



BUSINESS OPPORTUNITIES FOR HUNGARIAN INVESTORS

**BOARD OF INVESTMENT
PRIME MINISTER'S OFFICE**



Board of Investment (BOI) in collaboration with the Embassy of Pakistan Budapest, Hungary, Embassy of Hungary, Islamabad, Pakistan, and Hungarian National Trading House, is organizing an Investment Forum and business delegation of prominent businessmen and public sector representatives to visit Budapest, Hungary on 13-15 May, 2018.



Board of Investment



Board of Investment is established to “promote, encourage and facilitate local and foreign investment and for matters connected therewith and ancillary thereto”



Key Functions of BOI



Investment Promotion	Identify market investment projects / highlight promising opportunities
Investment Facilitation	Information, guidance, coordination, resolution of difficulties and security clearance for work visas & opening of liaison/branch offices
Investment Protection	Introduce legal framework for investment protection including drafting & negotiations of Bilateral Investment Treaties
SEZs	Establishment of Special Economic Zones, offering attractive business incentives & tax relief
Policy Reforms and Advocacy	Frame and update business friendly policies and regulatory reforms



Investment Policy



- Foreign investment allowed only in industrial and manufacturing sectors till 1988
- Major deregulation in economic sectors in 1988 and some of the services sector opened for foreign investment.
- The 1st Investment Policy was framed by BOI In 1997 during the tenure of the present regime
- Investment Policy open all sectors of economy for FDI except arms and ammunitions; high explosives; radioactive substances; securities, currency, and mint; and consumable alcohol.



- Investment Policy 2013 is a sequel of Investment Policy of 1997
- Uniform treatment to local and foreign investments
- Up to 100% foreign ownership allowed except in specific sectors including airline, banking, agriculture and media
- Foreign investor is allowed to hold 60% stake in agriculture projects



- 100% repatriation of investment; profits and dividends are allowed
- Foreign Companies are allowed to use borrowing facilities both from local and foreign banks
- Setting up Branch / Liaison offices allowed
- Work Visa facility available
- Visa on arrival allowed to 67 countries



Investment Protection



- **Foreign Private Investment & Protection Act 1976**
 - Protection to Foreign investment .
 - Repatriation of investment profits, re-appropriation of capital, foreign currency loans and their interest
 - Remittances by foreign employees



- **Protection of Economic Reforms Act 1992**

- Immunity to Foreign currency accounts (FCA)
- FCA exempted from wealth tax, income tax and zakat
- Banks shall keep complete secrecy and not impose any restriction on FCA.
- Fiscal incentives for investment shall not be altered to disadvantage of investors.
- Protection against nationalization and Re-nationalization

- **Other Legal Treaties**

- Investment Protection Treaties with 48 Countries
- Avoidance of Double Taxation Agreement with 52 Countries



Special Economic Zones Initiative of BOI



- SEZ Act passed by the Parliament in 2012 and subsequent amendments made therein in 2016 to make it more business friendly
- Special Economic Zone (SEZ) means geographically defined and delimited area which has been approved & notified by the Competent forum
- SEZs are allowed certain liberal fiscal incentives



Establishing SEZs



- SEZs can be developed by:
 - Public sector
 - Private sector
 - Public-Private Partnership basis
- SEZ Act 2012 provides for the establishment of SEZ anywhere in the country with minimum 50 acres of land
- 70% area is to be used for processing while remaining 30% as non processing area (hospitals, residence, vocational training institutes, etc.)



Fiscal Incentives for SEZs



- **For Developers:**

- One time exemption from all custom duties and taxes on plant and machinery imported into Pakistan for the development, operation and maintenance of the SEZ
- Exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of five years, starting from the date of signing of the Development Agreement



- **For Zone Enterprises**

- One time exemption from all custom duties and taxes on imports of plant and machinery into the SEZ for installation therein;
 - Exemption from all taxes on income for a period of ten years to units starting production by 30 June 2020 and five years for those doing so after 30th June 2020.
- Incentives once granted can not be withdrawn or modified to the disadvantage of investors



- **General Incentives**

- Gas, electricity and other utilities will be provided at the zero-point of the Zones
- Captive power generation permissible to Developers of the Zones

- **Facilitation Services**

- BOI to provide one-window facility within the Zones
- Provision of Security



Approved SEZs



Sr. No.	Name of SEZ	Type of Industry
01.	Khairpur SEZ, 140 acres, Sindh	Agro based Industry and date processing
02.	Bin Qasim SEZ, 930 acres, Pakistan Steel	Light Engineering, auto vendors, steel fabricating units chemical & food, pharmaceuticals, electrical & consumer goods and furniture & wood working
03.	Korangi Creek SEZ, 240 acres, Sindh	Consumer goods, food & pharmaceuticals, garments, value added textile, light engineering, packaging & printing, warehouses / logistics



S. No.	Name of SEZ	Type of Industry
04.	Hattar Phase-VII SEZ, 424 Acres, Khyber Pukhtunkhwa	Mining, Marble, Fruit Processing
05.	Quaid-e-Azam Apparel Park, 1,536 Acres Sheikhupura, Punjab	Textile & Cotton
06.	M-3 Industrial City, Faisalabad, 4,356 Acres, Punjab	Textile, Engineering & Construction, Chemicals, Pharmaceuticals, Electronics, Food & Beverages, Information Technology
07.	Value Addition City, Faisalabad, 225 Acres, Punjab	Textile, Chemicals, Pharmaceuticals, Engineering, Information Technology



Pakistan Beyond Headlines



Pakistan is a Peace loving, responsible country. We desire tranquil, harmonious coexistence with all countries of the world.

- Every country has its own geographical and demographic dimension.
- Therefore, Pakistan should be compared to Pakistan itself and not with any other country. Since the circumstance varies from land to land.
- Pakistan sits strategically on one of world's important trade routes in the fast growing intra-regional trading segment of the global economy.



Pakistan's Inherent Advantages



- **6th Largest Population** - 6th largest with 200 million people, 50% of whom are under 30 years. Labor force is 60 million, with 40% in agro-sector but a 3.5% annual rural to urban migration.
- **Growing Middle Class** - Growing middle class of nearly 40 million or over 6 million households with annual income of circa USD12,000 versus national average of USD 8,000 per household
- **Rising Consumer Spending** - Consumer spending has grown by 20% p.a. during the last four years versus 10% p.a. for Asian region. Both multinationals & domestic corporates have benefited.

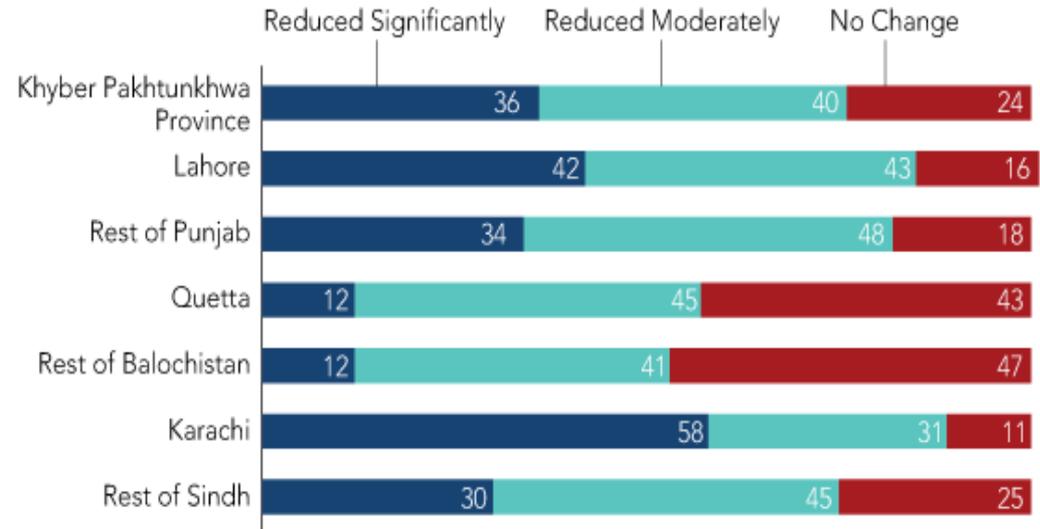


Improved Situation in Pakistan



The political and security situation has improved in Pakistan in the last three years and it is prone to improve further in the near future. A dramatic decline in terrorist attack has been observed.

Concerns about security compared to August 2013 (in percent)



Conducted in June 2017; sum of figures is not always 100%
Source: Overseas Investors Chamber of Commerce and Industry

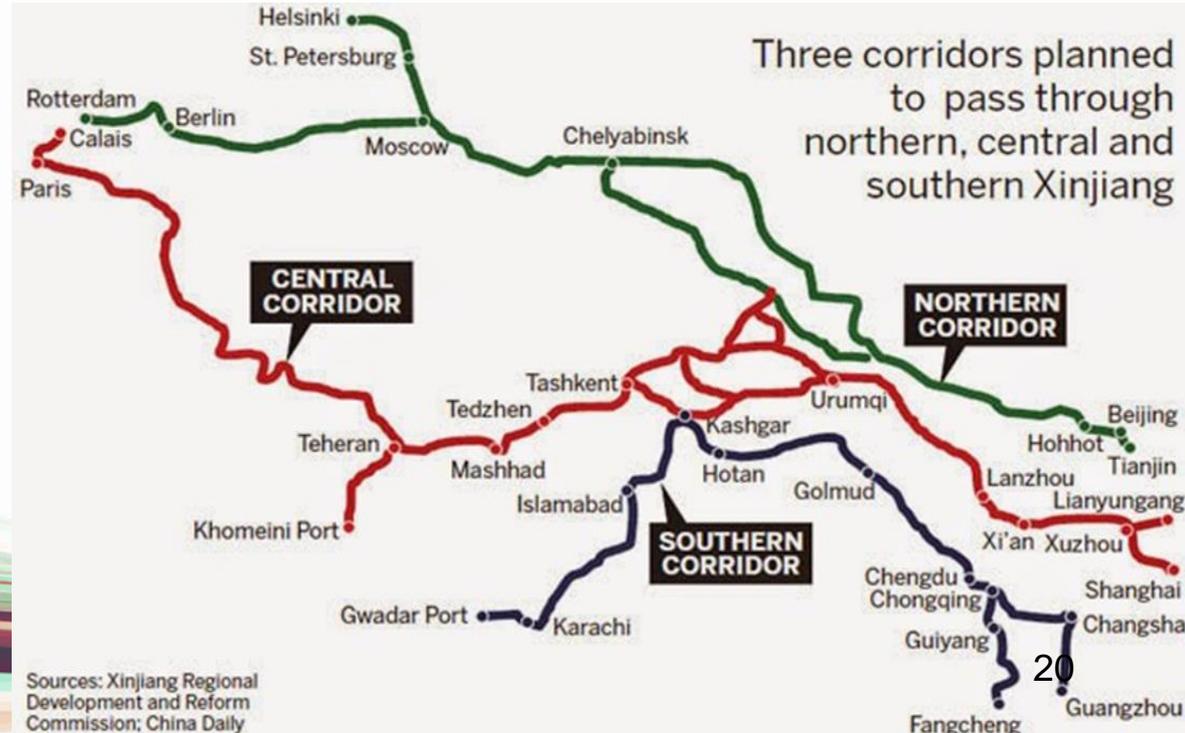


Impacts of CPEC on Pakistan



Pakistan has become the hub of economic activities after China Pakistan Economic Corridor (CPEC) initiative.

- a. Special Economic Zones
- b. Enhanced energy supply
- c. Activity in the realty sector
- d. Growth potential in stock exchange
- e. Reinforce export of fruits
- f. Establish foothold in manufacturing sector





Connectivity with Central Asia





Regional connectivity and progress is related to the vision of shared development. This is the philosophy behind the development of China-Pakistan Economic Corridor. Building new transport infrastructure, energy resources and Gwadar Port Projects are its major components. The CPEC is a linchpin of China's Belt & Road Initiative (BRI).

It is often regarded as the link between China's maritime and overland Silk Road. It is a unique model of win-win cooperation for Pakistan, China and the region.

Due to vital geo-strategic location of Central Asian Republics (CARs) and their richness in oil and natural gas resources with major reservoirs in Uzbekistan, Kazakhstan and Turkmenistan, all regional and international states including Pakistan and China are desirous to get into closer interaction with these states.



Pakistan as an Economic and Regional Hub



China-Pakistan Economic Corridor (CPEC) is a mega project of about \$ 62 billion that will connect Kashgar City of China with the Gwadar Port of Pakistan, about 2500 Km long distance.

The project comprises construction of roads, railways, special industrial zones, power plants, Gawadar airport and laying of optical fibre from Kashgar to Rawalpindi.

Shift in global economic power from the west to the east as China had emerged as an economic giant and now was not a regional power but a global power

CPEC would put Pakistan on the center stage of a greater South Asia which included China, Iran, Afghanistan and Central Asian states whose economies would be fueled by new energy transporting pipelines and ports.



Pakistan Hungary Relations



- Pakistan is a very challenging market and only financially strong companies can manage their activities here. Education is a priority area as well in which MOUs have been signed by both the countries in higher educational and scientific exchange programs.
- Pakistan has exceptionally attractive environments for foreign investment, especially in agriculture, IT and telecommunication, power and Services sectors.



Hungary can contribute in;

1. Service Industry

2. HR Industry

3. Water purification and sanitation.

4. Developing of metropolitan cities

5. Help in improving cyber security

6. Improving the water supply system

7. Help in handling material waste

8. Modernization in disposing garbage



Medium Term Projects



1. Advancement in telecom industry

2. Provide manpower training in terms of vocational training in technical fields.

3. Helping in development of international standard infrastructure in the upcoming special economic zones (SEZ's)

4. Investment in preserving environment.

5. Investing in education sector,

Hungarian education system should bring such universities that could help in better understanding of town and urban planning development etc.



Pakistan: A land of Opportunity



**Interest earned on Foreign
Currency Accounts**

**Profit generated from educational institutes
and computer training centers**

Gain on sales of listed securities.

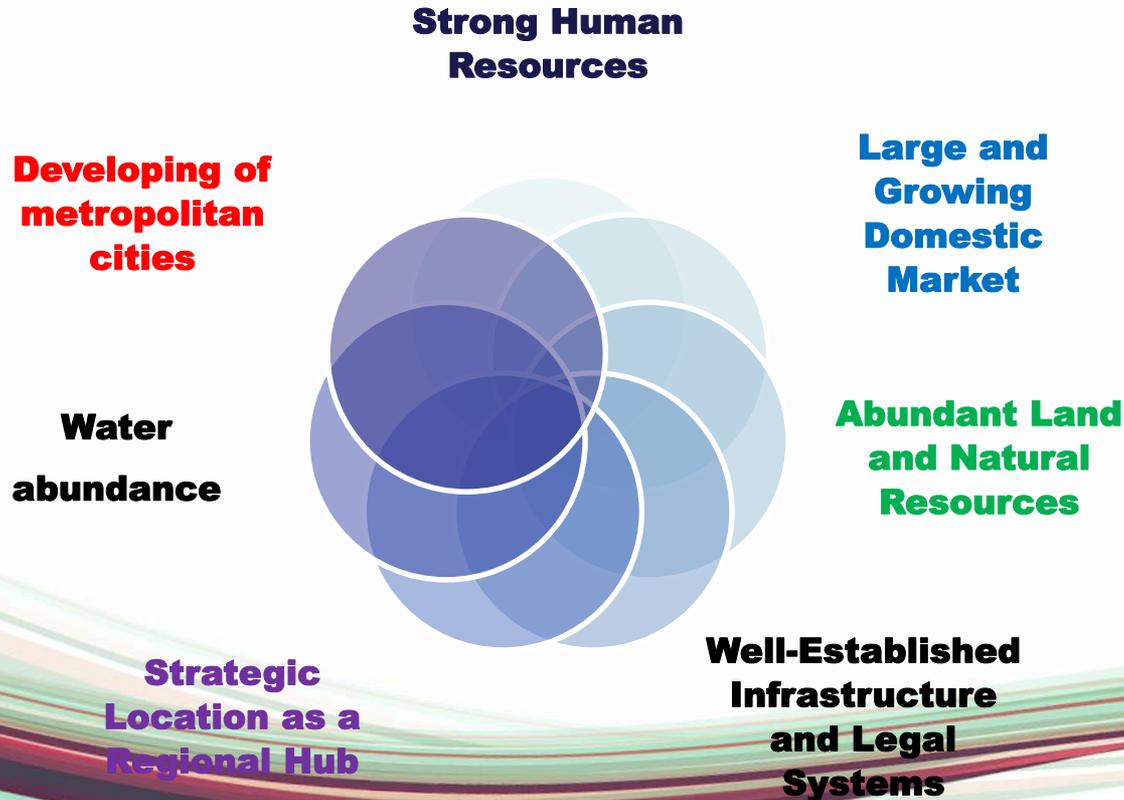
**Income generated from pioneer industrial
activities.**

**Profit generated from production of electronic
products, solar energy equipment, soft and
stuffed toys.**

**Income generated from fruit processing units,
special Industrial Zones etc.**



Pakistan a resource rich country





Long Term Opportunities for Hungary



In the field of;

- Information and Communications Technology
- Urban Development Solutions
- Health Care Industry and Medical Technology
- Mechanical Engineering, Electronics
- Education

1. Agricultural and Food Industry

2. Environmental Industry

- flood management,
- flood protection,
- water purification,
- waste water treatment,
- irrigation,
- energy production (hydropower and geothermal energy),
- geological exploration,
- water consumption,
- balneology and
- water drilling &
- Waste Management



- The trade dialogue between two countries has changed Pakistan's image in Hungary. It's reported that there is an increased investor confidence for Pakistan's business landscape at present and Hungarian businesses are exploring options for joint ventures.
- For entrepreneurs interested in exploring business potential, the starting point could be participating in the Trade and Business Forum in Hungary.