to promote the linkages between domestically and foreign-owned private enterprises, such as local supplier, sub-contractor or joint venture programs.

Finally, the Board of Investment is Pakistan’s highest level consultative body on domestic and foreign private investments, comprising the Federal, Provincial and Private Sector leaderships of the country. It is ideally suited to serve as a frame for joint public – private sector consultations towards a coherent private sector development agenda.

## **Pakistan Economic Targets**

This FDI Strategy outlines a conceptual framework for cooperation of economic sectors in Pakistan, public and private sectors, towards mobilizing the Private Investments, (domestic and foreign) that are required to achieve Pakistan's economic targets.

The following targets are highlighted for the purposes of this FDI Strategy:

- Average growth rate of some 7 – 8 % per year (supported by the *Framework for Economic Growth*)
- Employment for an increasing and increasingly urbanized population (230 – 260 million by 2030)
- Building a knowledge-based economy and prioritizing the development of human capital
- Enhancing the global competitiveness of the Pakistani economy from the 2011-12 rank (118 out of 142 benchmarked countries) to rank 50 by 2030.

## **Operational Windows of FDI Strategy**

Towards these targets, this FDI Strategy foresees seven action programs (“*operational windows*”), namely to:

- 1) Policy Formulation & Public-Private Sector Dialogue (PPD);
- 2) FDI Promotion Campaign;
- 3) Investment Facilitation (One Window);
- 4) Development of Special Economic Zones (SEZs);
- 5) Coordination Networks with Stakeholders Ministries;
- 6) Re-organization & Capacity Development of the BOI and
- 7) BOI as self Financing Organization.

To facilitate these programs, the FDI Strategy proposes a revitalization of the BOI Organization with an attendant Capacity Building and restructuring program

The aforementioned our operational programs, together with the enabling revitalization and capacity building are conceptualized as interdependent and mutually supportive parts of an overarching coherent FDI Strategy.

This FDI Strategy cannot be implemented by the BOI alone. Its success requires the collaboration of all actors in developing Pakistan's Private Sector. The BOI will play a catalytic role with the aim of facilitating and energizing this collaboration.

Accordingly, this FDI Strategy is designed as a framework of cooperation of all stakeholders, public and private, in its success. This framework should meet with broad consensus of Pakistan's civil society beyond political divisions; and all stakeholders

should “co-own” this FDI Strategy and feel committed to its success in their own interest.

As a framework for cooperation, this FDI Strategy has been designed with a view to avoiding any interference with competencies of ministries and agencies of the GoP or the Provinces; and all activities envisaged to be carried out by the BOI are covered by the latter’s mandate under Article 9 of the 2001 BOI Ordinance.

As a framework for cooperation also, this FDI Strategy is not a business plan. It rather envisages that specific action plans be determined in public – private sector consultations under each chapter of the Strategy.

### **Approaches of the FDI Strategy**

The FDI Strategy sets out roadmap to promote FDI in Pakistan and proposes four broadly defined action programmes (hereinafter called “operational windows”) for attracting FDI into Pakistan. These are:

#### **Institutionalizing a structured Public - Private Sector Dialogue as a framework of co-operation on:**

- a. Identifying and developing Focal Sectors and Competitive Projects in such sectors,
- b. Improving Investment Protection and
- c. Linking FDI generation with related GoP policies and programs towards a coherent Private Sector Development Strategy and policy framework

#### **Promoting Foreign Direct Investment to Pakistan through:**

- a. Internationally promoting investment projects in Pakistan;
- b. Enhancing internationally the image of Pakistan as an investment location; and
- c. Facilitating FDI in Pakistan by providing a variety of services to foreign investors at various stages of the investment cycle and Creating and Facilitating Special Economic Zones.

To perform operational programs effectively and efficiently, plans are outlined for:

- i. Reorganizing and Capacity Building of BOI
- ii. Building *Cooperative Networks* and the necessary administrative capacities of the BOI to implement this *FDI Strategy* and
- iii. Mobilizing the necessary financing for building the aforementioned capacities

The aforementioned “operational windows” and attendant organizational/capacity development measures are envisaged to become building blocks of an inter-

independent strategy where activities in one area supplement and reinforce activities in other areas.

The successful implementation of this FDI Strategy will require considerable administrative capacities with attendant budgetary implications. Activities will therefore be gradually phased in tandem with progress in building the necessary capacities.

In view of the present challenges faced by Pakistan, priority will be given to:

- Reorganizing the BOI with a view to setting the institutional basis for effective and efficient operations;
- Institutionalizing the Public- Private Sector Dialogue with a view to mobilizing the necessary Federal – Provincial – Private Sector collaboration for implementing this Strategy
- Determining first Target Sectors and competitive investment projects in these sectors (Competitive Projects);
- Promoting FDI into Competitive Projects; and
- Launching the SEZ program.

### **Catalyst Functions of BOI**

BOI's mandate is exceptionally broad by international comparison. However, BOI's budget is exceptionally small. Even IPAs with much narrower mandates and in much smaller countries command over significantly larger resources than BOI. This requires BOI to:

- 1) Determine and concentrate on priority activities where BOI can best mobilize investments that would not have occurred without BOI support (“additionality approach”); and
- 2) To the extent possible seek the co-operation of other Governmental and Non-Governmental organizations inside and outside of Pakistan to further its objectives (“Multiplier” approach through “Networking”).

This approach will especially apply to BOI's Project Identification and Development program. This program will include:

- 3) The selection of key sectors or subsectors on which BOI's efforts will concentrate (“ focal sectors”);
- 4) The preparation of sector development roadmaps with strategies for developing focal sectors;
- 5) The identification of “competitive investment projects”, i.e., investment opportunities with competitive expected relative risk/return ratios in focal sectors, and;

- 6) The “packaging” of relevant information on these projects into “project profiles” likely to attract (foreign) investors.

Many of these activities will have to be performed in the Provinces and regions where prospective competitive investment projects are located. With its capacity and resource constraints, the BOI will not be able to carry out these activities itself. Rather, it will have to rely on the co-operation of other, notably Provincial agencies and private sector organizations. The BOI will act as a catalyst rather than a performer of sector/project development programs. It is for that reason that “Project Identification and Development” is organizationally placed within the “Public-Private Sector Dialogue”, the envisaged platform for co-operation of BOI with public and private sector organizations with related responsibilities.

### **Strategy for Domestic Investment**

Although BOI’s mandate covers both “local and foreign investment”, this Strategy concentrates on generating Foreign Direct Investment. This focus is not meant to indicate any priority of foreign investments. It just follows practical exigencies.

BOI clearly cannot launch ambitious action programs in support of domestic Pakistani investments on account of its present resources. More importantly, such programs are carried out by other Federal and Provincial agencies; and the above advocated “subsidiary policy” applies especially to those programs. Proposing BOI initiatives in support of domestic investments would require a stocktaking of existing similar programs in Pakistan, a conceptualization of modes of co-operation between BOI and such programs, and an assessment of BOI’s comparative organizational advantages in involving itself in such programs. Such an exercise, with the attendant administrative and political implications, would likely delay implementing actions on this FDI Strategy in defiance of Pakistan’s need for speedy tangible results.

### **FDI Strategy Document**

The first draft of this FDI Strategy was disseminated in 2008 to pertinent Federal ministries and agencies, Provincial Governments as well as private organizations for comments. The draft was revised in light of comments received and discussed in the 3<sup>rd</sup> BOI Board Meeting on 22<sup>nd</sup> October 2009. Updated in light of these discussions, this FDI Strategy was approved in principle by the BOI Board at its Fourth Meeting on 18<sup>th</sup> May 2010 with the decision to circulate the updated version again to the Provincial Governments and then present it to the Cabinet for final approval/endorsement.

FDI Strategy has again been revised after promulgation of SEZ Act 2012. The FDI Strategy will remain a “living document”, i.e., the progress in its implementation will be monitored jointly with cooperating organizations; and it intends to be consistent so that change in government does not affect policy, however the Strategy stands to be amended in the light of experience and resource mobilization whenever deemed expedient.

## **1. Policy Formulation & Public-Private Sector Dialogue**

### **1.0. Purpose**

A structured Dialogue with the Private Sector is the backbone of this FDI Strategy. This Dialogue will provide a platform for a systematic co-operation of Federal and Provincial authorities as well as Private Sector organizations with responsibilities related to this Strategy. It will serve two principal purposes, namely to:

- 1) Co-ordinate efforts on developing Target Sectors as well as identifying and developing competitive investment projects in these sectors as a basis for promoting FDI into such projects; and
- 2) Consult on policy initiatives towards improving the investment climate in Pakistan.

As envisaged, the Dialogue will involve Federal, Provincial and Private Sector stakeholders in the implementation of this FDI Strategy in all its stages. It will thus inspire a sense of co-ownership, public and private, in the Strategy and in this way commit all stakeholders to co-operating in its implementation.

If consulted informally, private sector representatives tend to articulate just particular interests of individual enterprises or business groups. By bringing the various consultations with different Private Sector interest groups under one umbrella in a structured process, particular individual or group interests will be vetted against competing interests of others as well as Pakistan's (budgetary and other) constraints. Conflicting interests and exigencies will thus be revealed and balanced policy conclusions furthered.

Through the Dialogue, actors in various sectors and policy domains will exchange information on developments, problems and initiatives related to this FDI Strategy. This will contribute to the overall consistency and coherence of private sector – related policies, programs and activities.

The consultation process will require responsible authorities periodically to report back on actions taken on reform proposals made by the Private Sector. This is expected to ensure proper follow-up on reform proposals and thus energize the reform process.

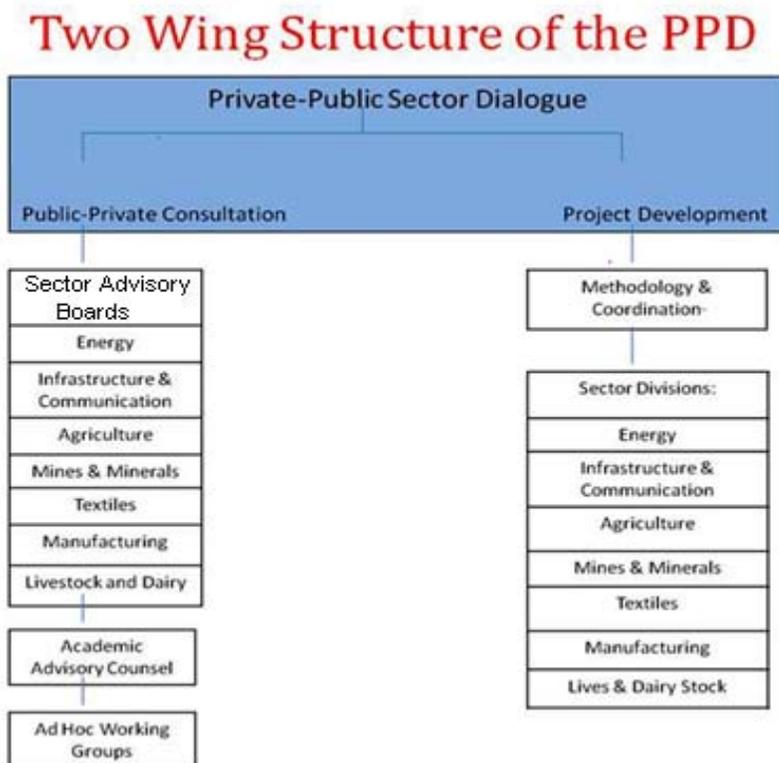
Finally, through the Private Sector Dialogue, the BOI stands to obtain the necessary in-depth information for enhancing Pakistan's image as an investment location, promoting investment opportunities and rejuvenating investor service programs. These activities require realistic assessments of the various sectors' comparative strengths, risks and weaknesses; they include the identification of both "marketable" investment projects as well as potential investors abroad that might be interested in those opportunities. For all

these activities, the BOI will need the on-going advice and feedback of the Private Sector. The PPD is envisaged to provide the framework for this interaction between the Private Sector and the BOI.

## 1.1 Structure and Modus Operandi

### Two – Wing Structure

The PPD has been divided into two wings – a consultative and an operational. The consultations will primarily take place in Joint Public-Private Advisory Boards for key sectors (“Focal Sectors”) under the Executive Committee. The operational wing will feature the Department for Sector and Project Development. **Figure 2** illustrates the two – wing structure of the PPD:



This structure is proposed, because the identification and development of Focal Sectors as well as competitive investment projects in these sectors must necessarily be a joint action program of the BOI, sector ministries/agencies, Provincial/local agencies and Private Sector organizations. The Sector Advisory Boards will be the core frame for this collaboration; and the Sector Divisions will be the secretariats and implementing arms of the Boards.

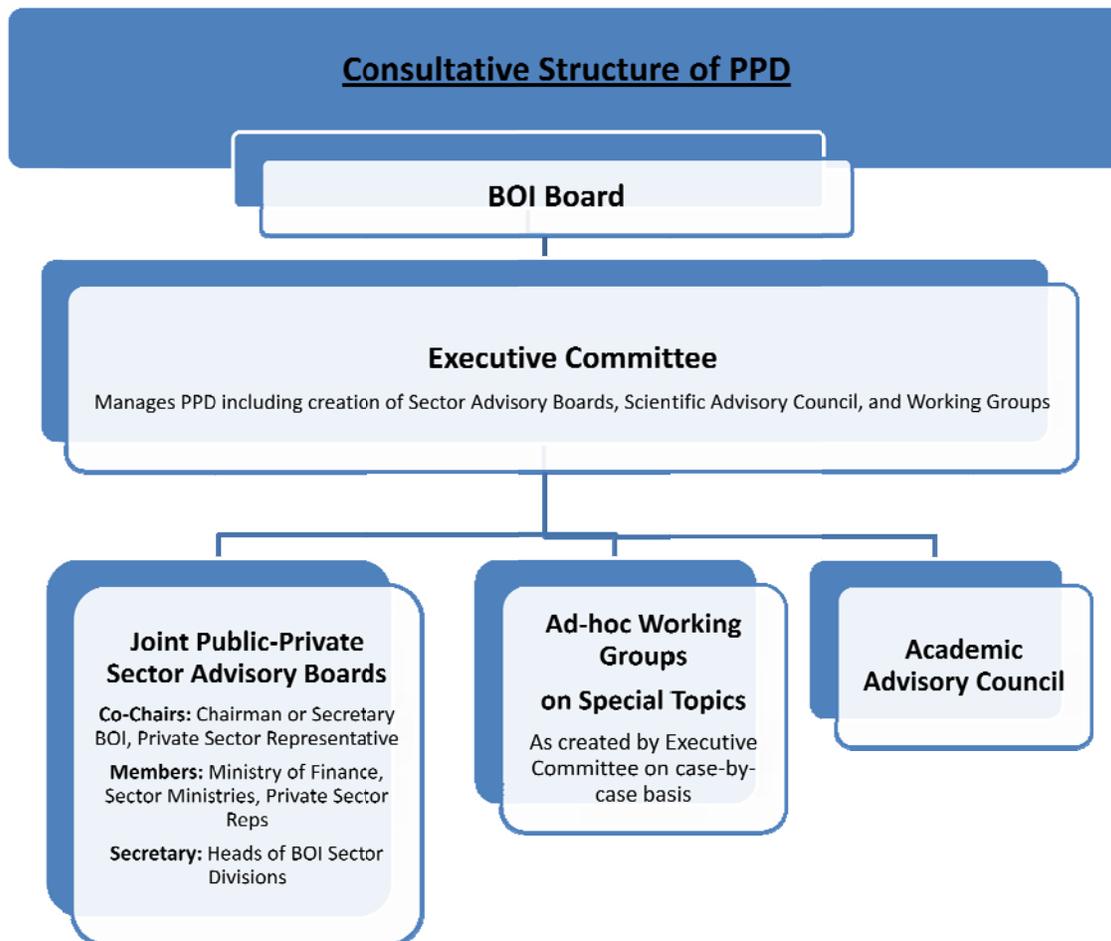
The combination of Private Sector consultations with Sector and Project Development is probably the most immediate tangible benefit of the PPD; without it, systematic sector/project identification and development will hardly be feasible.

Subject to decisions of the Executive Committee, seven Sector Advisory Boards are presently envisaged, namely on Energy, Infrastructure and Communication, Agriculture, Mines & Minerals, Textiles, Manufacturing, Livestock & Dairy.

PPD will have a three-tier structure for policy decision making:

- at the centre *Executive Committee* which creates the structure and steers the process;
- at the bottom *Sector Advisory Boards, ad hoc – Working Groups and an Academic Advisory Council* where substantive consultations take place and sector roadmaps, project identifications, joint actions and recommendations are generated; and
- at the top the BOI Board under the Prime Minister which ensures highest level political attention to the results of the *PPD* process.

**Figure 2** illustrates the three-tier structure for policy decision making:



## 1.2 Reporting System

A formalized reporting system will ensure the transparency of the *PPD* and attract the attention of political decision-makers. In enacting this system, the Executive Committee might consider the following approach:

The Advisory Boards will send summary reports on each meeting to the Executive Committee. These reports will include the (notably Private Sector) proposals made in meetings as well as the follow-up on previous proposals. The Executive Committee will report at least quarterly to the BOI Board on the progress of the PPD, including major reform proposals and the follow-up thereon. Such reports will be disseminated to all members of the Executive Committee and the Advisory Board concerned, including the Private Sector members. This system will allow all members to trace the follow-up on proposals made; and it is expected to stimulate prompt response of responsible ministries and agencies on proposals referred to them.

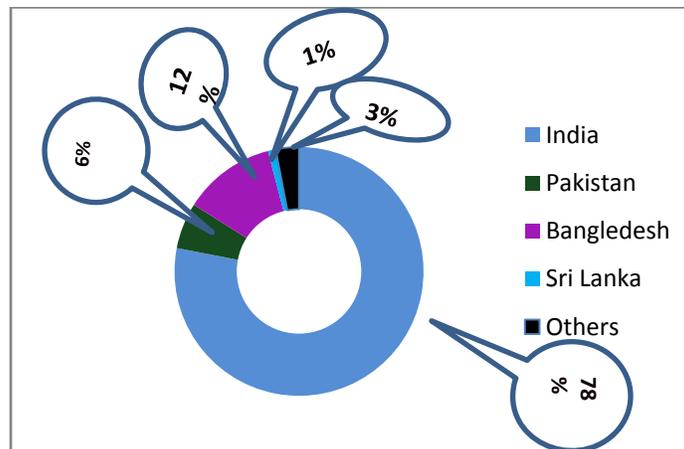
## 2. FDI Promotion Campaign

### 2.0 Introduction

Actions under this FDI Strategy have a priority concentrate on bringing FDI inflows well above the \$ 5 billion level. Pakistan's FDI targets are not adequately expressed in figures, though more important than capital are contributions of FDI to Pakistan's development objectives, notably:

- Improving the competitiveness of production in Pakistan through transfer of technology and upgrading labor skills, especially in agriculture, horticulture, mining, manufacturing, housing, engineering and chemicals.
- Boosting Pakistan's exports through:
  - Facilitating access to overseas marketing and distribution networks; and
  - Including Pakistani producers and service providers into international value added chains.
- Improving corporate governance in Pakistan through bringing in and demonstrating to local entrepreneurs' best international management styles and cultures.

Attracting FDI requires Pakistan to outcompete alternating investment locations. Specially within the South Asia region shows the FDI trends in following figure 3.



Source: Fiscal Review 2012, Business Recorder

## **2.1. Target Investor Regions**

FDI in Pakistan mainly comes from four regions which in 2007-2008 accounted for 71% of total FDI flows to Pakistan. These are: United States (25.4%); South East Asia mainly Malaysia & Hong Kong (20.5%), EU mostly UK & NL (12.8%) and Middle East, mainly UAE & KSA (12.3%).

FDI promotion efforts will focus on these regions, plus China and Far East where there is considerable potential. Bilateral business councils with countries in these regions will be reactivated; and new councils will be initiated with China, UAE, KSA and NL. However the FDI trends in 2008-09 to 2011-12 shows the considerable decrease in FDI inflows from the above mentioned sources. Some new investment source countries have emerged i.e. this trend draws attention in policy formulation and implementation. FDI promotion efforts may be extended to additional home countries with strong sectors that match sector-specific strengths of Pakistan.

The aforementioned principal home regions of FDI in Pakistan are also the regions with the largest expatriate Pakistani communities. A special action plan will be prepared with the aim of activating Pakistani Diasporas (including leading professionals) in the aforementioned four focal regions in promoting this FDI Strategy.

## **2.2. Project – Focused FDI Promotion**

### **2.2.1. Approach**

FDI promotion will initially concentrate on Focal Sectors and investment projects in these sectors with competitive expected risk/return ratios. Promotion activities will aim at attracting international investors' attention to opportunities that credibly promise attractive risk/return ratios despite the challenges faced by Pakistan as a country. The strategy will thus be based on Sector and Project Development.

It is envisaged that activities will initially concentrate on Target Sectors, viz. Infrastructure-Communication, Manufacturing (Textile, Food Processing, Consumer Goods, and Engineering), Energy, Mining & Exploration, Construction & Real Estate, Automotive, and Agriculture-Livestock-Dairies-Fisheries. In this context, existing and planned SEZs and Industrial Estates with the attendant incentive packages will be highlighted.

### **2.2.2 Project Promotion Cycle**

The promotion of investment projects encompasses a cycle of activities from targeting potential investors for specific projects in Pakistan, raising their interest, to ultimately persuading them to invest in Pakistani opportunities. It involves (i) maintaining a comprehensive data base and (ii) launching an investment generation campaign.

## **(i) Database**

The BOI has already set up an internal databank with important investment and trade-related statistics. This databank presently exists in MS excel format; it will be upgraded to an “e-library” where users can extract information by searching keywords.

A more comprehensive database will be set up as the backbone of project promotion. The data- base will include:

- Standardized profiles of Competitive Projects in Pakistan;
- The coordinates of intermediaries through which projects profiles can be disseminated, notably the “Cooperative Network”;
- Prioritized company profiles of Target Investors; and
- Information tracking investor contacts.

As outlined before, Competitive Projects will be identified in collaboration with the Sector Advisory Boards. Standardized Project Profiles will be prepared for Target Sectors with the information necessary for successful investment generation.

To prepare a list of Target Investors, information will be collected on foreign companies in Focal Sectors the business interests and investment potentials of which appear to match with the investment opportunities in Pakistan. The initial list will concentrate on Focal Sectors and investor communities in the aforementioned Target Regions. An initial database will be set up in 2011-2012. This initial database will be constantly expanded and updated.

Consideration will also be given to involving the services of advisory firms such as investment banks and law firms to represent the BOI and/or project sponsors in promoting investment opportunities to target investors. Such firms have expertise in marketing and structuring investments and have the ability to identify high potential targets. Fees for such services can be provided through the BOI or on a “success fee” basis where payment is made as a percentage of the transaction amount.

An “Investor Tracking System” (ITS) will be installed to provide instant information on all previous contacts with Target Investors.

The BOI Intranet will make the Database (with the ITS) easily available to all managers and operators of the BOI.

## **(ii) Investment Generation Campaign**

An investment generation campaign will be launched, including a host of activities with the ultimate aim of persuading targeted foreign investors to invest in opportunities in Pakistan. An important interim step will be to persuade such investors to undertake site visits to Pakistan.

Investment generation activities will include:

- Circulation of “marketing letters” to short-listed Target Investors alerting them of opportunities that specifically suit their corporate strategies. BOI has already prepared model marketing letters for this purpose. These will be reviewed in the Sector Advisory Boards.
- Participation of BOI representatives in investor conferences in Focal Sectors and trade fairs.
- Organizing investor conferences in Pakistan and key investor communities in the Middle East, USA, Far East, and EU
- Visits of BOI officials with Pakistani project promoters in target investor communities and specific target investor companies, possibly in conjunction with state visits.
- Organizing visits of foreign investor delegations from Target Regions in Pakistan.

In carrying out these activities, the BOI will proceed in partnership with private project promoters wherever suitable. It will also heavily rely on the support of the Pakistani embassies in key investor communities (commercial counselors) and honorary investment counselors. Business relationships will also be established with chambers of commerce and other business associations in Target Regions.

### **2.3. Enhancing Pakistan’s Image as an Investment Location**

Marketing Pakistan as a competitive investment location will be part of Project Promotion. Nevertheless, investment conditions in particular sectors and for specific projects will in this context be distinguished from the investment climate in Pakistan at large. Arguments will be advanced that promoted sectors and projects will be less vulnerable to the macro-challenges widely associated with Pakistan and that the promoted projects represent “opportunity niches”.

This approach might imply an “oases in the desert” message. The approach is proposed to achieve quick results, but it should be complemented by medium-term pro-active image enhancement campaign presenting Pakistan as a more attractive investment

location than widely perceived negative image. Pakistan ranked No.2 in Doing Business for South Asia Region in year 2012 as showing in the figure 4.

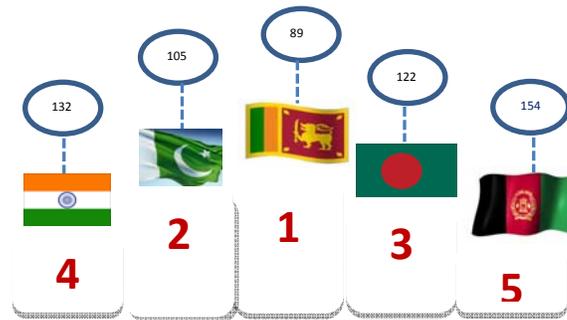


Figure 4. Source: Fiscal Review 2012, Business Recorder

### 2.3.1 Country Message

Attention will be drawn to Pakistan's strengths; and arguments will be suggested on how to address the (perceived) threats and weaknesses.

The image enhancement campaign will portray Pakistan as a large and rapidly growing market with an increasingly skilled and yet moderately priced workforce. Pakistan's location at the cross-roads of main trading corridors will be emphasized, along with the pending infrastructure development projects that will further build up Pakistan's strategic strengths. The recent depreciation of the Rupee and decline of asset valuation (in foreign currency) lowers entry costs and thus increases potential rates of return. It thus might be possible to depict Pakistan as a country with undervalued investment opportunities.

Credibility will be the first benchmark of the message. Actual and perceived problems will be addressed but be put in proper perspective. Special attention will be drawn to the pending reform process (e.g., regulatory reforms process, SEZ Act, progress on macro-economic stabilization, security, etc.). Adverse risk perceptions will be alleviated with reference to pending measures towards improving Investment Protection (e.g., new BITs with ICSID clauses, new Law on Commercial Arbitration). The underlying message will be: attractive investment destination considering its strategic location, large and growing domestic market, and skilled human resources; visible progress on macro-economy, security and infrastructure development.

An overriding country theme should be developed with which Pakistan should be associated by international investors, like "Incredible-India" or "Malaysia-Truly Asia". In view of the presently low valuation of business assets in Pakistan (in foreign currency terms), "Pakistan-the land of undervalued opportunities with future potential" might be a first suggestion for discussion in the PPD. The implicit message: "Buy into the economy at low price and share with us the returns of progress."

### **2.3.2 Image Enhancement Campaign**

The proposed image enhancement campaign may chiefly be launched through the Cooperative Network. The BOI may in particular rely on the support of commercial counselors in the Pakistani embassies and mobilize the honorary investment counselors in Target Regions. BOI staff may moreover make presentations at suitable international conferences and on the occasion of state visits in target countries. Investor conferences on opportunities in Pakistan are envisaged to be organized.. These investor conferences will in particular involve the Pakistani Diasporas in these countries; and support will be sought from international donors. The investor conferences may provide opportunities for (re)activating bilateral business councils

The BOI has already set up a Website and has published an Investor Guide (pocket & large size); it has also prepared a CDROM with detailed investment information on Pakistan, an Investor Documentary. These information tools will be further refined and updated, keeping in view the new status of BOI as an organization directly reporting to the Prime Minister's Office. BOI's website will become the prime portal with comprehensive and up-to-date information on investment conditions and opportunities in Pakistan.

### **3. Investment Facilitation (One Window)**

#### **3.0. Scope**

The scope of services accorded by investment promotion agencies to foreign investors varies widely. Such services are offered at five stages of the investment cycle, viz. (i) the preparation of site visits of prospective investors to the envisaged host country; (ii) the management of such site visits; (iii) the follow-up on site visits until a final investment decision is taken; (iv) start-up assistance to foreign investors in actually making investments in the country; and (v) after-care services after the investment has been made.

Services during the first four stages of the investment cycle (pre-investment services) are aimed at converting an initial interest in an opportunity into an actual investment. Such services are still part of the investment promotion cycle.

Post-investment services drive at encouraging existing investors to expand their investment in the host country. They will also serve the purpose of enhancing host country's image as an investment location. International experience shows that prospective investors largely rely on the experience of existing investors in choosing an investment location.

More importantly, post-investment services (also called "after care – services") aim at maximizing the benefits of local industries from foreign investors. Towards this objective, these services include special programs for deepening partnership-type relationships between foreign investors and local suppliers and sub-contractors. They may also support linkages between foreign investors and universities/research institutes or design the training programs to introduce innovation and upgrade the skills of staff, suppliers or subcontractors of foreign investors according to their needs.

Pre-investment services include assistance to foreign investors in selecting an investment location in the host country, possibly among several (competing) options. This is still a task of the national IPA. However, the more investment preparation focuses on a particular location, the more the services needed to be provided at the regional or even local level. After – care services almost entirely fall in the local domain. In Pakistan, the top problematic factors of Doing Business shown in the figure 5:

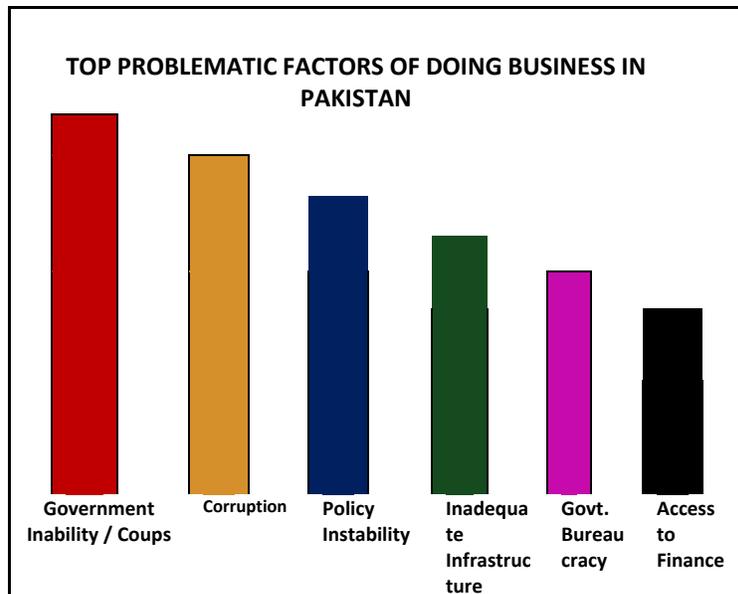


Figure 5. Source: Fiscal Review 2012, Business Recorder

### 3.1. One Window

The BOI Ordinance mandated to “provide one window facilities for provision of all services and utilities to investors by concerned federal and provincial agencies”. Under this “one window” or “one stop shop” – concept, the BOI would act as an administrative broker between foreign investors and Pakistani authorities; it would take up requests of investors for permits, licenses, the provision of utilities and more, and obtain the necessary decisions of the authorities concerned in an inter-agency administrative process. Many investment promotion agencies in the world have tried and are trying this approach but the success records are mixed. Few, if any, agencies fully operate as one window.

Presently, the BOI brokers some administrative services, notably the issuance of visas, work permits and security clearances to foreign investors and their key personnel. It also facilitates the establishment of representative offices.

Providing comprehensive one window services throughout Pakistan would certainly exceed the BOI’s present administrative capacities. Nevertheless, the one window - concept represents a goal post; the closer the BOI’s actual activities approach this ideal, the more effective it can be in mobilizing FDI for Pakistan. Thus, although the “one window”- concept is unlikely to be implemented across the board during this FDI Strategy, it will serve as an orientation for building up the BOI’s investor service program. Under the SEZ Act, 2012, the BOI is envisaged to serve as a true “one window” in SEZs.

### **3.2. Initial Priorities**

The bulk of investor services will have to be provided at the site of prospective or actual investment projects. The BOI's ability in providing investor services thus depends on its administrative capabilities in the various commercial centers of Pakistan, as well as the cooperation of federal and, more importantly, provincial and municipal authorities.

At present the BOI operates service centers in Karachi, Lahore, Peshawar and Quetta. Of those, the Karachi office is the best equipped by far. It is therefore best suited to serve as the lead operation; and investor services in other centers will be phased in with building requisite administrative capacities and in light of the Karachi experience.

In the initial stage, the following priorities are proposed:

- Preparing “development packages”, i.e., documentation on incentives and other benefits ( training assistance, access to land, security packages, etc) for typical investment projects in Focal Sectors as well as for SEZs;
- Negotiating roadmaps with local authorities for navigating investors through investment approval and business establishment procedures in Pakistan's major centers, starting with Karachi;
- Negotiating co-operation agreements with Federal and Provincial authorities enabling the provision of particular “one window” – services;
- Establishing “one windows” in SEZs; and
- Facilitating the resolution of problems between (prospective and existing) investors and Pakistani authorities. For large investments, this service may be offered centrally by the BOI with the benefit of the Sector Advisory Boards. For SME investments, this service has to be rendered by the BOI Regional Offices. A problem facilitation office might be established in the Karachi Office on a pilot basis.

## 4. Development of Special Economic Zones

### 4.0. The SEZ Act

Special Economic Zones (SEZs) have been, and still are being created, in many countries as “economic enclaves” with a view to creating conducive conditions for private sector development in defined geographic areas. More specifically, SEZ's serve to facilitate site development; the provision and financing of adequate business infrastructure; the protection of security of business installations; the alleviation of regulatory constraints (“administrative enclaves”); the promotion of industry clusters; and the creation of industrial lighthouses in underdeveloped regions. As successful examples in other countries demonstrate, SEZs offer an opportunity of overcoming investment constraints.

With two noteworthy exceptions, past SEZ initiatives in Pakistan have not been successful, though. These include the attempts at developing Export Processing Zones (EPZs) and the now defunct Special Industrial Zones. Previous governments have initiated Industrial Estates and Industrial Parks in the country to meet challenges of competitiveness.

BOI, with the support of the relevant Federal Ministries/ department/ organizations and Provincial Governments has prepared a SEZ Act 2012 setting out a uniform policy, legal and institutional framework for SEZs in Pakistan. The Parliament was approved the SEZ Act on 8<sup>th</sup> March, 2012 (Senate) and 13<sup>th</sup> July 2012 (National Assembly) and signed by the Honorable President of Pakistan on 10<sup>th</sup> September, 2012.

The **SEZ Act is a “framework law”**, establishing

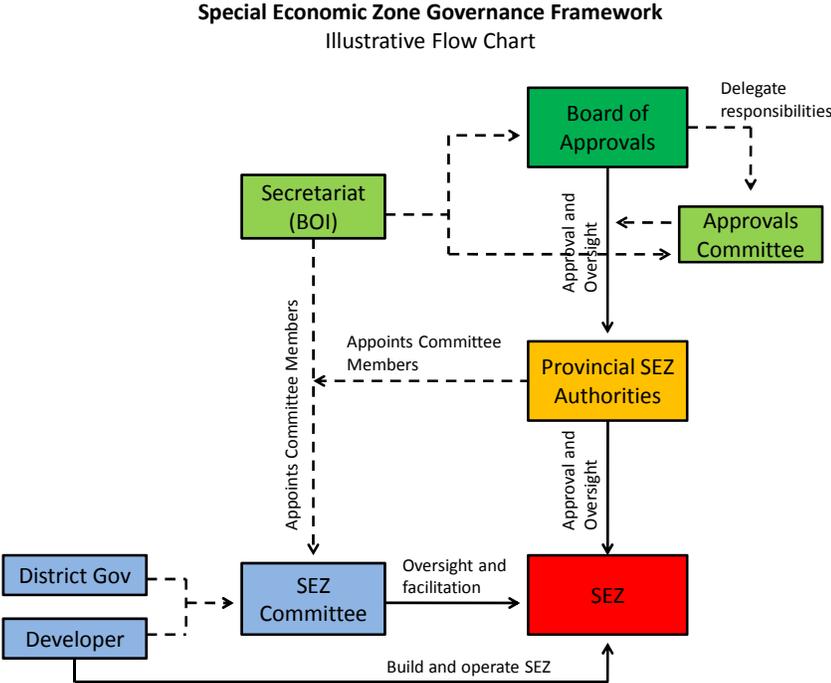
- The basic concepts of the SEZ regime, notably the development and operation of SEZs by private or public-private or public agencies “Developers”;
- The bodies administering the system:
  - At the federal level, the “Board of Approvals” (under the Prime Minister), the “Approvals Committee” and the BOI;
  - At the Provincial level “SEZ Authorities”;
  - SEZ Secretariat at BOI level; and
  - SEZ Committees: SEZ Committee for each SEZ as per the applicable zone regulations
- The investment incentives for both Developers and Enterprises in SEZs.

The incentives available for a period of 10-years for SEZ Developers and SEZ Enterprises;

- a. Exemption from custom duties for import of all capital goods, machinery & equipment.
- b. Income tax exemption.

In SEZ Act, 2012 there is Board of Approvals (BOA), chaired by the Prime Minister. The meeting of (BOA) shall be convened on the orders of chairman BOA or on the recommendations of BOI or the Provincial SEZ Authority. BOA shall adopt its own rules of procedure and Secretary BOI act as Secretary of the BOA.

**Figure 6** illustrates the SEZ Governance Framework as under:



**4.1. SEZ Policy and Implementing Regulations**

As a framework law, the SEZ Act, 2012 is not self-executing, though. To be implemented, Implementing Regulations will have to be adopted by the Board of Approvals (the “BOA”). These will have to cover the powers and procedures of the various SEZ bodies, and the procedures for designating areas as SEZs, selecting Developers (tender procedures) and approving Developer Agreements (concession agreements).

The preparation of Implementing Regulations should be preceded by adopting an SEZ Policy; and the cornerstones of this Policy should be incorporated in the Implementing Regulations. This approach is suggested in light of international experience (and previous experience in Pakistan) with SEZs. This experience shows that the success record of SEZs is mixed. Only technically well-planned SEZs tend to contribute to economic development. The concept of privately developed and operated SEZs reflects favorable international experience, but it also introduces additional complexities and misuse potential into the system.

For instance, poorly designed or administrated SEZs have been misused for real estate speculation at the expense of the budget. Also, a risk exists that existing Pakistani

enterprises would just relocate their production sites into SEZs to reap the fiscal benefits. In such cases, tax revenues would be sacrificed but no additional economic activity would be stimulated in Pakistan. Worse, both domestic and foreign-owned SEZ enterprises might try to sell from the SEZs into the domestic Pakistani market in competition with Pakistani enterprises outside the zones. This competition could be distorted by virtue of the fiscal incentives and streamlined administrative procedures applicable in the zones.

The aforementioned perils, it should be emphasized, do not militate against SEZs per se. Yet, they show that diligent policies must be introduced to curb potential misuse and ensure that SEZs really generate additional economic activity in Pakistan and benefit the Pakistani economy at large through developing technology clusters, enhancing export competitiveness and the like.

Under the SEZ Act, 2012, the BOI will become the Secretariat of the Board of Approvals and will take charge of all administrative functions at the federal level to launch the SEZ program, process the designation and development of individual SEZs, supervise the operation of SEZs and promote and facilitate (foreign) investments in SEZs. These functions are primarily (though not exclusively) regulatory functions and thus differ fundamentally from BOI's investment promotion functions. The SEZ administration thus in practice adds a new institution to the BOI.

However, BOI instead of being a regulator will perform as an effective facilitator offering One Window facilities to investors.

## **5. Coordination Networks with Stakeholders Ministries**

### **5.0. Purpose**

Implementing this FDI Strategy exceeds the capacities of the BOI by far; it requires joint efforts of all stakeholders in Pakistan's economic growth. Accordingly, administrative capacities for implementing this Investment Strategy will be developed in two ways, namely by:

- 1) Building a Co-operative Network of organizations that will join forces with the BOI to carry out this Investment Strategy; and
- 2) Linkages of macro and micro economic policies will bring all stake holders: Line Ministries, Provincial Governments, Regulators and other relevant Departments in unison for greater convergence on important nation public policy agenda. This will enhance transparency, predictability and consistency in the system.
- 3) Networking at international level for sharing of experience, policy, opportunities for investment promotion and BOI has also membership of World Association of Investment Promotion Agencies (WIPA).

### **5.1. Building Co-operative Networks**

The BOI is envisaged to bring together a host of organizations, public and private, Pakistani and international, with a view to co-operating in the implementation of this FDI Strategy. This endeavor will pursue two distinct purposes, viz. to:

- 1) Complement BOI's own capacities and financial resources; and
- 2) Link FDI generation to broader private sector development programs in support of both domestic and foreign investment

#### **5.1.1. Maximizing Administrative Efficiency and Economy**

BOI will largely rely on other agencies and business organizations in developing Focal Sectors and identifying and developing competitive investment projects in these sectors. Moreover, the BOI will count on the support of the Pakistani embassies and strategic partnerships with foreign business organizations in carrying out its image enhancement and investment generation activities. In the interest of budgetary economy, this strategy is designed to utilize existing facilities and capacities to the extent possible rather than creating new capacities at considerable cost.

#### **5.1.2. Two Co-operative Networks**

In line with the aforementioned purposes, two Co-operative Networks are proposed, namely:

- Network 1 comprising Pakistani agencies at the federal, provincial, and municipal levels with investment related responsibilities as well as business organizations in Pakistan. This Network will chiefly co-operate in the frame of the PPD on Sector and Project Development, Investment Policies, and Investor Services linking FDI with domestic businesses ; and
- Network 2 comprising Pakistani embassies, investor counselors, business organizations, and other business intermediaries in target foreign investor countries. This Network will co-operate in promoting investment projects and Pakistan's country image abroad (ch. 6 above)

As regards foreign institutions and organizations, network building is envisaged initially to concentrate on the United States, the Middle East (KSA, UAE, Kuwait etc), Europe (United Kingdom, Netherlands etc), China, and Far East. The commercial counselors in the Pakistani embassies as well as the honorary investment counselors in these regions could be initial international members of the Co-operative Network. Contacts to suitable chambers of commerce and other business organizations and authorities in the aforementioned target regions should be established through the Pakistan embassies with a view to including such institutions in the Cooperative Network. Additional target countries may be added to the Cooperative Network at a later stage.

Eventually, official investment counselors should be appointed in Target Regions, starting with the United States as the prime source country of FDI in Pakistan. These should become the prime antennae of the BOI in the aforementioned regions. They should manage the interaction with the members of the Cooperative Network and carry out investment promotion activities in the countries concerned; in particular, they should build and maintain personal relationships with Target investors in their countries.

Special efforts are proposed to mobilize the Pakistani Diasporas in Target Regions, notably in the United States, the UK, the NL, KSA and the UAE.

## 6. Reorganization & Capacity Development of the BOI

### 6.0. Introduction

Reorganization of the BOI, the BOI Board, at its Fourth Meeting on 18 May 2010, has approved a new organizational structure. This structure has been devised with a view to the overriding benchmarks of organizational effectiveness and efficiency, i.e., the optimal performance of the functions laid down in the BOI Ordinance (and conceptualized in this FDI Strategy) with the minimum of budgetary resources. The BOI's objective and functions determine its organizational structure which in turn drives its operational procedures and resource development/allocation.

The new structure distinguishes between a "Governance Structure" of the BOI (policy-making and senior management) and "Operational Structure" (administrative departments and divisions).

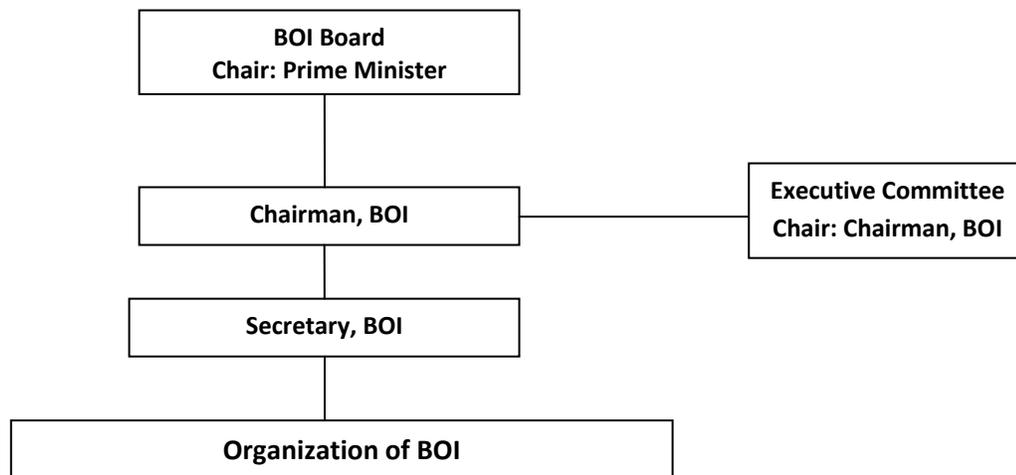
### 6.1. Governance Structure

The governance structure comprises two different types of bodies, namely:

- 1) The BOI Board chaired by the Prime Minister as the supreme policy-making and supervisory body; and
- 2) The BOI Organization under the Chairman BOI as the administrative institution carrying out the operational functions assigned to the BOI as per the Board's policy directives.

Between the meetings of the BOI Board, its powers will be exercised by an Executive Committee headed by the Chairman, BOI.

**Figure 7** Governance Structure of the BOI.



## **6.2. Operational Structure of BOI**

The Operational Structure follows the functions of the BOI as set out in the BOI Ordinance and conceptualized in this FDI Strategy. The five aforementioned departments are divided up in divisions. These are the core operational cells of the BOI. The divisions are organized with a view to mobilizing the required specialized expertise and facilitating a smooth workflow among the specialized operational units.

The divisions under “Central Services” will facilitate all operations of the BOI; they include especially Information Technology, Publications, Personnel.

As outlined before the “Public-Private Sector Dialogue” is divided into two wings - a consultative and an operational. The private sector consultations will mainly take place in Joint Public-Private Advisory Boards to be established for key sectors by the Executive Committee. Also under the Public-Private Sector Dialogue comes the operative Department for Project Identification and Development. This structure is proposed because Project Identification and Development must be a joint action program of BOI, sector ministries and, especially, Provincial/Local agencies as well as Private Sector Organizations. The Sector Advisory Boards will be the core frame for this collaboration; and the Sector Divisions will be the secretariats and implementing arms of the Boards.

The combination of Private-Sector consultations with Project Identification and Development is probably the most immediate tangible benefit of the PPD; without it, systematic project identification and development will hardly be feasible.

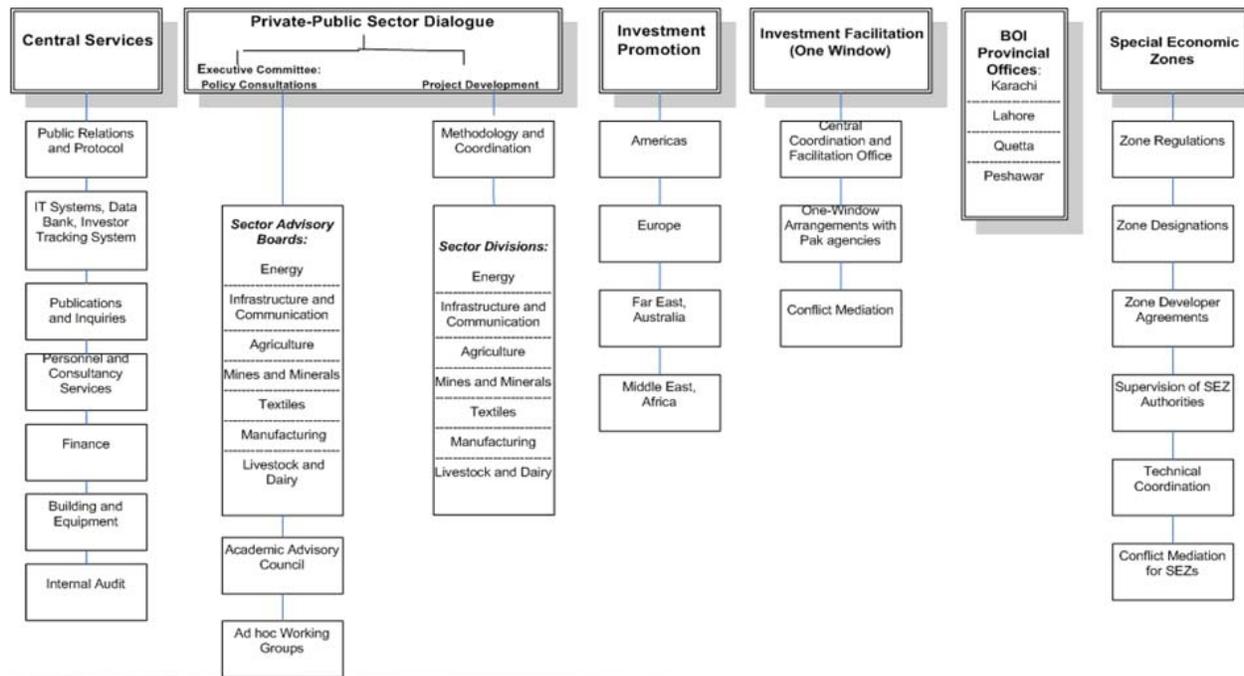
Moreover, project development is linked with sector development and thus benefits foreign and domestic investments alike. Through its structured collaboration with public and private sector organizations in the PPD, the BOI will also promote domestic investments as mandated by the BOI Ordinance.

The “Investment Promotion” Department will be charged with attracting foreign investors into Pakistan. It will be organized by main investor regions: Americas, Europe, Far East and the Middle East.

“Investment Facilitation”, i.e., the assistance to foreign investors in setting up their business in Pakistan, will primarily be performed by the BOI Regional Offices where the concerned project is located. “One-Window” services through which BOI will assist foreign investors in obtaining visas, licenses, permits, utility connections and the like, will have to be based on administrative arrangements between the BOI and the authorities concerned. These arrangements will be concluded by the Investment Facilitation Department and implemented by the Regional Offices.

The Divisions of the SEZ Department are organized by types of responsibilities set out in the SEZ Act, taking into account that most administrative functions with respect to individual SEZs will be performed by the Provincial SEZ Authorities.

**Figure 8** Operational Structure of the BOI.



The above outlined organizational structure has been prepared on following principles:

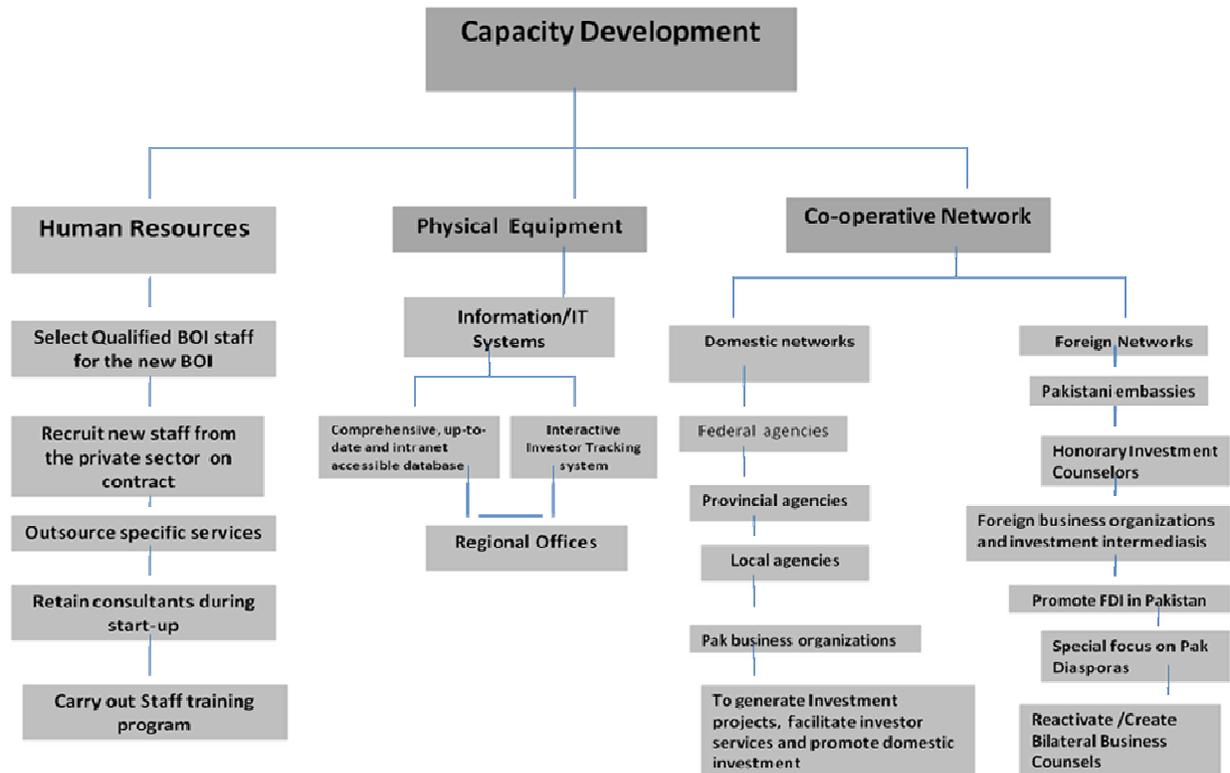
1. Responsiveness to the postulates of the BOI Ordinance;
2. Straightforward transformation of administrative functions (as set out in the BOI Ordinance and conceptualized in this FDI Strategy) into organizational structure, i.e., the structure follows the functions, and not vice versa;
3. Furtherance of clarity, transparency and accountability with clearly defined responsibilities of each unit and clear reporting lines;
4. Combination of professional specialization with coordination and management oversight;
5. Encouragement of initiatives and result-orientation, especially in the operational divisions; and
6. Facilitation of a smooth horizontal work and information flow among the divisions (rather than a focus on vertical workflow through hierarchies).

### **6.3. Capacity Development**

Despite the envisaged reliance on the cooperation of other organizations, implementing this FDI Strategy will require upgrading the administrative capacities of the BOI and its Regional Offices considerably. In particular, a state-of-the art management information

system will have to be installed, and human resources will have to be developed that meet the challenges of the job.

**Figure 9** illustrates BOI's envisaged capacity development program:



### 6.3.1. Human Resources

Implementing this FDI Strategy not only requires additional human resources; it needs a different type of talent and mindset than conventionally required from government officials. While government officials typically react to actions and requests of citizens, investment promoters must pro-actively market projects worldwide. They are typically the first Pakistani contact persons of senior executives of international corporations whom they want to attract to Pakistan. In this mission, they compete with investment promoters from other countries. To succeed, they must display the qualifications and focus on business results that are expected in international business.

The BOI officials in charge of the PPD will be the liaisons between the GoP and the Private Sector. They will have to manage an interactive process between the GoP and the Private Sector which cuts across many policy domains. Indeed, the success of the PPD will chiefly depend on the competence, commitment and dynamism of the Executive Committee secretariat.

To some extent, the BOI will have to supplement its own staff with consultants and expert bodies, as envisaged in art. 9 (k) of the BOI Ordinance. A comprehensive Human Resource Development Plan is envisaged.

### **6.3.2. Information Technology**

As has been shown in the previous chapters, comprehensive, readily accessible and current information must support virtually all activities under this Investment Strategy. Much more is needed than collecting and collating data. A successful proactive investment strategy will require a dynamic interactive IT system that:

- Provides comprehensive and up-to-date information on the status of investment conditions and investment projects in Pakistan;
- Facilitates rapid and efficient communication amongst the members of the Cooperative Network;
- Provides access to intelligence into industry trends, company strategies, investment promotion activities of competitor countries, etc worldwide;
- Allows tracking progress of and follow-up on the various activities; and
- Enables the BOI to maintain relationships with targeted and current investors.

Such a system will have to include a Customer Relationship Management (CRM) and a Client Tracking System (CTS).

## **7. BOI as self Financing Organization**

### **7.0. Need for Increased Funds**

According to international experience, functioning investment promotion agencies yield high economic returns – one percent increase in an IPA budget tends to translate into a 0.25 percent increase of FDI into the country concerned. Financing an IPA is hence a sound investment in future economic growth. Pakistan's fiscal constraints make it nevertheless necessary to seek sources in addition to the budget for funding the necessary Capacity Development of the BOI. It should also be taken into account that investment mobilization activities alleviate poverty only indirectly and in the medium- to long term and that FDI is still fraught with some political controversy. To ensure a broad social support for the BOI and its mission, extra-budgetary financing will be sought to the extent possible for the implementation of this initial Investment Strategy. Once the contribution of investment mobilization activities to economic growth and poverty alleviation in Pakistan become visible, it should become broadly acceptable to shift the attendant costs predominantly to the budget.

On 18<sup>th</sup> May 2010, the BOI Board approved the creation of the BOI Fund envisaged in the BOI Ordinance. This provides the basis for soliciting donor support of grants made by the Federal Government, foreign aid or loans obtained or raised by the BOI with special or general permission of Federal Government and others sums including fees and charges receivable by the BOI on the approval of Visa, Branch/ Liaison Offices.

### **7.1. Self-financing**

In pursuance of provision of section 9(u) of BOI ordinance 2001, BOI Board in its meeting held on 29<sup>th</sup> July, 2011 approved the levy of service charges on Visa, Branch/ Liaison Offices. The receipts from above levy/service charges are being deposited in BOI Fund.

### **7.2. Donor Support**

Examples exist where IPAs during their start up – phase were supported by international donors and/or IFI's, notably the European Union and the World Bank. A strong case can be made for obtaining similar support for the Pakistani investment strategy. Potential donors should be contacted with a view to launching an investment strategy support project.