

"Our object should be peace within, and peace without. We want to live peacefully and maintain cordial friendly relations with our immediate neighbours and with the world at large."

" We must work our destiny in our own way and present to the world an economic system based on true Islamic concept of equality of manhood and social justice" by Quaid-e-Azam.

Quaid-e-Azam Mohammad Ali Jinnah – Lahore, August 15th, 1947.



Message of President and Prime Minister
Message of Senator and Secretary

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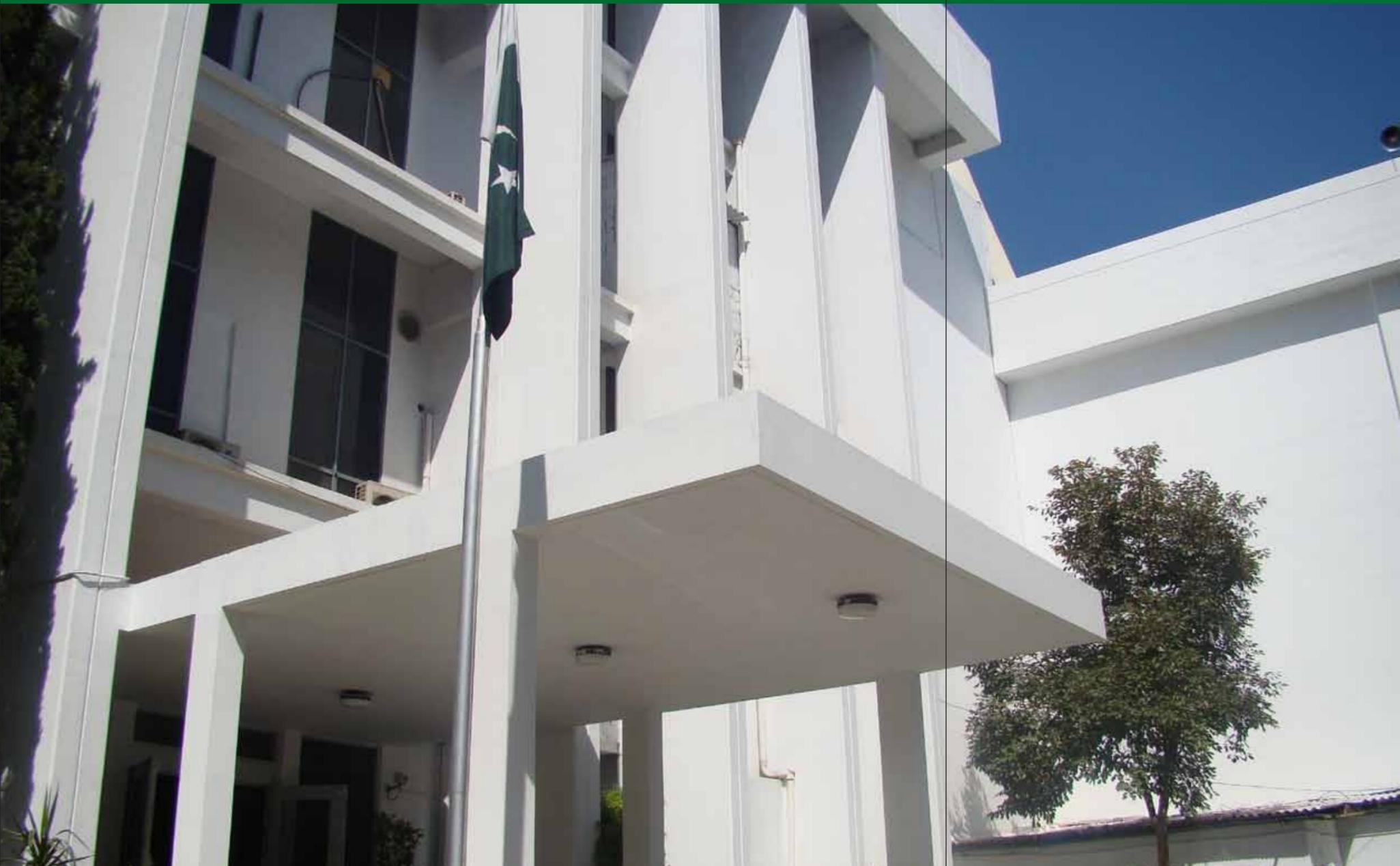
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Prime Minister's Secretariat (Public) Board of Investment

Introduction

This booklet is prepared by BOI to provide information on a number of subjects relevant for investment planning or doing business in Pakistan.

This booklet provides a summary of the rules, regulations and tax laws applicable in Pakistan. Although covering many relevant areas, it cannot be exhaustive, and it is not designed to provide the complex and detailed information required for decision-making in relation to investments.

Pakistan is fast adapting to the challenges of globalisation as an emerging market. Its economy was able to weather severe storms in FY2008-09.

Pakistan is a land abundant in business opportunities for investors awaiting eager exploration of markets as well as identifying and mitigating inherent business risks.

This guide offers an introductory overview of key investment determinants and considerations pertaining to investing in Pakistan, drawing from BOI diversified experience in Pakistan.



Overview

Overview

In 2008, this nation began a new journey. Democracy made a comeback. The people elected this Parliament and the rule of law was established.

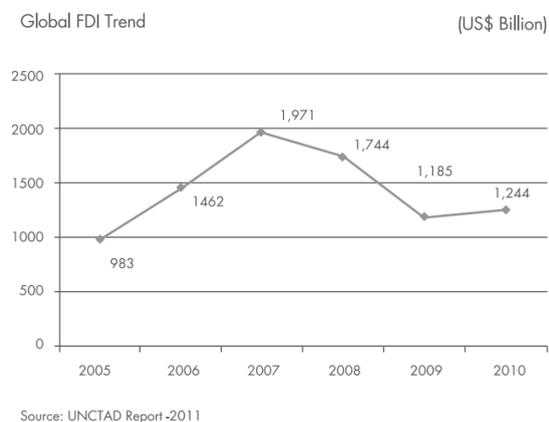
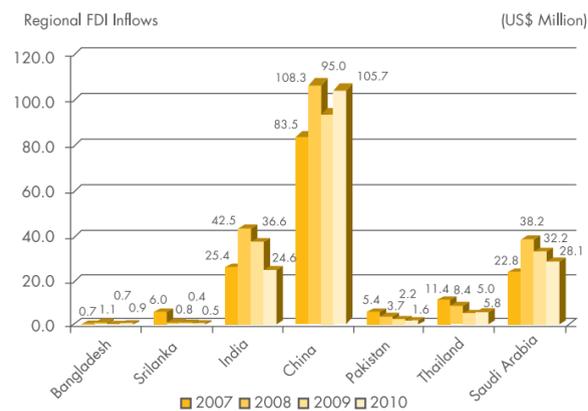
During the last four years, we have faced volatility in international prices, the great floods of 2010, devastating rains in Sindh and parts of Baluchistan and adverse security situation and the world economic outlook remains weak particularly in the Eurozone where considerable amount of our trade and investment is focused. These factors have caused slow-down in foreign investment. It is remarkable that our domestic businesses have continued to perform, and also succeed in holding on to their foreign buyers under these circumstances.

Despite such daunting challenges, it is the resilience of our economy and the strength of our people that we have maintained growth in the economy. The growth rate in the last two years has averaged around 3.4% compared to less than 2% in the previous two years. This is a reasonable performance and the current year growth of 3.7% shows an upward trend.

The Government has succeeded in achieving economic growth through adequate reserves, our exchange rate is relatively stable, our exports have again performed remarkably well and our remittances are increasing. Our higher imports are primarily due to global price oil shock and we are not alone in facing this external challenge.

There is no limit to the economic potential of Pakistan. The challenge is to create the enabling environment in which this can be realized.

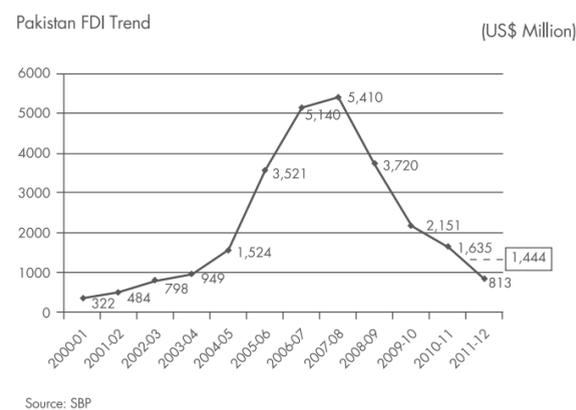
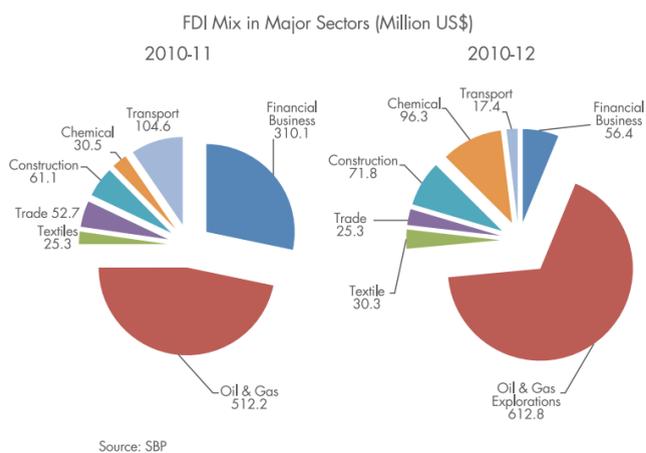
Colors of Pakistan



Country Snapshot

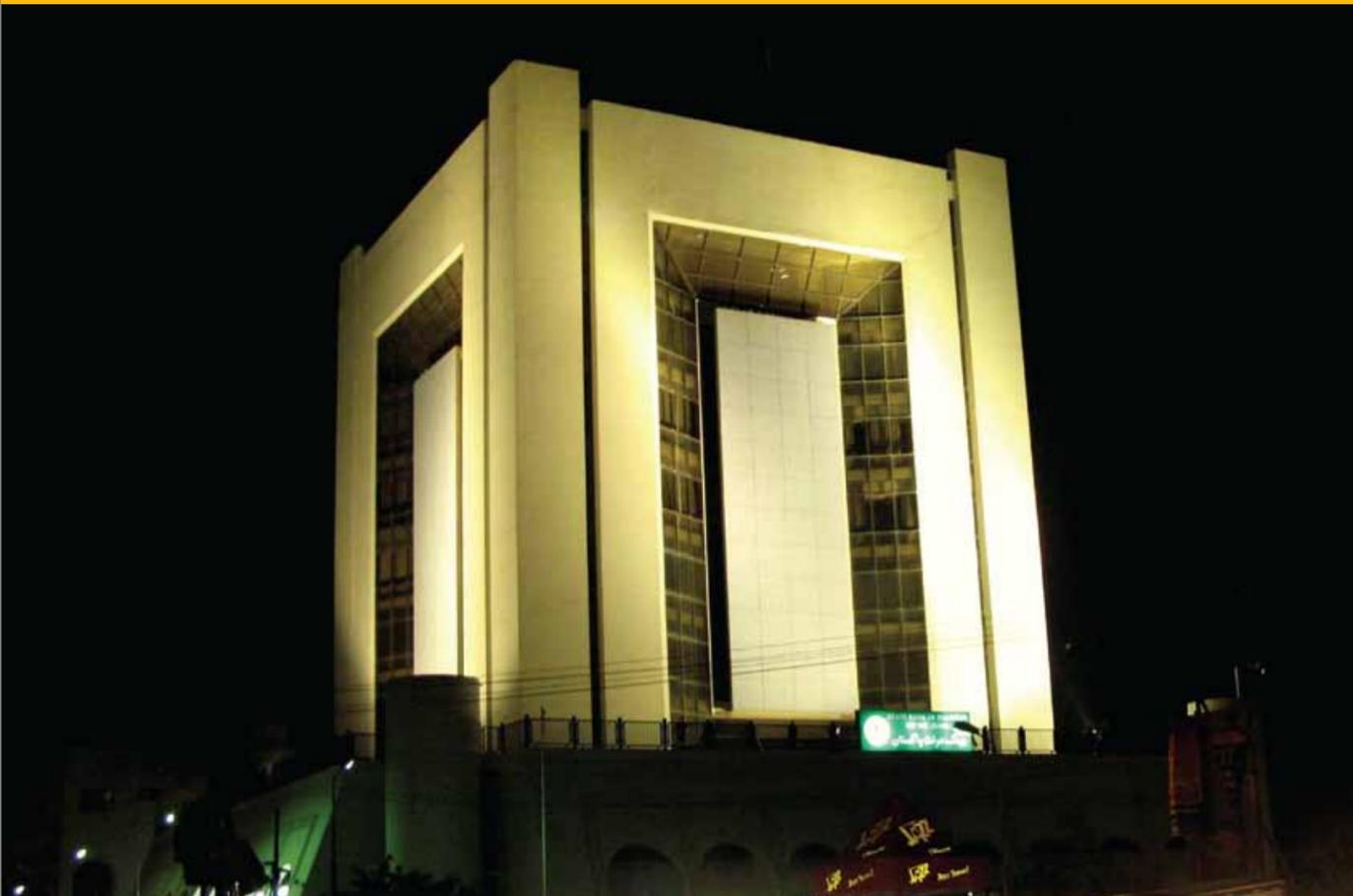
- Official name: Islamic Republic of Pakistan
- Capital City: Islamabad
- Main Cities: Islamabad, Karachi, Lahore, Peshawar, Quetta, Rawalpindi, Hyderabad, Faisalabad, Multan and Sialkot
- Population: 180 million (estimated) in 2010-11
- Climate: Sub-tropical; cold in the highlands
- Currency: Pak Rupee (PKR)= 100 paisa
- Exchange rate: As at 18 January 2011: PKR 90.35: USD1
- Fiscal Year: 01 July - 30 June
- Central bank: State Bank of Pakistan
- Adult literacy rate: 58% (2010-11)
- Major Industries: Textiles, cement, fertilizer, steel, sugar, electric goods, shipbuilding
- Exports: Cotton, textile goods, rice, leather items, carpets, sports goods, handicrafts, fish and fish preparation and fruit
- Imports: Industrial equipments, chemicals, vehicles, steel, iron ore, petroleum, edible oil, pulses and tea
- Major crops: Cotton, wheat, rice, millet and sugarcane
- Agricultural growth rate: 1.2% in 2010-11
- Natural resources: Land, extensive natural gas reserves, limited petroleum, coal, iron ore, copper, salt, limestone
- Geographic coordinates: 30 00 N, 70 00 E
- Religion: Islam 95%, other (includes Christian and Hindu) 5%
- Form of state: Federal parliamentary democracy

Sources: Pakistan Economic Survey 2010-11
 EIU Country Report June 2011
 Government of Pakistan website www.pak.gov.pk/BasicFacts



The Economy





State Bank of Pakistan-Multan

The Economy

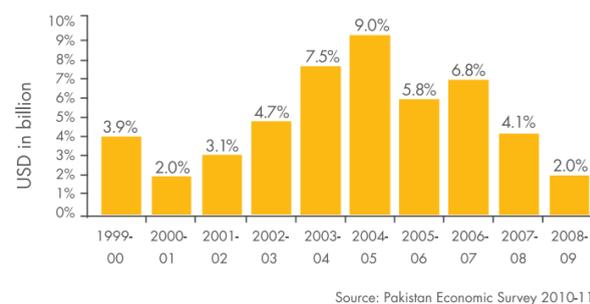
Pakistan's economy experienced stability in 2009 after a tumultuous 2008 as major performance indicators stabilized. Pakistan's significant role and support in the war against terror had adversely affected the economy in 2008. Nonetheless, in 2009 the local bourses bore witness to the return of foreign investors driven by an improvement in risk perception, structural reforms implemented under the ambit of the IMF regime, easing monetary environment and progress to democratic evolution.

Pakistan's macro landscape has transitioned towards consolidation under the IMF program, the real GDP growth is 2.4% in FY11. The GDP Growth of Pakistan in the past ten years, and the composition of GDP in accordance with various sectors, is as shown in the figure.

In response to the challenges, such as peaking inflation and balance of payments, the GoP strongly committed itself to restoring macroeconomic stability. The GoP entered the IMF programme in November 2008 under a Stand-by facility of USD7.6 billion which was subsequently increased to USD11.3 billion in August 2009. As a consequence of the infrastructural reforms under the Programme the economy demonstrated fiscal stability with a decline in fiscal deficit from 6.3% in FY 10 to 5.9% in FY11. The current account deficit of the country declined by USD 3.95 billion during 2009-10 as compared with USD 0.27 billion 2010-11, due mainly to a considerable increase in home remittances and fall in imports.

source: www.finance.gov.pk/survey_0910.html

Pakistan's GDP growth rate 2001-2011



Oil Field

Vision 2030

The Vision 2030 for Pakistan presents a strategic framework for overcoming obstacles and challenges standing in the way of the preferred future chosen by the people of Pakistan. We aim to achieve the stated Vision within a generation, in a manner that sustains a high quality of life and provides equal opportunities to its citizens to reach their true potential. We plan to meet contemporary and future challenges by deploying knowledge inputs and developing human capital. Pakistan's macroeconomic framework in 2030 will be linked to the level of globalisation prevalent at the time. Whether globalisation is intense or benign, Pakistan may have little ground for manoeuvre, and the state would still be busy in maintaining the balance at the fiscal, monetary, and external levels.

In both cases, low inflation would be an important goal, tariffs would also be low or within those set by the international environment, and the number of taxes would be few.

We expect Pakistan to have eliminated extreme poverty in all its manifestations much before 2030. The state would build upon this to increase the employability and quality of life of all its citizens.

High GDP growth rates exceeding 7-8 percent are envisaged in view of recent performance; however, the low levels of savings and investments, broad-basing of growth, its sustainability over time, and the trickle down of growth benefits to the poor, would remain major challenges.

We expect the share of manufacturing to rise from the current 18.7% in 2005-06 to nearly 30 percent by 2030. Within manufacturing, there is also a need for diversification from textiles to machinery, electronics, automobiles, pharmaceuticals and chemicals, to match the global trade composition. Fortunately, all these sectors are showing strong growth.

The services sector plays a vital role in sustaining the growth of Pakistan's economy, with a share of about 60 percent in GDP, and 44 percent in employed labour force. A cross-country comparison shows that share of services sector in GDP is currently about 75 percent in most developed countries.

Boundaries between services and industry are changing fast, and about half of all services in modern industrialized economies are sold and bought while being embedded in the form of goods. While the content and function of goods remain important, the designing, marketing, consultancy and advertising services claim a share of the value added to goods. Manufacturing, too, has important contribution from services,

The effective steps taken by the GoP to address the militant insurgency were further able to attain foreign investors' confidence. The KSE100 index closed at 11,547 points at 18 January 2012 whereas closed at 11,944 on 2 February 2012.

The local bourses are already depicting bullish fervour evident from the improvement in average monthly inflow of foreign portfolio investment (FPI) to USD 652.4 million in FY2010 and USD 20.13 million in FY2011.

The GoP has also come up with a comprehensive and integrated medium term strategy under its "9-point" programme, aiming at the enhancement of productivity, efficiency and competitiveness of the economy, and giving it a more stable look.

The overall vision of the concerned departments is to regain macroeconomic stability and to attain GDP growth rate of 7% by 2012-13. The reforms under the plan were on track during the 1H-FY2011.

such as resource planning, warehousing, value chain analysis, financial services and inputs, after sales services, and the logistics of transport and communication.

All these elements are a core focus of Vision 2030. The government will provide the necessary infrastructure, human resource development including skill development and the development of scientific and technological infrastructure. The government will also use fiscal incentives including tax holidays, depreciation allowance, tax credits, subsidy for R&D, freight subsidy etc. to promote the export-oriented and hi-tech industries.

An important instrument to achieve Vision 2030 would be to enhance the trade/GDP ratio from the current 30 percent to about 60 percent by 2030, or around USD 600 billion by 2030. The services sector accounts for nearly 60 percent of the GDP but contributes very little to the revenue generation (telecommunications and electricity being the exceptions).

The major interventions required are strengthening of the infrastructure, and assurance of quality standards and accreditation. Quality improvement and diversification would require active partnership between the private and public sectors with a focus on increasing export competitiveness.

In a world of aggressive competition in the global market, generating growth exclusively from factors accumulation makes a country uncompetitive. Empirical estimates suggest that 20 to 50 per cent of GDP growth has emanated from productivity gains in various countries. In Pakistan, TFP has contributed one-third to its growth in recent years, but it reflected an extreme form of inefficiencies in the base year, rather than improvement in productivity.

Rising levels of investment without an increase in savings result in external debt; savings rate in Pakistan is around 15 percent of GDP (with investment levels of 20 percent) which is quite low in the perspective of 6-8 percent growth rate envisaged in Vision 2030.

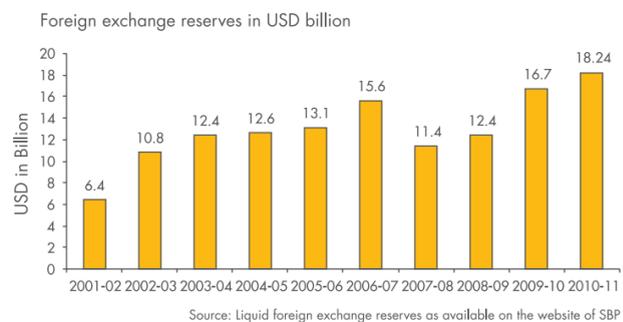
The country is entering into a capital intensive investment regime in order to diversify towards hi-tech industries, to meet the energy and infrastructure requirements, and to provide for the human resource development. The minimum level of requisite investment would range between 27 to 30 percent if the growth rates of GDP envisaged in the vision 2030 are to be realized. Accordingly, a major effort is to be made to increase the savings rate from the current 15-16 per cent of GDP to 25 percent at least.



Oil Drilling

Foreign reserves

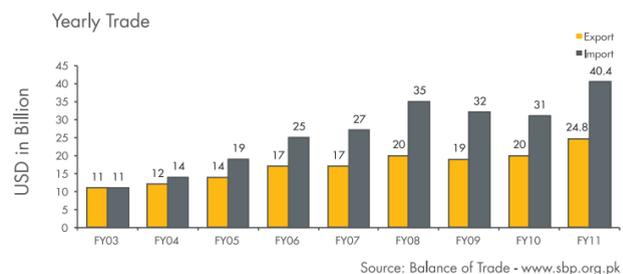
Pakistan's foreign exchange reserves amounted to USD18.24 billion in FY2011 as compared to USD16.75 billion in FY2010. Foreign exchange reserves demonstrated increase by a substantial margin from USD6.4 billion in 2001-02 to USD15.6 billion in 2006-07; a period when Pakistan's economy, along with its stock market, was booming with liquidity and investor confidence.



Foreign trade

Exports during the fiscal year 2010-11 amounted to USD24.81 billion as against USD19.29 billion in the fiscal year 2009-10, thereby showing an increase. Imports during the fiscal year 2010-11 amounted to USD 40.41 billion in comparison to USD34.71 billion in the fiscal year 2009-10. Increase in import bill was reflected by the impact of higher global crude oil & commodity prices, in addition to local shortage of food consumption items.

Pakistan's foreign trade (exports and imports) during FY2002-11 are presented as follows:

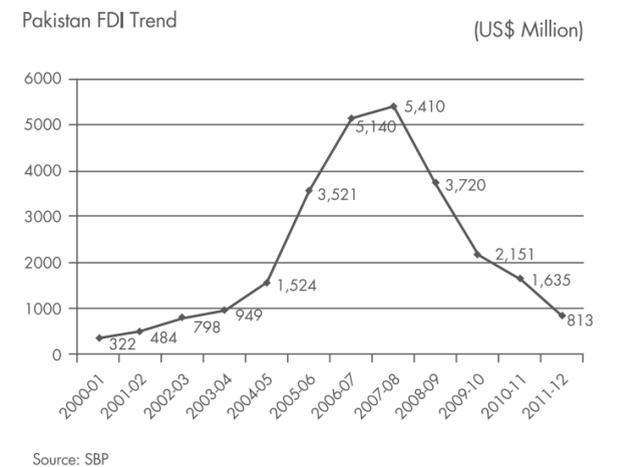


National Bank of Pakistan

Foreign Direct Investment Net Inflows

Foreign Direct Investment (FDI) has emerged as a major source of private external flows for developing countries around the globe including Pakistan. FDI plays an important role vis-à-vis technology development, assisting human capital formation, contributing to international trade integration, helping in creating a more competitive business environment and promoting enterprise development. Pakistan recent FDI during 2009-10 of USD 2.15 billion from USD1.5 billion in 2004-05.

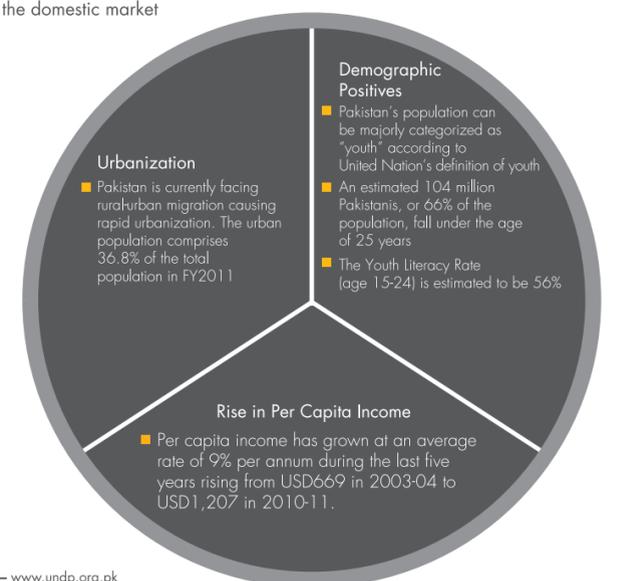
However, FDI inflows experienced a decline in developing economies in the wake of the global recession since 2007. FDI inflows in Pakistan also declined to USD 1.63 billion during FY 2010-11, as against USD 2.15 billion in FY2010. FDI in Pakistan during the last years is depicted to the right.



Work Force

Pakistan is home to the sixth largest population of the world estimated at 180 million in 2010-11. Pakistan's young population presents a strong investment case in the form of growing domestic demand. Based on the Labour Force Survey 2010-11, Pakistan is endowed with a young labour force of 58.4 million of which 55.1 million people are employed (18.45 million in the urban region and 36.72 million in the rural), compare to 57.2 million Labour force of which 54.0 million people are employed in 2009-2010 (36.27 million in the rural region and 17.78 million in the urban). According to Economic Survey of Pakistan 2010-11 Labor force of 58.4 million out of which 55.1 million are employed

Transforming the domestic market



Sources: Pakistan Economic Survey 2008-09
United Nations Development Program website - www.undp.org.pk



Regulatory Framework for
Investment
in Pakistan

04.05
02.05

507



Gas Field

Regulatory Framework for Investment in Pakistan

Pakistan's investment policy has been formulated to create an investor-friendly environment with a focus on further opening up the economy and marketing the potential for direct foreign investment. Various incentives have been offered to attract foreign investment including full repatriation of capital, capital gains, dividends and profits. Furthermore, according to various economic commentators, Pakistan has the most liberal investment policy regimes and public-private partnership frameworks in the entire South Asian region.

Investment policies

The Salient features of Pakistan's Investment Policy are:

- Equal treatment to local and foreign investors.
- All economic sectors open to FDI except a few specified industries like arms and ammunition, explosives, radio-active substances, security printing, currency and mint.
- Foreign equity up-to 100% allowed for manufacturing, services, infrastructure & social sectors.
- Minimum foreign equity requirement in non-manufacturing sector (agriculture and infrastructure/social) is USD 0.3 million. In services sector (including telecom and IT) it is USD 0.15 million. Manufacturing sector has no minimum foreign investment amount requirement.
- Remittance of royalty, technical and franchise fee, dividends, capital and profits is allowed.
- Import of raw material for export manufacturing zero-rated.
- Tax and tariff incentives package:
 - 5 % customs duty on import of plant, machinery and equipment for manufacturing, infrastructure and social sectors.
 - 0 - 5 % customs duty for services sector (including IT and Telecom).
 - 0 % customs duty for agriculture sector.
 - No sales tax on import of machinery.
 - Tax relief in the shape of Initial depreciation Allowance has been provided as 50% of machinery cost to all sectors.
- Foreign Investment is fully protected by following Acts:
 - i. Foreign Private Investment (Promotion & Protection) Act, 1976.
 - ii. Protection of Economic Reforms Act, 1992.



Investment strategy

Vision 2030 adopted by the Parliament lays down the national consensus on the major challenges faced by Pakistan in the years to come and outlines the approaches to meet the challenges. By 2030, Pakistan's population will have increased to some 230 to 260 million people, 60% of whom will live in urban areas. To accommodate basic needs, alleviate poverty and generate employment for this growing population, GDP growth will have to average some 7% to 8% per year. In Pakistan's resource-constraint economy, private investments in productive ventures have to be the prime engine of such growth. Meeting the challenges of the future thus depends on Pakistan's ability to mobilize private investment, both domestic and foreign.

Foreign Direct Investment (FDI) will have to play a crucial role in energizing Pakistan's economy. Its contribution will not be limited to providing much needed capital; more important are the non-financial contributions that come along with FDI, notably:

- Transfer of state-of-the-art technology;
- Integration of domestic production into world-wide production and marketing chains; and
- Linkages with domestic businesses (up and down stream effects).

The emphasis on foreign investment is not meant to advocate any privileges of foreign investors over domestic. Domestic and foreign investors operate and compete in the same economy. International experience shows that economic growth is best furthered by creating a business-friendly legal, institutional and administrative enabling framework for all investments, domestic and foreign alike. Such a framework should provide a "level playing field" for entrepreneurial activities where all investments, regardless of origin, are driven by market forces to their most effective use (optimizing resource allocation efficiency).

This FDI Strategy is meant to offer a conceptual framework for the co-operation of all stakeholders in energizing private investment in Pakistan and for shaping the role of the Board of Investment (the "BOI") in spearheading such co-operation. A first draft was prepared in 2008 and circulated to federal ministries, the provinces, and private sector organizations for comments. It was then revised in the light of comments received and discussed in the BOI 3rd Board Meeting presided over by the Prime Minister on 22nd October 2009. Upon its revision in the light of this discussion and subsequent related decisions of the Prime Minister, the BOI Board, at its Fourth Meeting on 12th May 2010, approved this Investment Strategy in principle and decided that it be presented to the Cabinet for endorsement alongwith revised investment policy on long term basis to provide comfort to investors for continuation of policies.



Special Economic Zones

The president of Pakistan, Mr. Asif Ali Zardari signed the Special Economic Zones bill 2012 on 10th September 2010. National Assembly approved the SEZ Bill 2012 on 13th July, 2012. The bill took more than three years for its processing as it involved large consultative process with the provinces and other stakeholders. The incentive package was approved in 2008 by the ECC but it remained under discussion. The Cabinet accorded approval in principle for initiation of legislation in 2010. The Council of Common Interests (CCI) also considered this bill due to introduction of 18th amendment. After hectic efforts, CCI approved the bill in August, 2011. The bill has further undergone the microscopic examination by the Standing Committee on Law, Justice, Human Rights & Parliamentary Affairs. The Upper House (Senate) approved this bill in January, 2012 and National Assembly accorded its approval on 13th July, 2012.

1. The Law has been made to meet the global challenges of competitiveness to attract FDI. The Law/bill will allow to create industrial cluster with liberal incentives, infrastructure, investor facilitation services to enhance productivity and reduce cost of doing business for economic development and poverty reduction. The Law further envisages to reduce processes through SEZ in Pakistan.
2. The Law will ensure consistency and transparency in economic policies beyond political divide and restore investor confidence. The bill will provide guaranty that incentive once guaranty would not be withdrawn due to conflict of interests.
3. Salient feature of the draft SEZ Act 2012 include the following:
 - It extends to the whole of Pakistan and override other laws (anything contrary);
 - All SEZ whether Public, Public-Private or Private to be governed under this Act;
 - The Board of Approval (BOA) headed by the Prime Minister of Pakistan with the Minister for Finance as the Vice Chairman shall meet as frequently as required but not less than twice a year, Decisions shall be taken by a majority of the total membership present and voting;
 - SEZs will have exemption from customs duties & taxes for all Capital Goods imported into Pakistan for the development, operations and maintenance of a SEZ;
 - Exemption from all taxes on income accruable in relation to the development and operations of the SEZ for a period of ten years, starting from the date of signing of the Development Agreement;

- Zone Enterprises have exemption from custom duties etc. on imports of Capital Goods;
 - Exemption from taxes on income for a period of 10 years starting from the date the Development certifies that the Zone Enterprise has commenced commercial operations in the relevant SEZ;
4. BOI with the approval of the BOA and after consultations with the Provincial governments and concerned SEZ Authorities shall frame rules and regulations necessary for implementation of this Act.
 5. The establishment of SEZs will attract both domestic as well as international investors. Some of the investor countries like Korea, China and Japan are expecting to benefit from scheme as soon as it becomes operational. The provincial governments would be requested to start the process as soon as the rules are framed.



Agriculture

Salient features for Corporate Agriculture Farming (CAF):

- Only such companies (foreign and local) will be entitled to CAF that are incorporated in Pakistan under the Companies Ordinance, 1984.
- State land can be purchased or leased for 50 years through open auction, extendable for another 49 years.
- All banks and financial institutions will earmark separate credit share for CAF.
- Exemption of duty for transfer of land for CAF.
- Dividends from CAF are not subject to tax.
- Raw material for manufacture of agricultural pesticides can be generally imported at zero-percent rate of customs duty.
- Plant & machinery, equipment and vehicles meant for agriculture, harvesting, dairy, livestock, poultry, agro-based industries, horticulture and floriculture, etc. under SRO 575(I)/2006 can be imported at zero-percent rate of customs duty.

Textile

Textile Policy 2009-14

- Textiles Investment Support Fund (TISF) will be established under the ambit of the policy.
- Measures proposed for financing from the TISF include;
 - export refinance available at 5%.
 - long term loans will be converted on the pricing applicable to LTF scheme, together with a grace period of one year on both existing and converted facilities, without the facility of refinancing.
 - to settle the past claims under R&D scheme of 2007-08, allocation of PKR5.4 billion for the purpose by GoP.
- GoP will contribute part of the investment financing or part of the investment cost through the Technology Up-gradation Fund.
- The policy will focus on certain sub-sector issues from fibre to garments including ginning, spinning, weaving, knitting, processing, fashion designs, handloom and handicrafts, carpets, technical textiles etc.
- The policy offers duty drawbacks of between 1% and 3% for a two-year period for value-added textile exports.
- All textile machinery imports will be zero-rated to encourage new investments. Import duty on raw material, sub components and components used in local manufacturing of textile plants and machinery, has been reduced to zero percent.

Construction & Housing

National Housing Policy – 2001

- Housing and construction companies shall be charged via Presumptive Tax Regime which shall not exceed 1% on yearly receipts.
- Stamp duty / registration fee, for the housing mortgage has been rationalized.
- All new construction of houses on plots measuring up to 150 sq. yards and flats having an area of 1,000 sq. feet, have been exempted from all types of taxes for a period of 5 years.
- Banks and DFIs shall extend credit facilities for balancing, modernization and replacement (BMR) of machinery used for housing and construction industry.
- Import of plant and machinery and spares by the housing and construction companies, not manufactured locally, shall be exempted from custom and import duties in excess of 10%.



Financial Services

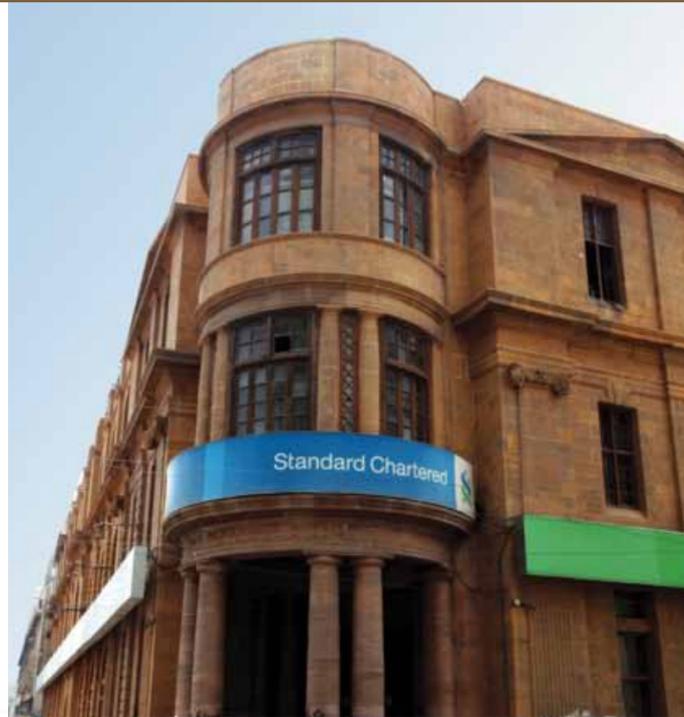
- SBP allows complete freedom of investment and repatriation of profits / dividends / disinvestment proceeds to the foreign investors in line with the overall investment policy.
- As per the Foreign Exchange Regulations, any foreign investor can invest in shares / securities listed on Stock Exchanges in Pakistan, and can repatriate profits / dividends or disinvestment proceeds. The investor has to open a Special Convertible Rupee Account with any bank in Pakistan, in order to make such portfolio investments.

IT & Telecom Sector

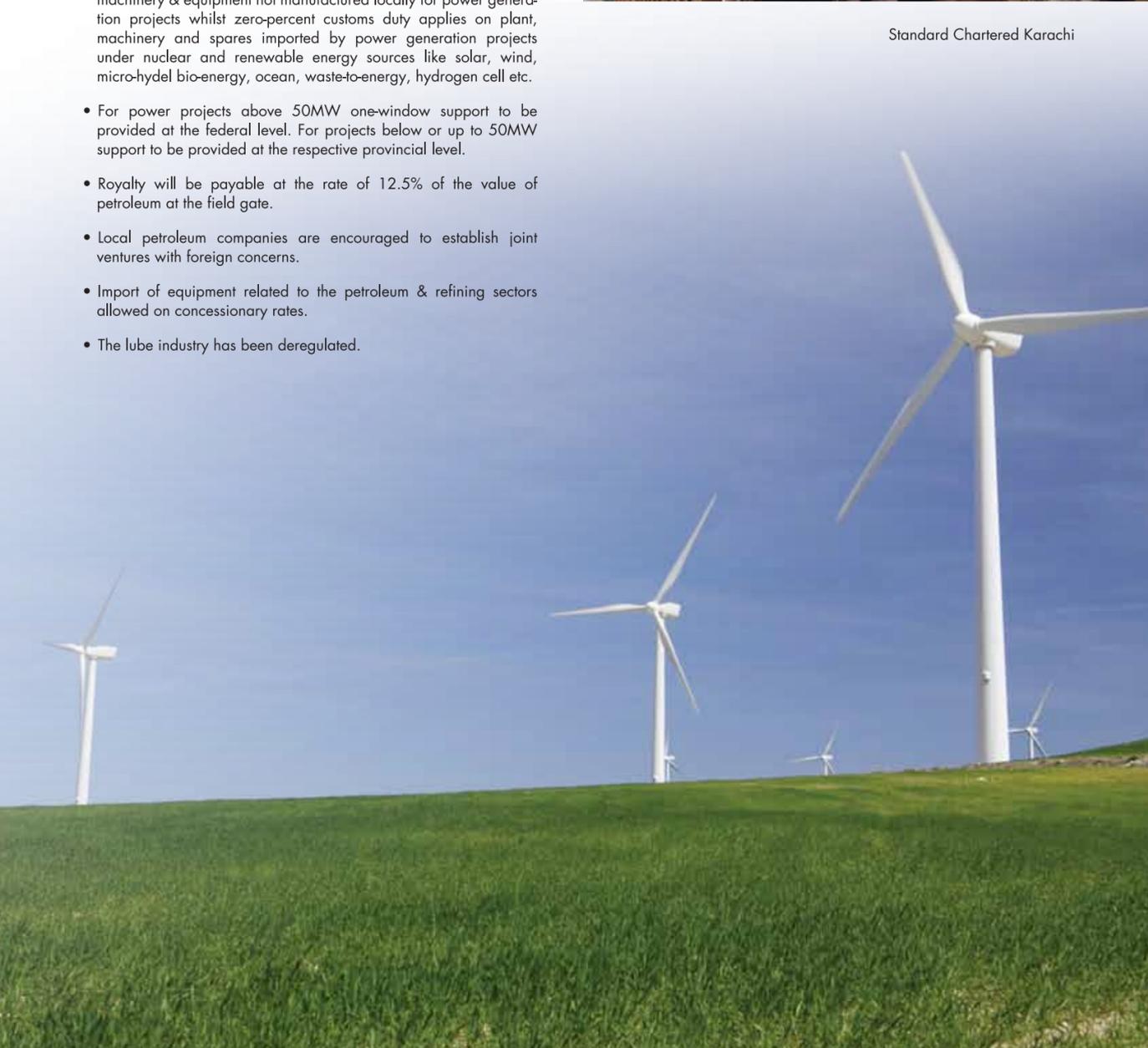
- Specific licenses are required from respective authorities e.g. in order to start the cellular operation network, a license needs to be obtained from Pakistan Telecommunication Authority.

Energy (Power, Oil & Gas)

- The energy industry is regulated by the Policy for Power Generation Projects 2002, Policy for Development of Renewable Energy for Power Generation 2006 and Petroleum Exploration & Production Policy 2009.
- Customs duty at the rate of 5% applicable on import of plant, machinery & equipment not manufactured locally for power generation projects whilst zero-percent customs duty applies on plant, machinery and spares imported by power generation projects under nuclear and renewable energy sources like solar, wind, micro-hydel bio-energy, ocean, waste-to-energy, hydrogen cell etc.
- For power projects above 50MW one-window support to be provided at the federal level. For projects below or up to 50MW support to be provided at the respective provincial level.
- Royalty will be payable at the rate of 12.5% of the value of petroleum at the field gate.
- Local petroleum companies are encouraged to establish joint ventures with foreign concerns.
- Import of equipment related to the petroleum & refining sectors allowed on concessionary rates.
- The lube industry has been deregulated.



Standard Chartered Karachi



Policy Package

Policy Parameters	Manufacturing Sector	Non-manufacturing Sector		
		Agriculture	Infrastructure & Social	Services
Government permission	Not Required except for Specific Industries ⁽¹⁾	Not required except specific licenses from concerned agencies		
Remittance of capital, profits, dividends etc.	Allowed	Allowed	Allowed	Allowed
Upper limit of foreign equity allowed	100%	60%	100%	100%
Minimum investment in Service sector (USD in million)	N/A	0.3	0.3	0.15
Custom duty on import of plant, machinery & equipment	5%	0%	5%	0-5%
Tax Relief (initial depreciation allowance, % of plant, machinery & equipment cost)	<ul style="list-style-type: none"> • 50% • 90% 	<ul style="list-style-type: none"> • 50% • 90% 		
Royalty & technical fee	No restriction on payment	Allowed as per guidelines Initial lump-sum up to USD 100,000		

Note [1]: Specified Industries are
 • Arms and ammunition • High explosives • Radioactive substance • Security printing, currency and mint

Source: Board of Investment website – www.pakboi.gov.pk
 Income Tax Ordinance, 2001

Bilateral Investment treaty

S. No.	Name of Country	Signing Date
1	Australia	07.02.1998
2	Azerbaijan	09.10.1995
3	Bangladesh	24.10.1995
4	Belarus	22.01.1997
5	Belgo-Luxemburg Economic Union	23.04.1998
6	Bosnia	04.09.2001
7	Bulgaria	12.02.2002
8	Cambodia	27.04..2004
9	China	12.02.1989
10	Czech Republic	07.05.1999
11	Denmark	18.7.1996
12	Egypt	16.04.2000
13	France	01.06.1983
14	Germany	01.12.2009
15	Indonesia	08.03.1996
16	Iran	08.11.1995
17	Italy	19.07.1997
18	Japan	10.03.1998
19	Kazakhstan	08.12.2003
20	Kuwait	14.02.2011 17.03.1983
21	Kyrgyz Republic	23.08.1995
22	Lebanon	09.01.2001
23	Loas	23.04.2004

S. No.	Name of Country	Signing Date
24	Malaysia	07.07.1995
25	Mauritius	03.04.1997
26	Morocco	16.04.2001
27	Netherlands	04.10.1988
28	Oman	09.11.1997
29	Philippines	11.05.1999
30	Portugal	17.04.1995
31	Qatar	06.04.1999
32	Romania	10.07.1995
33	Singapore	08.03.1995
34	South Korea	25.05.1988
35	Spain	15.09.1994
36	Sri Lanka	20.12.1997
37	Sweden	12.03.1981
38	Switzerland	11.07.1995
39	Syria	25.04.1996
40	Tajikistan	13.05.2004
41	Tunisia	18.04.1996
42	Turkey	15.03.1995
43	Turkmenistan	26.10.1994
44	U.A.E.	05.11.1995
45	United Kingdom	30.11.1994
46	Uzbekistan	13.08.1992
47	Yemen	11.05.1999



Habib Bank Karachi

Banking

The State Bank of Pakistan (SBP), the Central Bank of the country was established in 1948. In addition to monitoring the implementation of Banking Companies Ordinance 1962, it specifies regulations relating to the monetary system, credit and banking policy and supervises their implementation. The main law governing banking in Pakistan is the Banking Companies Ordinance, 1962 that regulates and governs the establishment and running of banking companies in Pakistan, in addition to business of commercial banking.

Some important regulations governing the banking sector in Pakistan

The Banking Companies Ordinance, 1962 and State Bank of Pakistan Act, 1956 specify various regulations, some of which are specified below:

- Capital and reserve requirement
- Cash reserve
- Liquid assets
- Assets outside Pakistan
- Annual accounts and audit
- Remittance of profits
- Number of branches

Prudential Regulations

The SBP has introduced specific Prudential Regulations for Corporate/Commercial Banks, Small and Medium Enterprises Financing, Consumer Financing, Micro Finance Banks/Institutions and Agriculture Financing.

The Prudential Regulations cover four categories viz. Risk Management, Corporate Governance, Know Your Customer (KYC) and Anti Money Laundering, and Operations. Following are the important conditions prescribed in these prudential regulations for Corporate/Commercial Banks:

- Limit on exposure to a single person
- Limit on exposure against contingent liabilities
- Minimum conditions for taking exposure
- Limit on exposure against unsecured financing facilities
- Linkages between financial indicators of the borrower and total exposure from financial institutions
- Exposure against shares / TFCs and acquisition of shares
- Classification and provisioning for assets
- Payment of dividend
- Margin requirements
- Corporate governance / board of Directors & management
- Credit rating
- Know Your Customer (KYC)
- Anti-money laundering measures
- Window dressing

Sector Outlook





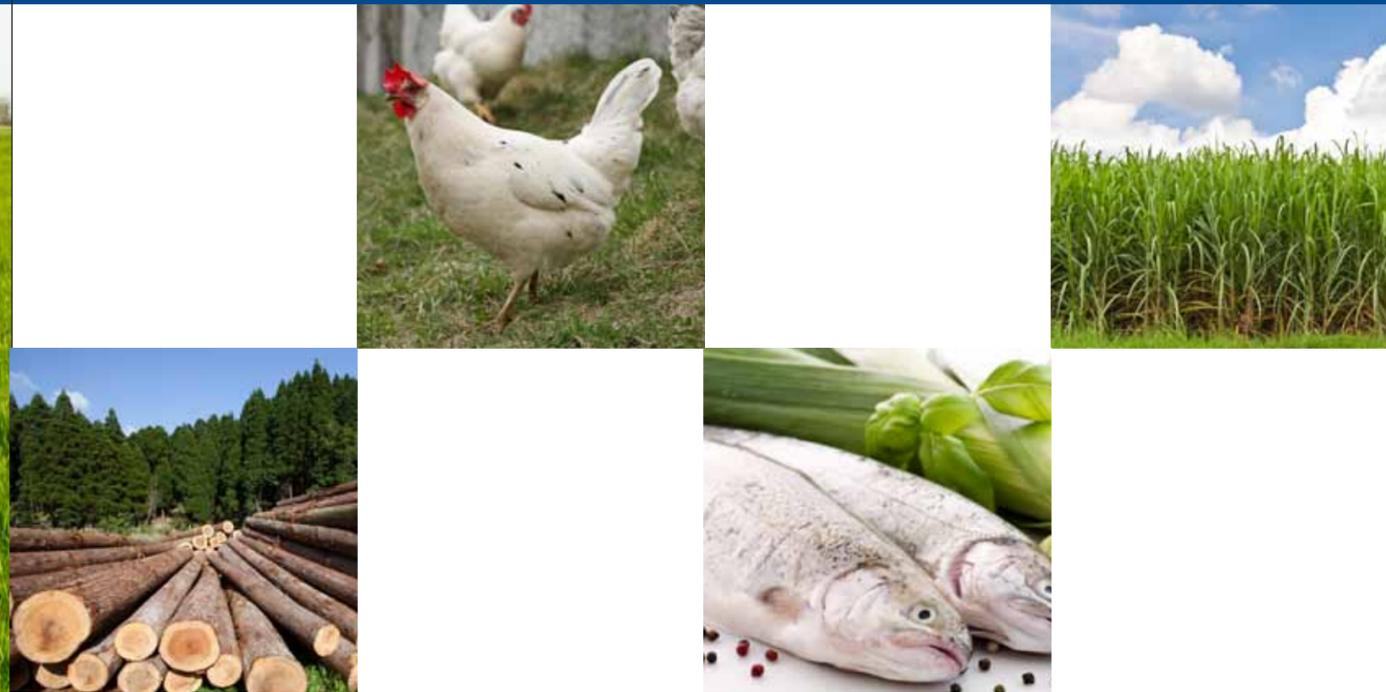
Sector Outlook

Agriculture has been the main stay of Pakistan's economy with a contribution of 20.9% to GDP in FY2010-11. However, Pakistan has also demonstrated its growth potential in the services sector during recent years with increased foreign investment in the economy.

Sectors such as IT, telecom, financial services and construction are endowed with growth opportunities and capacity to progress, supported by a young demographic nation which is the sixth most populous nation in the world.

This chapter aims at identifying key business sectors in Pakistan considering their investment determinants in the light of current market as well the opportunities they hold. The sectors have, thus, been analyzed along the lines of the following three parameters to provide a comprehensive outlook:

- The Market
- Industry Snapshot
- The Opportunity



Agriculture & Allied Sectors

The Agriculture Market

- It is the source of livelihood of almost 45.1% of the total employed labour force and contributed 20.90% to GDP in FY2011.
- Total cropped area in 2011-2012 was 22.75 million hectares.

Livestock and poultry

- Livestock sector contributed 11.5% to GDP in 2010-11.
- The value of livestock is 6.1% more than the combined value of major and minor crops.
- The poultry sector generates employment and income for about 1.5 million people.
- Poultry meat contributes 19% to the total meat production in the country.
- Pakistan earned USD964 million from leather exports and a meagre USD188 million from meat exports in FY 2010 -11.

Forestry

- During the year 2010-11, forests have contributed 91,000 cubic meters of timber and 261,000 cubic meters of firewood, in comparison to 83,000 cubic meters of timber and 205,000 cubic meters of firewood in 2008-09.

Fishery

- Fisheries, as a sub-sector, play a significant role in the national economy and towards the food security of the country, as it relaxes the existing pressure on mutton, beef and poultry demand.
- During July 2010- March 2011 the total marine and inland production was estimated to be 86,680 M tons and 167,000 M tons respectively.



Industry Snapshot

Agriculture

- Growth: 0.4% in 2011
- Major crops: Kharif Crops (Summer produce)
Rice (1.3% to GDP); Sugarcane (0.7% to GDP), Cotton (1.6% to GDP)
- Rabi crops (Winter produce)
Wheat (contributes 2.8% to GDP)

Livestock and poultry

- Growth: 3.7% in 2010-11 in livestock
Annual growth of 11.2% in the poultry sector

Fishery

- Growth: 1.78% in 2011

The Opportunity

- Growth in livestock has been in line with rapidly changing diet patterns across the world. The share of livestock demonstrated growth by representing 55.1% of the agriculture sector and 11.5% contribution to GDP in FY2011 as compared to 30% in FY1991 whilst the share.
- The Federal Government has initiated mega projects worth PKR8.8 billion in livestock.
- Pakistan is the third largest producer of raw milk in the world with growth potential of 20% per annum in exports. However only a negligible quantity goes into processing due to lack of technical assistance, research institutes and weak infrastructure.
- The President inaugurated spring tree plantation drive in February 2010 with a target of planting 58 million saplings. The GoP plans to launch tree plantation campaign twice a year with a view to increase forest cover to 6% of the landmass by 2015.

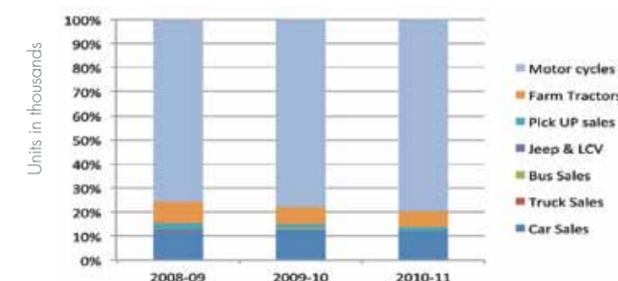


Automobile Manufacturing

Manufacturing Automotive sector

The Market

- Auto sales witnessed a substantial growth of 20% on yearly basis to 70,460 units in the first five months of FY2012 as against sales of 58,784 units in corresponding period last year.
- The auto industry was operating at 37% of its installed capacity of 273 thousand units per annum in FY2009 and it is expected that 20% YoY growth in sales in FY2010 can easily be met through higher production by assemblers utilizing the existing capacity.
- Pakistan has the second highest number of CNG-powered vehicles in the world with more than 1.55 million cars and passenger buses, constituting 24% of total vehicles in the country.
- Investment in the automotive sector stood at USD70.2 million in July 08– April 09.
- Despite recessionary economy, Indus Motor Company and Honda Atlas Cars launched new models for their key products, Corolla and City in the local market.
- Car sales are related to the interest rate regime functional in Pakistan especially in the small-low and economy segments, whilst purchases in the small-high segment (1300cc and above) are dependent on rising income level and improved living standards.
- Total car sales in FY2011 were 101,532 units whereas 87,419 in FY2009-10. Total Motorcycles sales were 1,194,567 units in FY2010-11 against 1,006,008 in FY2009-10.



Source: Pakistan Automotive Manufacturers Association



Automobile Assembly Line

Industry Snapshot

Market size: installed capacity of 273,000 units in FY2009

Market players: Honda Atlas, Pak Suzuki, Indus Motors, Mitsubishi, Dewan Farooque, Sigma Motors, Hinopak

Domestically manufactured parts account for less than 60% of all components as compared to a targeted 80%-85% and producers rely heavily on imports of key components.

Sales: Auto (cars and light-commercial vehicles - LCV) sales experience a cyclical decline towards the end of each calendar year as consumers delay purchase decisions for registrations in the new year.

The Opportunity

- Pakistan has one of the lowest motorization levels (8 vehicles per 1000 persons) in Asia compared to India (11), Sri Lanka (25), and Malaysia (641) indicating a domestic market rife with growth potential.
- Declining interest rates regime adopted by SBP likely to induce increased market for purchases in the small/low income segments.
- The removal of 5% excise duty (passed on to the customers) will enhance sales growth. Fall in steel prices has massively reduced the cost of production of vehicles.
- Engineering Development Board (EDB) is actively implementing the Auto Industry Development Program (AIDP) to achieve the following targets:
 - increase the GDP contribution of the automotive sector to 5.6%,
 - boost car production capacity to half a million units,
 - attract an investment of USD3 billion,
 - reach an auto export target of USD650 million,
- The City District Government Karachi has introduced new CNG buses as public transport vehicles.

Hyperstar 

METRO

Retail Market

Pakistan's retail and wholesale market is estimated at over \$42 billion a year which is serving a population approaching 180 million. This is more important in view of the large number of middle class population and available high-disposable income in the age group 25-35 years.

A number of factors such as income growth, changing demographic profile due to more urbanization, and the socio-economic environment are having its impact on retail business. This retail growth is also supported by the increasing literacy rate in Pakistan; current urban population is more educated and has a better understanding of retailer influences on shopping as a larger retailer give quality assurances to consumers.

In late 2006 and in mid-2007, respectively, Makro and Metro entered the Pakistan market operating a cash and carry business format. Makro entered through a joint venture between the House of Habib and SHV of The Netherlands as Makro-Habib Pakistan Ltd. METRO Cash & Carry Pakistan and Makro-Habib Pakistan are in merger now. The merged entity is now known as METRO-Habib Cash & Carry (Private) Limited, and operates nine wholesale centres in four major cities.

With the current prevailing trends in Pakistan retail industry, it is high time for the foreign retailers to invest in Pakistan. This will help stabilize the global economy in general and the national economy of Pakistan in particular as entry of global retailers in retailing industry of Pakistan would not only strengthen the retail industry of Pakistan but would also generate more jobs, foreign investments and revenues.



Electronics & Other electrical equipments

The Market

- In FY2009 the market for electrical appliances and household goods was approximately USD1.4 billion and is expected to increase to USD2.1 billion by 2013.
- Federal Excise Duty (FED) on electrical appliances increased by 15-20% during FY2008 in order to discourage import of electronic goods. Further in June 2009, GoP reduced duty on mobile phone sets by 50%.

Industry Snapshot

Market size: USD1.4 billion in 2009

Market players: Philips, LG, Haier, Dawlance, National, Mitsubishi, Waves,
Noble, Sony, Samsung, Panasonic

The Opportunity

- Export of electronics was approximately USD143 million in 2008 and is projected to increase to USD947 million by 2013.
- There is relatively a lower level of penetration of products with 40% of annual television sales concentrated in black-and-white sets and notebooks constituting a mere 20% of computer sales.
- At present the middle class consumers, who are unable to purchase imported electronic products due to increase in rate of FED and depreciation of the Pakistani rupee, are a great source of attraction for companies willing to set up electrical manufacturing units in Pakistan.
- Support fund of PKR2.5 billion has been allocated for the engineering sector by the Federal Government in the Trade Policy 2009-10.
- GoP established Technology Upgrade and Skill Development Company in 2007 with the aim of further developing the electronics industry focusing on areas such as intellectual property (IP) protection.
- In 2009 GoP lifted duty on completely knocked down (CKD) units and reduced and extended a favourable 5% tariff rate on semi-knocked down (SKD) kits for LCD / Plasma television manufacturers in order to curb illegal imports.
- Rapid growth is anticipated in mobile subscriber penetration implying progress for the mobile handset market particularly in the lower and middle tiers and under-penetrated semi-urban and rural areas.
- Demand prospects from enterprises in the growing sectors of telecom and financial services.



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SHAIGAN

Pharmaceutical Sector

The Market

- In 2008 the health care and pharmaceutical sector contributed 2.2% to the country's GDP, with the pharmaceutical sector solely contributing 1% to GDP (PKR101.6 billion).
- Demand for pharmaceutical products has been growing at about 10%-15% a year over the past few years.
- There are 455 licensed pharmaceutical manufacturers in Pakistan and 29 multinational companies (MNCs). The remaining demand is met by 212 drug importers.
- The sale of pharmaceutical products in international markets has almost doubled during the last five years. The industry is focusing on an Export Vision of USD500 million by 2013. In the meantime, exports are also likely to get a boost due to new regional and global opportunities.
- Unlike global trends drug demand does not follow a seasonal pattern and sales remain similar through out the year because of poor health and environment conditions.

Industry Snapshot

Market size: USD1.35 billion as at 31 March 2009

CAGR: 12% over the last five years until April 2009

Capital investment: USD0.5 billion (as of March 2009)

Major Market players: Galaxo SmithKline Pakistan, Johnsons & Johnsons, Aventis Ltd., Reckitt & Benkiser, Roche, Abbot Laboratories, Merck Marker, Novartis, Pfizer Laboratores

Market Share: Top 50 producers contribute to 84.5% of the market share

Top 50 domestic producers contribute to 45.5% of the market share

Domestically produced drugs: Pain killers, anti-stress and anti-depressants, anti-infective, penicillin etc.

Imported Products: Antibiotics, vaccines, analgesics, tranquillizers, drugs for treating cardiovascular diseases & cancer

Import Markets: US, UK, Germany, Switzerland, Japan, Netherlands and France



The Opportunity

- Rising life expectancy thus consequent rise in number of elderly people and increasing urbanization will stimulate demand for pharmaceutical products and health care services.
- Customs duty on import of packing materials has been reduced from 25% / 20% / 10% to just 5%, on import of polyacrylate, piston caps, laminated heat sealable paper, craft paper (wax coated) non-woven fabric and non-woven paper.
- Spending on health care and pharmaceutical products are expected to rise from PKR261 billion in 2008 to PKR424 billion in 2013.
- The export size of pharmaceutical industry is currently at USD101 million and has the potential to grow many folds to at least USD1,000 million.



Industrial & Commercial Machinery

The Market

- Industrial sector contributed 25.8% to Pakistan's GDP in 2010-11.
- The sector mostly imports machinery, usually reconditioned, either in part or full.
- Import of plant & machinery currently has the second highest share in Pakistan's import bill, after petroleum products.
- Major sectors using industrial machinery are textile, cement, engineering, construction and fertilizer.
- Power generating machinery worth USD1,035 million has been imported in Pakistan during FY2011.
- Pakistan imported textile machinery worth USD3.18 million during July – November 09.

Industry Snapshot

Machinery players: USD5.5 billion during 2008-09

Machinery Imports: Descon Engineering, Ados Pakistan Limited, Siemens Pakistan, Heavy Mechanical Complex

The Opportunity

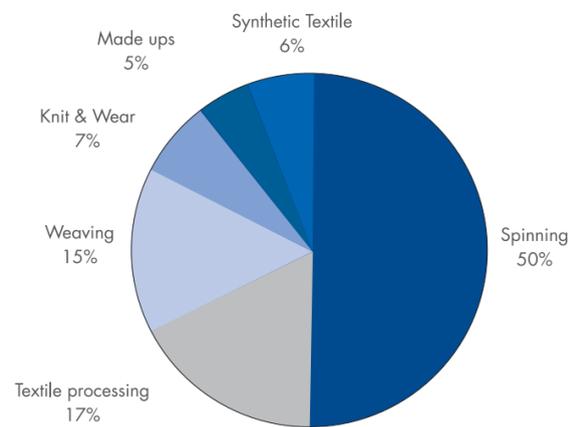
- Great opportunity exists for manufacturers of power generating units (both industrial & commercial), due to the increasing power shortages currently prevailing in Pakistan.
- The engineering industry is ready to present its credentials at the international level in areas including machinery and equipment for chemical and fertilizer plants given the due support by both the GoP and the investors.
- The Ministry of Petroleum and Natural Resources is mulling over the proposal for import of used machinery for the up-gradation of refineries.



Textile sector

The Market

- The textile and clothing industry has been the main driver of Pakistan's exports for the past 50 years in terms of foreign currency earnings and job creation.
- 75% to 80% of total cotton and synthetic production is exported in the form of yarn, fabric, readymade garments, bed wear & made ups.
- Pakistan is the fourth largest producer of cotton and third largest user of cotton.
- The sector's contribution to total exports has averaged nearly 60% during the last six years and declined to approximately by 53% during FY2011. Textile Sector contributed 9.5% of GDP and 3.8% employment of total labour force. During FY2011, the sector benefited from recovery in retail sales in advanced economies and increased price differential in local and global yarn prices.
- Investment of about USD7.5 billion has been made in the textile industry during the last ten years (1999-2009). A sector wise breakup of the void is shown.



The Opportunity

- Pakistan has emerged as one of the major cotton textile product suppliers in the world market, with a share of world yarn and cotton fabric trade of about 30% and 8% respectively.
- Although the GoP has directed efforts to diversify exports as well as the industrial base, the textile sector remains the backbone of industrial activity in the country.
- The five-year Textile Policy 2009-14 offers approximately USD1 billion cash subsidy to the textile and clothing sector to boost exports. It plans to boost textile exports to USD25 billion from the current USD17.8 billion by 2014.
- The package for the sector carries special duty-drawback rates, besides repayment of earlier research support, subsidy on long-term financing loan and development and other subsidies.
- The policy focuses on export promotion measures, instead of steps to increase production and revive the industry.
- 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 PKR2.5 billion has been allocated to make export refinance to be available at 5%.

Industry Snapshot

Total exports:	53% in FY2011
GDP Contribution	9.5% in 2010-11
Employment:	38% of overall employment
FDI:	USD12.4 million (July – December 09) Listed Companies 209



Infrastructure Telecom & IT Sector

The Market

- The telecommunication sector contributes 3% to the country's GDP.
- Pakistan IT exports exhibited a 5-year CAGR growth of 35% and amounted to USD184 million in FY2009 against USD154 million in FY2008.
- At the end of October 2009 the total tele-density reached 62.4%, with the cellular sector having the leading share followed by Fixed Local Loop (FLL) and Wireless Local Loop (WLL).
- The cellular companies operating in Pakistan had a subscriber base of over 100 million at the end of FY 2011.
- There are currently four major fixed landline operators with Pakistan Telecommunication Company Limited (PTCL) and National Telecommunication Corporation (NTC) being the mature operators, while Nayatel and Worldcall joining in very aggressively.
- Telecom sector in FY 2011 contributed over PKR 116.9 billion to national exchequer whereas Telecom revenue shows all time high PKR 363 billion (boost of 5.4%) and investment in telecom USD 493 million.
- WLL services are available across Pakistan with seven operators providing services in licensed areas in addition to PTCL operations. There are 2.71 million WLL subscribers as in October 2009.
- WLL penetration has increased from 0.17% in 2005 to 1.6% in 2011, with subscribers growing at a CAGR of 77% with a balancing gain and drop effect visible in WLL and FLL service subscription for PTCL during FY 2009.
- Internet usage continues to grow and usage subscription was close to 19 million internet users at the end of 2009, with penetration levels at 10.6%.
- Telecom sector attracted over USD 79 million worth which is 5% of total FDI in Pakistan.
- Pakistan is the first country in South Asia to implement Mobile Number Portability (MNP), with over 1.14 million subscribers having availed the facility since June 2009 due to the implementation of the MNP project.

Policy announcement:

Rate of FED on telecom services is reduced from 21% to 19% in order to reduce the cost of service.



Telecom Foundation Complex



Petro Chemical Plant

Industry Snapshot

Market size:	<p>Telecom</p> <p>Cellular Subscribers: Over 100 million by end FY2011</p> <p>Fixed-Line and WLL subscribers: 5.72 million by end FY2011</p> <p>Internet Subscribers: 19 million in FY2009 including 414,000 broadband subscribers</p> <p>Investment of USD 493 million in FY2011</p> <p>1,595 registered IT companies (60 foreign IT and telecommunication companies)</p>
Market players:	Mobilink, Warid Telecom, Telenor, China Mobile, World Call, PTCL, Ufone
Emerging Technologies:	3GS, Wi Max

The Opportunity

- Reduction in loyalty and license fee by PTA and adoption of simple and liberal licensing policies provide ample opportunities.
- Availability of new SIM cards at cheap prices will further enhance demand for cell phones, whilst the availability of second hand phones on cheap prices will increase the demand for SIM cards.
- Alternative fixed-line providers are starting to offer WLL and long-distance international (LDI) services in competition to PTCL, thus providing opportunities for infrastructure suppliers.
- Based on data provided by PTA, there is still room to penetrate further in the low cellular tele-density areas of Baluchistan and N.W.F.P.
- Subscription growth in the medium to long-term is likely due to inclination of demographics towards young and middle-aged people amidst increasing urbanization.
- There are strong growth prospects in broadband services with only less than half a million broadband subscribers in Pakistan as compared to over 80 million subscribers each in China and US. There are about 19 million users of internet in Pakistan with many still using dial up connections.
- Based on growth prospects, Pakistan ranks fourth in terms of broadband internet growth globally, supported by proliferation of local and foreign companies into the market and the decline in tariffs.

Power-generation sector

The Market

- The existing power deficit has been a key blockage for industrial and commercial activities since demand for electricity grew by 6% during FY2003-09 without a corresponding addition to the supply grid during FY2011.
- The current supply shortage has been estimated at 7,500MW (megawatts) with frequent electricity outages experienced country-wide in FY2011 whereas demand of electricity growing at over 10% per annum.
- 67% of Pakistan's electricity generation is tilted towards thermal power generation with power plants operating at a reduced capacity utilization of 34% presenting opportunities for investment in plant machinery.
- Two nuclear power plants; Karachi Nuclear Power Plant (K-1) and Chashma Nuclear Power Plant unit 1 (C-1) are operational, while construction of a third plant, Chashma Nuclear Power Plant unit 2 (C-2) is also in progress.
- In order to meet the current and future energy demand, the GoP is working on different power generation projects which are expected to contribute additional power supply of 9,817MW by the end of 2011-12 to the installed capacity of 19,754MW in 2008-09. A further breakup of expected increase in annual capacity is as follows:

Period Expected	Capacity to be installed
2010-15	14,022 MW
2015-20	23,271 MW
2020-25	16,077 MW

- Pakistan Atomic Energy Commission has also been given the task of increasing nuclear power generation capacity to 8,800 MW by the year 2030.
- With the expansion of electricity network, the number of consumers also increased from 10.8 million in 1998-99 to 18.5 million consumers in March 2009.
- Pakistan enjoys abundance in coal resources estimated at over 185 billion tons, including 175 billion tons identified at Thar, in the Sindh province. Only 18% of total gas reserves have been discovered in the last decade.
- Zorlu Energy Pakistan Limited has commissioned its first phase (6MW) of a wind power plant in April 2009. Zorlu has indicated that it would like to install an additional 2GW of renewable energy capacity in Pakistan by 2015.
- Pakistan's Executive Committee of the National Economic Council has approved infrastructure projects worth USD11.78 billion, including the flagship Diamer-Bhasha hydropower dam. Pakistan and China have also signed a MoU to build the Bunji dam in Astore district in the north with power generation capacity of 7,000MW.



Tarbela Dam

Industry Snapshot

Demand & Supply: Over 10% in FY2011

Installed Power 20,681 MW in FY2011

Generation Capacity:

Major players with installed capacity

Thermal: Central Power Generation Company Limited at Guddu

Hydal plants: Tarbela plant (3.05GW), Mangla (1GW), Warsak (240MW) and Chashma (184MW)

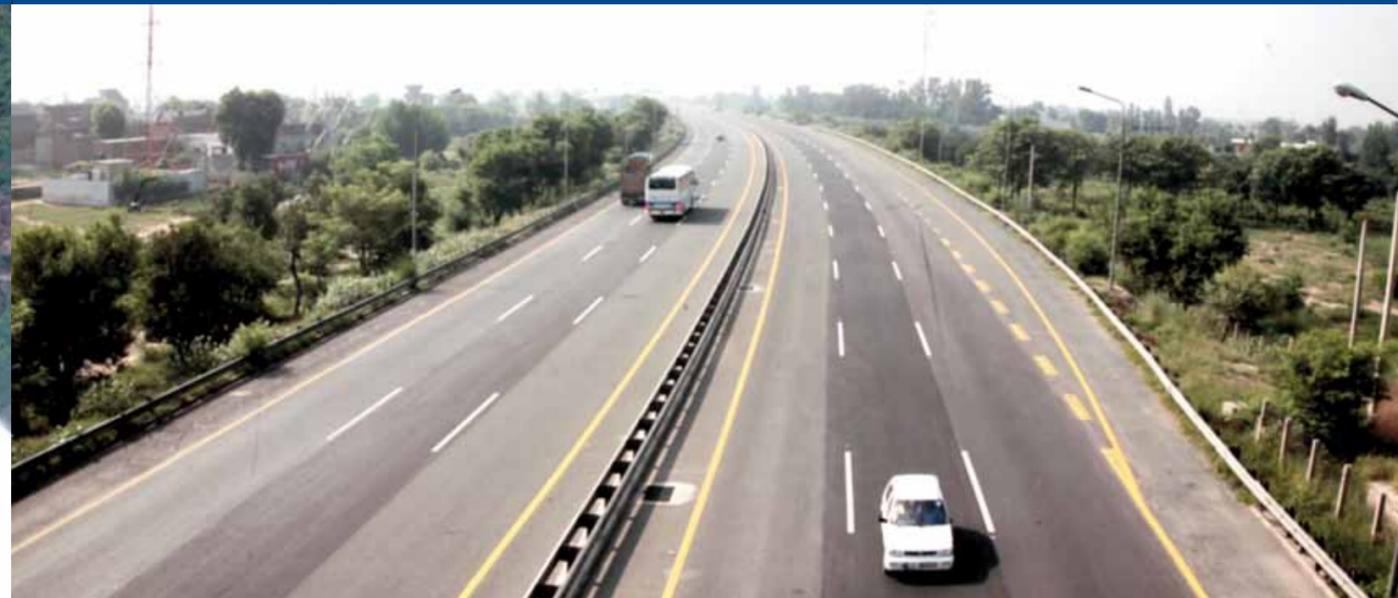
IPPs – thermal: Kot Addu (1GW); Hubco (1.3GW)

Nuclear: Chashma-1 (300MW) and Kanupp (125MW)

Electricity supply: WAPDA & KESC

The Opportunity

- The rising energy deficit, high vulnerability to oil prices, and expensive energy import options, all have resulted in significant government attention and incentives for the sector.
- The GoP is offering increased incentives to the private sector for the task of developing independent power producers (IPPs) and rental power projects (RPP). The GoP guarantees 15% USD IRR along with passage of all expenses to the consumer and 17% for hydel generation. Thus providing predictable multi-year and long term tariff.
- Under the remote village electrification program, the Alternative Energy Development Board (AEDB) plans to electrify 7,874 remote off-grid villages in Sindh and Baluchistan.
- In order to meet enhanced gas requirements, The GoP has been providing improving economic terms for investment in oil and gas exploration through its petroleum policies.
- Further, in order to tap the mass reservoir of coal reserves at Thal, GoP is considering offering USD indexed IRR of 20-21%.
- AEDB is actively working to install 103 micro hydro power plants in Chitral as well as other locations in the Northern areas.
- The Asian Development Bank (ADB) has approved a USD810 million multi-tranche financing facility for the power sector.



Motorway Lahore to Islamabad

Transportation sector

The Market

- Although the quality of roads generally improved in 2008 due to facilitation, by National Highway Authority's (NHA) planned to invest USD5.36 billion in the sector. This plan benefited from a USD900 million multi-tranche loan from the ADB. However, in FY2011 10% of roads were destroyed due to floods.
- The cargo business generated PKR 6.4 billion in 2010-11 as compared to PKR 4.98 billion in FY2009. Cargo capacity increased by 8.8%.
- KPT handled record cargo-volume of 41.4 million tons in FY2011 (July-March)

Industry Snapshot

Road network: 259,463 km

High Type Roads: 180,866 km

Low Type Roads: 78,597 km

Earnings: Pakistan Railway: PKR 13,060 million against in FY2011 against PKR 22,269 million in FY2010.

PNSC Profit Tax: PKR 2,552 million since July 2010 to March 2011 1 whereas PKR 2,341 million July 08 to March 09

Railway network: 8,163 km

International airports: 9

Sea-ports: 3

The Opportunity

Railways

- Major development schemes include track renewal of 240 km of rails and 220 km of sleepers planned for main line.
- 447 CKD wagons received from China were designated to be manufactured in Pakistan Railways Workshop in Moghalpura in 2009, thus completing the scheme for Procurement / Manufacture of 1,300 high capacity wagons.
- 400 old coaches were rehabilitated in FY09-10 fiscal year 2009-10.



Jinnah International Airport Karachi

Airports

- Civil Aviation Authority (CAA) will develop the International Airport in Islamabad and make it operational by the end of 2011, which is expected to cost PKR37 billion.
- CAA will construct the New Gwadar International Airport by the end of December 2011, with the total estimated cost of PKR7.5 billion being financed under the Public Sector Development Programme.
- To enhance the trade route internationally with Afghanistan and central Asian countries, the CAA has planned to upgrade the Peshawar International Airport in the near future.

Roads

- NHA plans to launch a Motorway Advisory Radio (MAR) system during financial year 2009-10 under the Public-Private Partnership. This system will provide updated information regarding fog / low visibility of areas and will suggest precautionary measures for traffic congestion and incidents / accident related information.
- The National Trade Corridor (NTC) initiative envisages an investment program of PKR325 billion, to be completed by 2017-18. This step is expected to enhance National Highway Authority's revenue to approximately PKR543 million during financial year 2009-10.
- Long-anticipated modernization work will start on the Karachi Circular Railway in 2010 and is plausible to be completed by 2014.



Emaar Pakistan Islamabad

Construction sector Residential & Commercial construction

The Market

- The construction industry of Pakistan had a total value of approximately USD3.6billion in 2009 and this value is expected to rise to around USD4.2 billion by 2012.[1]
- Total GNP value of the sector was USD 4.4 billion in FY2011.
- Residential construction is being carried out under the Prime Minister's 'Mega Housing Scheme' which involves the construction of one million low cost houses per year.
- On GoP's invitation international companies from Germany, Canada, Iran, Italy and Malaysia have participated in the construction sector, in order to facilitate execution and completion of the GoP's mega housing scheme.
- The construction industry in Pakistan has tremendous potential; with a sizeable proportion of trained professionals such as approximately 80,000 graduate engineers, 20,000 licensed constructors and 1,000 registered consultants.

Industry Snapshot

Contribution to GDP: 2.51% of GDP in 2011

Total Capital Investment: USD28.87 billion in 2009 ⁽¹⁾

Imports of machinery & transport equipment: PKR626 billion in 2008-09

Employed labour force: 7.65% in 2009 ⁽¹⁾

The Opportunity

- Karachi, the largest city of Pakistan, currently has a requirement of 500,000 additional housing units per year, in order to cater demand for the ever growing population.
- Rising level of urbanization inclined to increase from 34.9% in 2005 to 50% by 2035, as estimated by the United Nations, provides ample development opportunity in the sector.
- The investment policies in Pakistan permit 100% foreign equity ownership in the construction sector.
- SECP has introduced two types of Real Estate Investment Trust schemes, namely rental and developmental, providing opportunity to the general public to pool funds for investment in real estate sector.
- The Infrastructure Project Development Facility (IPDF) team has stated that around 11 projects, valued at approximately PKR200 billion, are in the development stage.



Mining & Quarrying sector

The Market

- Mineral potential of Pakistan though, recognized to be excellent is inadequately developed as its contribution to GNP in FY2011 stands at 4.8 billion in comparison to 4.1 billion in FY 2010 .
- The Mining and Quarrying sector had a GNP total value worth USD 4.8 billion in FY 2011.
- During FY 2011, the mining and quarrying sector has contributed 2.4% of GDP and has growth rate of 0.4% in comparison to 2.2% in FY 2010.
- More than 50 metallic and non metallic minerals have been discovered in Baluchistan up till 2007- 08.
- About 1,344 Mineral Concessions i.e. prospecting licenses & mining leases had been granted up till 31 December 2008 to different private/ public sector for small scale mining of various minerals.

Industry Snapshot

Coal extraction:	2.352 million tons (July 10 - March 11)	2.539 million tons (July 09 - March 10)
Natural gas extraction:	32,050 Min.Cu.M (July 10 - March 11)	31,420 Min. Cu.M (July 09 - March 10)
Rock salt:	1.389 million tons (July 10 - March 11)	1.347 million tons (July 09 - March 10)
Crude oil:	18.13 million barrels (July 10 - March 11)	17.88 million barrels (July 09 - March 10)
Gypsum:	540,000 tons (July 10 - March 11)	645,000 tons (July 09 - March 10)
Limestone:	23.9 million tons (July 10 - March 11)	27.2 million tons (July 09 - March 10)

The Opportunity

- Exploration activities are in progress in collaboration with foreign investors. About 79 Mineral Titles i.e., Reconnaissance licenses, Exploration licenses & Mining leases have also been granted under large scale mining in the Baluchistan province.
- Pakistan Mineral Development Corporation offers joint ventures in the following projects;
 - Gold & Base Metals Exploration in the Northern Areas of Pakistan
 - Coal Briquetting Plant
 - Coal mining for small thermal power plants
 - Production of Ultra Refined Salt.



Bank Al Habib Pakistan

Financial Services Sector

The Market

- The size of the country's financial sector, which includes Banks, Non- Bank Financial Institutions (NBFIs), Microfinance banks (MFB), Central Depository of National Savings (CDNS), the insurance sector and financial markets, in terms of assets, has increased to PKR8.2 trillion by end-June 2009 from PKR7.1 trillion at end December 2007.

Banking

- The banking sector posted profit before tax of PKR77 billion for FY2011 in comparison to PKR83 billion in September 2008.
- The banking sector's expansion has been helped by the privatization drive in the 1990s and strong FDI, averaging USD4 billion during 2004-11. Approximately 81% of the sector's assets are now in private hands.
- Net Domestic Credit extended by the banking sector increased slightly from PKR 5,231.9 billion in FY2010 to PKR 5,612.3 billion in FY2011.
- Currently the banking sector comprises of the following: 5 public sector commercial banks, 4 specialized scheduled banks, 23 private local banks, 6 foreign banks, 8 microfinance banks, 6 Islamic banks and 8 Development Financial Institutions .
- Asset base of banking system, was PKR 7,763 billion as of September 2011 against PKR 6,782 in FY 2010.
- The number of transactions made through cell phones increased to 54,009 in the 4QFY2009 from 21,733 in the 1QFY2009.
- FDI in the banking sector stood at USD 1.63 billion in FY 2011 .
- The Minimum Capital Requirement (MCR) of PKR10 billion, as prescribed by SBP is to be achieved as follows:

MCR to be met by	Amount in PKR billion
31 December 2010	10
31 December 2011	15
31 December 2012	19
31 December 2013	23





Islamabad Stock Exchange

Non-Bank Financial Institutions (NBFIs)

- NBFIs include Non-Bank Financial Companies, Mutual Funds and Modarabas which are regulated by SECP and DFIs which are regulated by the SBP.
- NBFIs' assets stood at PKR 470.1 billion in FY2009 as against PKR 585.6 billion in FY2008.
- The size of the total assets of the sector relative to GDP at 5%, and total financial sector assets at 7.6% as provided by Financial Stability Review Report of SBP 2008-09.

Non-Bank Financial Companies (NBFCs)

- In November FY2009, SECP implemented some necessary measures to revamp the regulatory framework for NBFCs and amended the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, in addition to issuing the Non-Banking Finance Companies and Notified Regulations, 2008.

Insurance

- The insurance industry has enjoyed robust growth in the last few years driven by favourable economic conditions, expansion of the financial sector as a whole, privatization of large state owned entities and foreign investments. The insurance industry has growth of 16.6% in CY10 against 14.5% in CY09.
- The share of insurance assets in the total assets of the financial sector is 4.5% and the sector assets constitute 3.3% of GDP in CY08.
- Insurance asset in CY10 stood at PKR 390 billion out of which 74.8% is accounted for life insurance.
- In CY08, 45 insurance companies were operating in Pakistan. Among these, 34 were general insurance companies; five were in the business of life insurance, with one reinsurance company and five Takaful.

Development Financial Institutions (DFIs)

- As of end-CY08, there were 7 DFIs operating in Pakistan, all of which are joint ventures between the GoP and other governments such as Kuwait and Oman.

Mutual funds

- Mutual funds since CY2008 significantly declined in assets. However, in H10-CY11 Mutual Funds industry witnessed a recovery of 24% in net assets.
- Net Assets reached the highest ever level of about PKR425 billion in April FY2008 when the stock market was at its peak.
- The mutual funds sector has grown rapidly in the last few years and has accounted for the largest segment (more than 50%) in total assets of the non-bank financial sector in FY2008.

Industry Snapshot

Banking Sector

Financial position as at September 2011

(PKR billion)	Assets	Advances	Deposits	Equity
Public Sector Commercial Banks	1,438	675	1,090	159
Local private bank	5,922	2,429	4,486	543
Foreign banks	258	65	176	43
Specialized bank	143	92	14	7
Total	7,761	3,261	5,766	752

Islamic Finance Banks
Number of Islamic Banks: 6t
Number of Islamic Banking Institutions: 13

Financial position as at September 2009

(PKR billion)	Assets	Advances	Deposits	Equity
	323	134	245	40

Source: Economic Survey 2010-11
SBP Third Quarter Report 2010-11
Development Finance Quarterly Review
Performance Review of NBFIs available on SBP's website; www.sbp.org.pk
Performance Review of the insurance Sector available on SBP's website; www.sbp.org.pk

The Opportunity

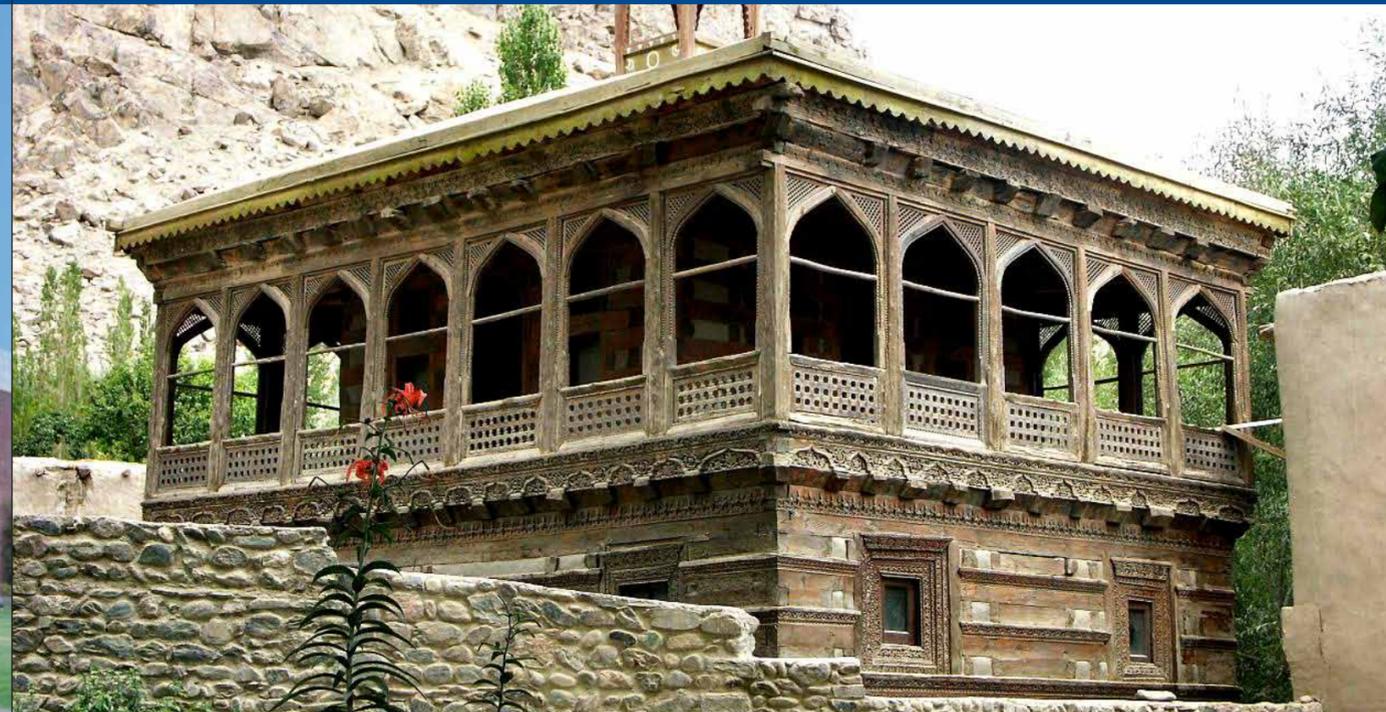
- Expanding Microfinance Outreach (EMO) has been developed to extend reach of microfinance facilities to 3 million borrowers by 2010.
- SECP will promote competition and introduce innovative products in the insurance market via foreign investment.
- Low penetration of branches with only seven branches per 100,000 people and 0.22 branches per 1,000 kilometres, on an average, 0.10 ATMs per 1,000 kilometres and 226 bank accounts per 1,000 adults.
- Positive prospects for mobile banking, given high mobile density of 54% per 100,000 people especially in areas which are not feasible for expansion through ATMs and point-of-sale kiosks due to higher expansion costs.
- SBP has agreed to provide PKR215 million to Pakistan Microfinance Network (PMN) and NRSP Microfinance Bank through the Institutional Strengthening Fund (ISF) under a Memorandums of Understanding (MoUs) signed with them.
- The role of life insurance as a financial intermediary is particularly important in countries like Pakistan with low levels of financial penetration at 0.8% as against regional level of 2%.
- The non-bank financial sector can potentially play an important role in mobilizing financial savings, along with its significant role in meeting the diverse financing needs of various sectors of the economy.



Other sectors

Education sector

- According to Pakistan Social and Living Measurement Survey 2010-11, the overall literacy rate (age ten years and above) is 57.7% (Male 69.5%, Female 45.2%) , with 73.2% in urban areas and 49.2% in the rural.
- The trend of investment on education in terms of GDP has been on the lower side with 2.50% & 2.47% in the years 2006-07 and 2007-08 respectively, and was estimated to be 2.10% during 2008-09. The primary cause is considered to be the financial constraints in the given economic situation.
- Investment case for education with only 124 universities catering to approximately 180 million people in the country and approximately 20 million school age children lacking access to school material and books for different tiers of education is in some case outdated and there are limited resources for teachers' training resources and research laboratories.
- The GoP approved the new national education policy in September 2009 which suggests raising the annual budgetary allocation for the sector to 7% of the GDP and increasing literacy to 85% by 2015.
- Foreign assistance of USD1,974 million has materialized in the past few years targeted at improving education in the country.
- Pakistan has a young workforce of 55.17 million (2010-11) with a literacy rate of 56.2%, leaving greater room for public as well as private partnerships to augment access to education, build infrastructure as well as train staff to achieve a skill development system that can be benchmarked against international standards.



Shigar Fort

Tourism sector

- The tourism sector of Pakistan, although currently not an extreme priority for the GoP under its development program, has great potential to attract investment.
- It has been given the status of an industry in Pakistan and holds great promise for prospective investors.
- Pakistan has a blend of beauty and historic sites, ranging from the peaks of Karakorum to the historic civilization of Mohenjo-Daro.
- Pakistan enjoys a long water coast of the Arabian Sea in its southern region.
- Tourism services such as airlines, hotels, road transport, souvenir shops not only provide employment but also provide unique business avenues in the diversified geographical regions of Pakistan.





Food & nutrition sector

- In Pakistan people still do not have easy access to food to meet their basic requirements for protein and deficiency of essential micronutrients, such as iodine, vitamin A, and iron.
- The average caloric availability remained around 2363 calories per capita per day and protein at 70gms per capita per day against the average requirement of 2350 calories per capita per day.
- Currently the GoP is taking actions to rectify the situation of shortage of quality food supply in the country. Some of the initiatives taken are food support programme for poor households, incentives to improve the nutritional status of Government Rural Primary Schools, Micro Nutrient Deficiency Control Programme etc.

Health sector

- The health sector is a priority for the GoP, since the high correlation between the expenditure on health and productivity in developing countries like Pakistan emphasizes the importance of improving health services as an aid to growth.
- Per capita health expenditure in Pakistan is USD47 with GoP allocating 3% of its total expenditure to health sector whilst the private sector provides 84% of total health expenditure.
- Pakistan's key health indicators are shy of international targets forming the base case of GoP measures to reform the sector and progress is required at the policy and economic front in order to reduce the burden of diseases.
- Health facilities in Pakistan are provided through health care delivery systems and Public Health Intervention (PHI). Programs under PHI include National Program for prevention of HIV / AIDS, Malaria, Hepatitis, child healthcare etc.
- There are just 12 healthcare attendants (physicians and nursing staff) for every 10,000 people.
- Low level of life expectancy (65 Years in 2007), high child mortality rate under 5 year age (73/1000 in 2007) and high population growth rate at 2.1% surpassing regional average of 1.5%; indicate the increasing need for better health care and preventive services in the country.
- Only 58% of the population has access to quality sanitation as against the global average of 78%.
- Sectors warranting attention include inadequate sanitation facilities, unsafe water, poor living conditions and malnutrition.

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