

The Improving Business Environment for Prosperity (IBEP) Program implemented by the World Bank Group aims to strengthen the design and implementation of business environment reforms in middle-income countries. IBEP is supported by the UK Prosperity Fund, whose mission is to support the inclusive economic growth needed to reduce poverty in partner countries, contributing to the UN Sustainable Development Goals.

REFORM STORY

MARCH 2021



MAXIMIZING LINKAGES BETWEEN FDI AND THE INVESTMENT PROMOTION ACTIVITIES IN PAKISTAN

Due to the support provided by IFC through the UK-funded Improving Business Environment for Prosperity (IBEP) Program, the Pakistan Board of Investment (BOI) launched their Investment Promotion Strategy 2020-2023 on August 27, 2020. The new strategy outlines a comprehensive investment approach consisting of policy advocacy, market research, investment facilitation, promotion, protection and after-care services. This Investment Promotion Strategy will guide and strengthen BOI's efforts during the COVID-19 recovery period to attract investments needed to support job creation, technological upgradation and economic growth for Pakistan.

THE CHALLENGE

Investment (domestic and foreign) plays a vital role in energizing the economy. Strategic investment promotion coupled with regulatory reforms has enormous potential to generate investment, infuse capital in the economy, foster technology spillovers through linkages, increase trade opportunities and create more and better jobs. The process of investment attraction in Pakistan faces several challenges including the current macro-economic imbalances, structural weaknesses, low business confidence, high production costs, regulatory obstacles, and inadequate social services. In the past five years, Pakistan's average investment to GDP ratio has been 15% as compared to the average of 25% for its regional comparators—Sri Lanka, Bangladesh, and India. However, the country's large market, with a population of 220 million people, its abundant natural resources and its strategic location provide significant opportunities for growth.

OBJECTIVES AND APPROACH

To address shortcomings in its investment attraction and facilitation and encourage greater private sector investment and FDI, the Government of Pakistan decided to develop a thorough and holistic strategy for investment policy and promotion. Through the IBEP Program supported by the UK Prosperity Fund, the IFC, in partnership with the Pakistan Board of Investment (BOI) and provincial BOIs, designed and implemented a comprehensive, multi-faceted approach for improving Pakistan's investment climate. This included the preparation of a draft investment law, investment promotion strategies for the Federal BOI and for two provincial BOIs, the implementation of an investor relationship management system (IRMS), and an extensive profiling of priority sectors and mapping of their licensing and regulatory procedures in the automotive and auto parts, IT and IT-enabled services, textiles, logistics, and agro-processing sectors. This development was well-timed given the government's initiation of the "regulatory guillotine" program supported by the World Bank Group.

Through the new Investment Promotion Strategy, Pakistan will carry out targeted and high-impact oriented investment promotion and facilitation as well as support regulatory reforms to improve investor protections and business confidence. Key objectives of this strategy include job creation, development of a diverse set of priority sectors, export earnings, and facilitation of linkages between Multi National Enterprises and domestic firms. The strategy also provides for improved facilitation services for investors through the provision on information, support with any ongoing issues and e-portal services such as online SEZ and SEZ enterprise registration, a database of investment incentives and information on regulatory requirements.

EARLY RESULTS

The project has achieved important milestones during last 18 months:

- The Investment Promotion Strategy 2020-23 for the Federal Board of Investment (BOI) was approved and launched in August 2020. The BOI is now actively implementing this strategy based on the first year's implementation plan and will benefit investors by improving BOI's investor service delivery, including support for solving investor grievances and strengthened advocacy for regulatory reforms in priority sectors.
- Investment Relationship Management Systems (IRMS) were delivered to the Federal BOI and two provincial BOIs as tools for managing investor relationships, tracking leads and providing management with reports on status of investment promotion activities and leads.

- The SEZ e-service module for registration of SEZs and SEZ enterprises was launched by BOI with the approval of the Prime Minister of Pakistan. The SEZ module will enable SEZ operators and enterprises operating in SEZs to register online, thereby reducing time and cost significantly and simplifying internal processes. Moving forward, all SEZ registrations and branch/liason office registration will be done through this e-services portal linked to BOI's investment promotion website, also developed by the project.

The project made strong progress with provincial investment promotion agencies including the Khyber Pakhtunkhwa Board of Investment and Trade (BOIT) and the Baluchistan Board of Investment and Trade (BBOIT) by providing support in developing their investment promotion strategies, IRMS and capacity building initiatives. Furthermore, the project has actively contributed to building client capacity. The virtual two-month investment promotion training course "Investment Promotion for Direct, Measurable Impact" was launched on November 30, 2020 for Federal BOI and Khyber Pakhtunkhwa BOIT. This initiative aims to empower client counterparts in the areas of investment lead identification, tracking and follow-ups.

The project is committed to advancing Prosperity Fund's gender and inclusion agenda through facilitating public-private partnerships to encourage and improve the adoption of gender inclusive firm level employment practices and policies. In partnership with the Pakistan Business Council, the project aims to promote corporate disclosure, on a voluntary basis, of gender diversity practices annually to encourage

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“BOI has greatly benefited from the technical expertise provided by IFC during the preparation of the new Investment Promotion Strategy dating back from 2018. This included support for the drafting, consultation, and finalization of the Strategy. During this process a detailed sector profiling exercise carried out by IFC identified the priority sectors for BOI to focus its investment promotion activities on, and development of an Investment Promotion portal having been launched in October 2019.”

– Mr. Rifat Pervez, Executive Director, Pakistan Board of Investment)

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transformative change. Encouraging greater women participation and opportunity in the job market is linked to promoting investment in sectors where potential for female participation is identified as high.

ADDITIONAL RESOURCES

[Invest in Pakistan website](#)

News articles:

[Progress on Pakistan Investment Promotion Strategy](#)

[Launch of Pakistan Investment Promotion Strategy](#)

[SEZs board approves online management information system](#)

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