

**Ministry of Investment**  
**BOARD OF INVESTMENT**  
**Media Section**  
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**PRESS RELEASE**

**Foreign Investors Identify Key Factors for Investment Promotion**  
**GoP must Improve Policy Implementation & Domestic Economy - OICCI Perception Survey 2008**

**Islamabad: November 18, 2008:** Mr. Waqar Malik, President of OICCI, said that the representation of trade and industry in investment promotion forums should be enhanced, and that OICCI is willing to partner with the government to promote foreign investment in the country. This was highlighted during a meeting of the Overseas Investors' Chamber of Commerce & Industry (OICCI) with ministries and regulatory bodies held in collaboration with Board of Investment (BOI), Islamabad.

The meeting was part of OICCI's efforts to disseminate the results of the recently launched OICCI Perception Survey 2008 to all stakeholders. The general tone of responses from the investor community was positive, reflected by the fact that majority of the respondents did not stop investment inflow in the recent times. However, in order to increase Foreign Direct Investment (FDI) in Pakistan the business environment needs to improve significantly along the parameters outlined in the Perception Survey Report. Equally, if the domestic economy does not improve it may have a negative impact on future inflows and the ability to sustain current levels.

Moreover, the results brought forth popular opinion regarding several bodies whose future performance will determine how Pakistan will fare with regards to FDI. These include several ministries, regulatory authorities and investment promotion bodies, all of whom are crucial stakeholders in Pakistan's economy. Speaking at the session, Mr. Malik said that Pakistan is fortunate to have investors from all major trading partners and the government must capitalize on this strength to attract further investment in agriculture, manufacturing and services sectors. About the survey, he added that all stakeholders will benefit from this assessment of the business environment of Pakistan.

The survey was conducted during August to September 2008, and is based on responses from OICCI members. Diverse both in terms of sector and geography, the 175 members of the OICCI collectively contribute more than 14 percent of Pakistan's total GNP and 33 percent of total tax receipt. The OICCI members provide direct employment to over 100,000 people and have also played an active role in social and community development through their CSR initiatives.

“The GoP needs to formulate an effective strategy to address concerns of the foreign investors if it wants to bring about a paradigm shift in attracting FDI into Pakistan,” said President OICCI. Speaking of the Perception Survey, he added that it could prove to be a useful instrument for BOI, as it reflects the views of a vast investor community.

While an overwhelming majority, 76 percent, of foreign investors in Pakistan has shown interest in continuing to invest during the next two years, numerous challenges and impediments to current and future businesses have also been identified. These challenges include law and order, political uncertainty, energy deficiency, the cost of operations and infrastructure.

The government should, as part of a medium to long-term investment strategy, also develop a more aggressive and optimistic media campaign. Such an effort, parallel to an improvement in the law and order situation, would contribute immensely in not just attracting FDI but also in improving Pakistan’s reputation as an investor friendly destination.

**Some of the highlights of the survey are given below:**

#### **Ministries and Regulatory Authorities**

Most ministries (for example, Industries, Commerce, Ports & Shipping and Finance) fared well. However other ministries such as Railways, Environment, Law & Justice, Health, Water & Power scored low, but at the same time respondents felt that there is significant potential for improvement. Similarly, most government/regulatory bodies, such as SBP, FBR and SECP, fared well. On the other hand, the Intellectual Property Organization of Pakistan (IPOP) and Pakistan Software Export Board (PSEB) were ranked low. The City Government system of Karachi, Lahore and Islamabad were appreciated. Respondents did, however, express some concern over the law and order situation in Islamabad during the past one year. The results also suggest that the role of trade development bodies needs to be aligned with industry knowledge and this can be countered with increased collaboration with the private sector.

#### **Utilities/Infrastructure**

With reference to the availability and supply of power (electricity), almost all the respondents expressed their disapproval. The lack of a proper power facility, a pre-requisite for doing business, has strongly affected the investor community. However, this deficiency can be turned into an opportunity by devising and implementing a policy that facilitates investment into this vibrant sector. At the same time, the Government must also explore the promotion of alternative sources of energy such as solar, wind and coal. The supply and distribution of natural gas, oil and petroleum were deemed generally acceptable. The water and sanitation facilities did not receive positive views, with 73 percent of the respondents holding a negative opinion. Infrastructural facilities came forth as a growing concern amongst investors, and clearly present a potential avenue for future investments.

### **Policies and Regulations**

Although Pakistan's overall system of corporate governance was viewed as “effective” by a vast majority of respondents, a significant number of respondents found policies to be inconsistent. Moreover, majority (77 percent) of the respondents also felt that inefficiencies are at the implementation level. The results also indicated that member companies perceived Pakistan’s high Corporate Tax Rate, 35 percent, to be an impediment to business. The popular opinion regarding the taxation of provident fund as well as the legal system of contract enforcement was also negative.

### **Overall Business Environment**

71 percent of the Survey respondents are of the view that Pakistan is a relatively better environment to do business in as compared to several countries in South Asia. This reflects good investor confidence, which, however, is found to be undermined by Pakistan’s non-competitiveness with emerging markets such as India, China, Hong Kong and the Middle East. These countries were thought to be better business environments by at least 45 percent of the respondents. Almost 90 percent of the respondents were of the opinion that the GoP has not made significant efforts to improve the perception of the country amongst global investors, suggesting that the GoP take immediate notice of factors that undermine investor confidence.

A crucial area where the government is seen to have failed investors considerably is in the domestic economy, an area deemed non-performing by 72 percent of the respondents. Potential investors may remain conservative in entry and expansion unless the domestic economy improves drastically during the coming months. Among the various national and international factors, the Rupee-Dollar parity combined with constant fluctuations in exchange rate, energy deficit, and infrastructure deficiencies came forth as the most significant impediments to business. Along the same lines, Pakistan needs a workforce management and development strategy to ensure that the indigenous labor force is capable of meeting the requirements of modern businesses.