



# Leveraging Private Investments for Pakistan's Sustainable Development

Pakistan SDG Investment Report 2021







# Leveraging **Private Investments** for Pakistan's Sustainable Development

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SDG Investment Report 2021

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United Nations Development Programme, Pakistan

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## Message from the Prime Minister

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I am pleased to note that Pakistan is on the right path towards resilient economic recovery from the COVID-19 pandemic and macro-economic stabilization challenges. In order to achieve sustainable growth, we are now aiming to increase investments in priority sectors which will have a direct impact on human development. As a vibrant emerging economy, Pakistan offers attractive investment incentives and liberal policies, coupled with a thriving business environment.

I am personally focused on uplifting the lives of the poor and marginalized from the impact of pandemic. We are committed to achieving the United Nations' Sustainable Development Goals (SDGs), and fulfilling the foundational promise of Agenda 2030 - to *Leave No One Behind*. We are fully committed to playing a leading role in addressing the global menace of climate change by raising ambition and setting policies in motion for a swift transition of Pakistan towards green economy.

In April this year, at the UN Economic and Social Council (ECOSOC) Financing for Development (FfD) Forum, I stressed the importance of nurturing viable fiscal spaces for the socioeconomic recovery of developing countries from the COVID-19 crisis, as well as for the promotion of green and sustainable development in the Global South.

This report on leveraging private sector investments for Pakistan's sustainable development mirrors my vision to provide a unique opportunity to private investors. It demonstrates

how they can be a part of the efforts that will help mobilize the finances needed by Pakistan to recover from a COVID-induced economic challenges. The report has also envisaged to address the issue of climate change and steps taken to accelerate our progress towards achieving the SDGs by 2030.

My government is fully committed to mobilizing public and private investment on sustainable infrastructure and climate finance. We have implemented a USD 8 billion relief package to support the poor and vulnerable segments of our society, and have simultaneously been able to sustain our economic progress. Our focus is on enhancing competitiveness, building institutions, and strengthening governance. Pakistan is therefore well placed to take the lead in the transition towards a green global economy. This will be done by catalysing inclusive multi-stakeholder initiatives and innovative financing solutions, such as through our plans for afforestation by planting 10 billion trees, and a focus on Green Investment Opportunities.

This report highlights the attractive opportunities that are available in the country for private investors. I strongly encourage them to benefit from Pakistan's competitiveness edge and favorable business environment and earn good returns while supporting sustainable development and climate action. It will go a long way in addressing the socioeconomic challenges posed by COVID-19 pandemic and helping Pakistan 'build back better.'

**H.E. Imran Khan**

Honourable Prime Minister of Pakistan



## Message from the Foreign Minister

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Pakistan's foreign policy is driven by the core interests of economic diplomacy and regional stability. With over 210 million inhabitants, Pakistan offers its investors a large and strong consumer market, with an expanding middle class and a burgeoning youth population. In this context, the private sector has a fundamental role to play if the world is to achieve the Sustainable Development Goals (SDGs). To this end, the Government of Pakistan is consistently communicating its desire to attract direct foreign investment and technology transfers in order to be part of global value chains. Pakistan's continued progress on ease of doing business rankings reflects the growing confidence of investors and businesses in the Government's policies.

The Government of Pakistan remains committed to facilitating our international partners to strengthen their economic and development investments in Pakistan, and encourages them to benefit from the unique propositions presented in this report, which leads directly to Pakistan's first SDG Investor Map.

### **H.E. Makhdoom Shah Mahmood Qureshi**

Honorable Foreign Minister of Pakistan

In April this year, from the platform of UNDESA under ECOSOC, the Government of Pakistan presented its first SDG-aligned country investment portfolio worth USD 2 billion to global investors at the virtual SDG Investment Fair. With UNDP's technical assistance, the Government of Pakistan (with the help of the Pakistan Ministry of Foreign Affairs, the Board of Investment, and other Federal Ministries) prepared Pakistan's first draft SDG Investor Map. I am grateful to ECOSOC, for giving Pakistan an opportunity to present its investment portfolio on the global stage.

COVID-19 has clearly regressed some of Pakistan's recent gains in poverty reduction and human development. So long as the pandemic persists, sustainable human development in Pakistan will remain a major challenge. As stressed by the Honourable Prime Minister of Pakistan, H.E. Imran Khan, Pakistan's post-COVID-19 response, recovery, and resilience solutions to achieve progress towards Agenda 2030 remains a top national priority.



## Message from the Resident Representative, UNDP Pakistan

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Pakistan is an emerging transitional economy with promising investment opportunities. As in the rest of the world, however, COVID-19 has exposed Pakistan to a wide range of socio-economic challenges. The Government of Pakistan has fared well in tackling these by introducing targeted stimulus packages for the vulnerable as well as industry and policy reforms to stabilize the economy. While the economy recovers, another key challenge ahead of Pakistan is its commitment and financing to achieve Agenda 2030 and the Sustainable Development Goals (SDGs).

The UN estimates that there is a USD 2.5 trillion annual gap in the USD 5 to 7 trillion investments required to achieve the Sustainable Development Goals (SDGs). In this context, the private sector has a fundamental role to play if the world is to achieve the SDGs. To mobilize global private capital towards SDG-aligned investments, the United Nations Development Program (UNDP) has created the SDG Impact as a flagship initiative to empower investors with clarity, insights, and tools to achieve the SDGs. Pakistan's business case for the SDG Investor Map is also a welcome development, joining countries like India, China, and Indonesia who have successfully leveraged

their own SDG Investor Maps to attract private sector investments at global and regional platforms.

We are pleased to see that the vision of Honourable Prime Minister of Pakistan has opened many avenues of opportunity for Pakistan. His representation at ECOSOC in April 2021 played a central role in boosting investor confidence in Pakistan's economy. To this end, UNDP Pakistan provided technical support to the Government of Pakistan to present its potential SDG-aligned investment portfolio presentation at UNDESA's virtual SDG Investment Fair 2021. This report on 'Leveraging Private Sector Investments for Pakistan's Sustainable Development' is part of the priority support UNDP is providing to the Government of Pakistan to position the country on global and regional platforms for partnerships and economic diplomacy.

Unprecedented support from the Ministry of Foreign Affairs and the Board of Investment has been instrumental in the successful delivery of these milestones, and in positioning Pakistan at global forums like ECOSOC and UNDESA for mobilizing private investment to fulfil the promise of Agenda 2030.

### **Knut Ostby**

Resident Representative, UNDP Pakistan



## Message from the Secretary, Board of Investment

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The importance of Foreign Direct Investment in the economic growth of a country cannot be understated. Pakistan has been repeatedly viewed as a country that has good economic growth but that has not been able to translate that into a positive social impact. Sustainable Development Goals (SDG) and the SDG Investor Map has opened up a unique window whereby Pakistan can attract investment that supports economic growth and can also generate that missing social impact. It is the right time, to start the process of aligning the development needs of the country with policies, and subsequently these progressive policies resulting in investment opportunities.

In this process, it is pertinent to acknowledge the pivotal role of the private sector as it contributes to job creation, competitiveness and innovation in the economy. In this triple helix of SDG investments, the government must drive the development need-based agenda and private sector must simultaneously play its role as an engine of innovation, job-creation and impact creation, for produce positive economic and social impact.

### **Fareena Mazhar**

Secretary, Board of Investment

In this environment, the Board of Investment is committed to facilitating foreign and local investors. The Board has been working with national and provincial governments to ensure there are easy, transparent and online steps for businesses while using government's services. Similarly, the Board, along with the many ministries, has sorted incentives for investors and has placed them on its website for quick access. Government projects across the country and in all sectors of the economy have also been put up online with necessary details of focal persons, so that investors can get in direct contact with the relevant government body without any bureaucratic involvement.

Now, with the SDG investor map, Pakistan will have yet another facilitator tool that can guide private sector investors in making impactful as well as profitable investments in specific sectors and specific regions. The Board of Investment commits to facilitating investors and ensuring that, with the help of the private sector, Pakistan can achieve its SDGs.



## Foreword

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Adequate financing for development has become one of the most critical development challenges of our times in a post pandemic world faced with multiple geo-political shifts. Pakistan integrated UN's Sustainable Development Goals (SDGs) in its development agenda in 2016. However, adequate fiscal and implementation space could not be created due to macro-economic imbalances and lack of institutional capacity. According to a recent IMF assessment, Pakistan's current performance in education, health, electricity, and water and sanitation-as measured by the SDG indices of each sector-is below the median for Emerging Markets and Developing Economies (EMDEs). It is estimated that Pakistan would require an additional 16 percent of GDP by 2030 from both the public and private sector to achieve SDGs in critical sectors. This calls for an urgent need to work on multiple and stable sources of financing through innovative public-private partnerships and regulatory facilitation to attract private capital for SDG financing.

This report is in sequence to UNDP's and Government of Pakistan's evolving thinking on prioritizing efforts towards leveraging private investments for SDGs. With a tax to GDP ratio of 11 percent and an investment to GDP ratio of 15 percent, it is an uphill task to create the required fiscal space from state resources for achieving the SDGs. This report looks at the policy priorities, supporting regulatory environment, and the

state of private sector development in Pakistan with a view to create strategic partnerships with international investors looking for impact investments. In our assessment, Pakistan offers a huge opportunity for the Global Investors for Sustainable Development (GISD) Alliance to partner with the local financial sector for structuring the financing of USD 1 billion SDG-linked projects. These projects fall under priority development sectors as identified by the government and demonstrate a clear impact on the well-being of the poor and marginalized. The role of UN agencies becomes critical here to provide necessary knowledge connectivity, convening spaces for dialogue between the public and private sector and necessary research to make financing for development happen. The key success factor will be a few transactions that will showcase a model of collaboration between the private sector, government and development partners.

This report is the first step towards broadening options for creative and productive partnerships for our shared social development needs. There are challenges of having a robust impact investment system, hedging of currency volatility, political risks, and increasing capacity to structure innovative financial transactions. We are looking forward to exciting new avenues to expand the pool of financing for targeted sustainable development projects.

### **Haroon Sharif**

Lead Author

Former Pakistan's State Minister for Investment/  
UNDP Senior Advisor, Financing for  
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## Abbreviations

<b>ADR</b>	Alternate Dispute Resolution
<b>ADB</b>	Asian Development Bank
<b>BRI</b>	Belt and Road Initiative
<b>CPEC</b>	China Pakistan Economic Corridor
<b>CPEIR</b>	Climate Public Expenditure and Institutional Review
<b>DRAP</b>	Drug Regulatory Authority of Pakistan
<b>DFI</b>	Development Finance Institution
<b>FDI</b>	Foreign Direct Investment
<b>FBR</b>	Federal Board of Revenue
<b>GDP</b>	Gross Domestic Product
<b>GHP</b>	Geo Thermal Heat Pumps
<b>GGGI</b>	Global Gender Gap Index
<b>GHG</b>	Global Green House Gas
<b>GISD</b>	Global Investors for Sustainable Development
<b>HDI</b>	Human Development Index
<b>IMF</b>	International Monetary Fund
<b>ICT</b>	Information and Communication Technology
<b>LSM</b>	Large Scale Manufacturing
<b>MFIS</b>	Micro Finance Institutions
<b>MDB</b>	Multilateral Development Banks
<b>NEECA</b>	National Energy Efficiency and Conservation Authority
<b>NRI</b>	Network Readiness Index
<b>NBFC</b>	Non-Banking Financial Company
<b>NSS</b>	National Saving Scheme

<b>NCCP</b>	National Climate Change Policy
<b>OBOR</b>	One Belt One Road
<b>PESSI</b>	Punjab Employees Social Security Institution
<b>PPP</b>	Public-Private Partnership
<b>POS</b>	Point of Scale
<b>PEF</b>	Punjab Education Fund
<b>PSLM</b>	Pakistan Social and Living Standards Survey
<b>PSDP</b>	Public Sector Development Program
<b>RFI</b>	Rapid Finance Instrument
<b>SME</b>	Small and Medium Enterprises
<b>SESSI</b>	Sindh Employees Social Security Institution
<b>SWH</b>	Solar Water Heater
<b>SHS</b>	Solar Home System
<b>SEZMIS</b>	Special Economic Zone Management Information System
<b>STZA</b>	Special Technology Zone Authority
<b>TOE</b>	Tonne of Oil Equivalent
<b>UNDP</b>	United Nations Development Program
<b>UNESCO</b>	United Nations Educational, Scientific and Cultural Organization
<b>WEBOC</b>	Web Based One Custom

# Executive Summary

## USD 1 billion SDG investment opportunity:

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With a market size of 210 million people and a growing economy, Pakistan offers multi-billion-dollar investment opportunities in sectors aligned with the SDGs. These sectors include transport and logistics, renewables and alternative energy, healthcare, education, and technology and communication. Projects have been identified to expand highways for connecting lagging regions, renewable energy, electric vehicle infrastructure, digital education, medical equipment

manufacturing, and various technology start-ups. CPEC offers enormous opportunities in trade and transport logistics, skill development, and developing regional value chains with western China and central Asia. This report proposes a USD 1 billion SDG financing pilot program to demonstrate sustainable and innovative partnerships for shared prosperity, stability and development, in order to achieve the promise of Agenda 2030: To Leave No One Behind.

## From stabilization to growth:

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Pakistan's economy has shown great resilience in dealing with the challenges associated with the COVID-19 pandemic, while simultaneously putting in place key policies and reforms to stabilize fiscal imbalances. With a 3.98 percent GDP growth rate in 2020-2021, Pakistan aims to achieve a 5 to 6 percent growth in the next two years. The Government's stimulus package, combined with incentives to large-scale manufacturing to reduce the cost of doing business, has resulted in a 9 percent increase in the industry in 2020-21. The

focus is now on increasing agriculture productivity, reaching out to marginalized segments, and export promotion to sustain the momentum of growth in the country.

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**With a 3.98 percent GDP growth rate in 2020-2021, Pakistan aims to achieve a 5 to 6 percent growth in the next two years.**

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## The COVID-19 challenge:

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In terms of Pakistan's economic recovery from the pandemic, the country has done well in terms of containing the outbreak which started in March 2020. As the country was hit by the third wave of COVID-19 earlier this year, a well-coordinated targeted lockdown strategy and large-scale vaccination campaign has helped Pakistan slow down the threat of the pandemic. More than ten million people have received vaccinations and the coverage is being expanded systematically. A critical element of economic recovery was a well-targeted fiscal stimulation package announced in early 2020. The fiscal package of approximately

PKR 1.27 trillion (3 percent of the GDP) aimed at supporting the economic activity through achieving key strategic priorities. The targeted outcomes of the fiscal stimulus included increased capacity of the healthcare sector, cash support to the poor and vulnerable and support to businesses and industry to mitigate losses due to the lockdown. Following the phased lifting of lockdown measures in December 2020 and then in May 2021, the indicators of industrial and services activities have improved, and business confidence indices have exceeded pre-COVID-19 levels.

## Protecting the poor:

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While the fiscal stimulus package was targeted towards sustaining the economic sectors, Pakistan expanded the outreach of its flagship Ehsaas cash transfer program for poor households. The program was launched

to alleviate the financial hardship of the low-income segments of society, as well as people relying on daily wages. At the start of the pandemic, the program aimed to disburse USD 900 million to 12 million families, but later

its scope was enhanced to another 6 million families. The program makes targeted cash transfers of PKR 12,000 (USD 80) per month to each beneficiary. The program has successfully

managed to reach approximately 15 million families thus far with the help of large-scale poverty surveys and partner microfinance and other grassroot organizations.

### **Flagship initiatives on clean and green economy of Pakistan**

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Prime Minister Imran Khan is spearheading major initiatives of his government for a “Clean and Green economy” and mitigation of climate change risks. Pakistan’s “Billion Tree Tsunami” programme has received global acknowledgement and recognition from international agencies working on climate change. As the top-most priority, the government is increasing budgetary investments, launching new green initiatives and strengthening the regulatory framework of responsible and environment friendly sustainable growth.

This ambitious agenda of reducing the carbon footprint and ensuring sustainable infrastructure development cannot be done without active participation from the private sector. There

are huge impact investment opportunities in the renewable energy, transport, water and sanitation and agriculture sectors in Pakistan. The low hanging fruits are investments in conversion of hazardous energy plants through technology transfer and scaling up the electric vehicles market including eco-friendly public transport. Since Pakistan’s economy largely depend on agriculture sector, water conservation and management projects will not only ensure higher crop productivity but will also mitigate the risk of frequent flooding and wastage of agriculture land due to melting of glaciers. It is proposed to develop a framework for public private partnership in fast tracking the Climate Change initiatives.

### **Liberal investment policies:**

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Pakistan has one of the most liberal policies in the region for international investors. The Prime Minister reached out to investors himself during the first year of his government with a clear message to facilitate long term investments to enhance productivity, job creation and increased exports. The Foreign Minister is spearheading the Economic Diplomacy initiative to signal a clear shift in foreign policy from geo-

strategic to geo-economic priorities. The current policies allow for 100 percent ownership of most assets by the foreigners, setting up companies without local partnership, expatriation of profits and tax exemptions for greenfield investments. Economic and technology zones are being created to provide maximum facilitation to investors while ensuring security and supply of essential services.

### **Ease of doing business:**

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Pakistan has implemented key reforms to improve Ease of Doing Business for existing and new businesses. As a result, the Government has started to move away from excessive licenses, inspections and cost in many steps of the business life cycle. Pakistan improved 28 points from 136 to 108 in the World Bank’s Doing Business Report 2020. In the same report Pakistan was rated among the top ten reformers that showed significant progress in facilitating enterprises for company registration, getting construction permits, paying online taxes and making online payments for social security of

employees, getting a commercial electricity connection, registering their commercial property and improvement in Customs procedures. Now the Government is focusing on improving yet another important aspect; contract enforcement and ADR (Alternate Dispute Resolution) for commercial cases.

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**Pakistan’s reforms have led to an improvement of 28 points in the World Bank’s Doing Business Report 2020, from 136 to 108.**

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## **China Pakistan Economic Corridor (CPEC):**

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The China Pakistan Economic Corridor adds further to Pakistan's strength as it enhances the country's connectivity to new markets. This is part of China's strategic Belt and Road Initiative (BRI) which was launched in 2013 with ambitious USD 575 billion investments in regional connectivity to develop new markets across 70 countries. Pakistan has already received substantial Chinese investment under

CPEC in its early harvest projects in energy and transport infrastructure sectors. The focus is now shifting towards industrial cooperation and agriculture sector development. This offers an excellent opportunity of international investors to take advantage of Pakistan's emerging economic potential, with a possibility to tap the regional markets of western China and Central Asia

## **Focus on SDGs:**

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For a variety of reasons, Pakistan has struggled to improve its social development indicators and to allocate appropriate public investments to improve social outcomes. There is a clear realization among the political leadership that growth can only be sustained and enhanced through increased investments in human development, disaster risk reduction, and by focusing on the needs of the marginalized. Here

it is pertinent to highlight that Pakistan's ranking in the UNDP's Human Development Index (HDI) 2020 stood at 154 out of the total 189 countries – below the average HDI of South Asia, including Bangladesh and India. Going forward, the country has not only increased the budgetary allocations for development spending, but is also welcoming private sector partnerships in the infrastructure, energy, and social development sectors.

## **Development policy priorities:**

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The overall development priorities of the Government are inclusive and sustainable economic growth, expansion of pro-poor initiatives and social safety nets, and creating impact through the Prime Minister's initiatives for youth and agriculture (Kamyab Jawan and Kissan Programmes). Subsequently, development spending has been increased for climate change risk mitigation, job creation, support of the housing sector and the construction industry through the Naya Pakistan housing scheme, and SME support

programs. Currently, the focus of the Government is in five areas: building capabilities for sustainable growth, modernizing infrastructure, improving social services, extending social security, and inclusive growth with a special focus on Small and Medium Enterprises and Industrial Development. The key theme is job creation and enhancing competitiveness. The use of digital technology is being prioritized for transformation towards the knowledge economy and fast-tracking the delivery of services.

## **Public-private partnerships:**

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Public-private partnerships (PPP) are being encouraged by the Government in both infrastructure projects as well as for the delivery of social services. The Government has passed PPP acts, corresponding regulations and implementation structures to facilitate private investment for development projects. At the federal level, the Public Private Partnership Authority (PPP Authority) was set up in 2017 under the Public Private Partnership Authority Act. On 7 July 2020, the President issued the Public Private Partnership Authority (Amendment) Ordinance, 2020, amending

the federal PPP Act to create a more facilitative PPP regulatory framework and make it more amenable to private investment in development projects. The 2020 Ordinance was placed before the Parliament in accordance with the provisions of the Constitution, and was passed by the National Assembly on 1<sup>st</sup> February 2021 for parliamentary debate and approvals. The Act mandated the Authority to establish a regulatory framework to attract domestic and foreign private investment in the development of public infrastructure through transparent and fair procurement processes.

There are several successful examples of public-private partnerships in Pakistan. For instance, outreach of primary education was expanded through the Punjab Education Foundation (PEF) in the PPP mode. Almost all transport

and renewable energy projects are now being advertised on PPP bases. The Government supports private investment through partial guarantees, viability gap funds and securitization of receivables.

### **A conducive regulatory structure:**

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Over the years, the regulatory structure in Pakistan has evolved to support a market-based economy. As a result of a successful privatization and deregulation programme in the 1990s, 80 percent of Pakistan's financial sector is controlled and managed by the private sector. The two apex regulators, State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, pay special attention to facilitate development financing through priority credit schemes, prudential regulations, statutory permissions, and capital formation. For instance, the regulatory framework for non-bank finance companies facilitates the

formation of private fund management companies, debt instruments, securitization, repatriation of capital, and a one-stop automated system for regulatory reporting and payment. Additionally, the Board of Investment is implementing regulatory modernization, simplification, and elimination programs to ensure a conducive regulatory environment.

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### **The two apex regulators, SBP and SECP, have paid special attention to facilitate development financing in Pakistan.**

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### **Specialized Economic Zones:**

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In order to expand production capacity, increase exports, and generate employment, the Government is developing Specialized Economic Zones (SEZs) and Technology Parks. These zones provide tax incentives, security and cost reduction through the provision of utilities, banking, and logistic services. The Government is keen to encourage investments in priority sectors like solar panel manufacturing, medical equipment, material for sustainable housing, and information technology ventures. As per the Board of Investment, the Secretariat for SEZ industrial cooperation, there can be three modes to develop SEZs - through public sector, private sector, and public-private partnership (PPP). In this regime the incentives given in SEZs are: Exemption from income tax for ten years

for Zone Developers, Co-developers and Zone Enterprises and a one-time exemption from all custom-duties and taxes on import of capital goods to Zone Developers, Co-developers and Zone Enterprises. So far, 21 SEZs have been approved by the Government of Pakistan.

In addition to these incentives, the Board of Investment has recently launched an online module, called the Special Economic Zones Management Information System (SEZMIS), which processes all zone and zone enterprise with effect from 1st January 2021. SEZMIS is integrated with the SECP, and only accepts applications from SECP registered concerns. Efforts are also underway to digitize and streamline legacy data and approvals.

### **Vibrant private sector:**

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The private sector can and does bring crucial resources and innovations that will be essential in helping society achieve the Sustainable Development Goals (SDG). According to UN's Financing for Sustainable Development Report 2020, adequate financial instruments should be implemented and utilized to reduce climate risks and raise resources for

SDG investments. In the context of raising resources for the SDGs in Pakistan, the private sector in Pakistan is well developed and has been adopting different instruments and approaches to engage and influence public policy to improve the business environment and create more space for corporate social responsibility. Several business groups have

initiated impressive programs to support education, health, and cash transfers. However, most of these initiatives remain individual efforts. If initiated, collective efforts can be transformed into sustainable institutions. Nonetheless, the private sectors' role is getting more visible in both for-profit and not-for-profit areas. All Governments (Federal and Provincial) are using PPP frameworks to deliver public services.

One of the key innovations for expanding access

### **Proposed instruments:**

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Pakistan's financial market is vibrant, private sector-led, and offers possibilities of professionally raising capital for SDG investments. If technical assistance is provided and meaningful partnerships facilitated between the Global

to services is the rapidly increasing role of digital technology. Pakistan is currently implementing its first digital policy to further encourage the use of digital communication to reach out to youth who are demanding better services. Financial services dominate this sector, and there is a huge room for innovation and diversification within it. The financial sector's regulatory framework is also progressive, and both the SBP and SECP have introduced regulations to facilitate new entrants into the market.

Investors for Sustainable Development (GISD) Alliance and leading financial institutions, there is potential to structure debt and equity funds of USD 1 billion to finance sustainable projects in priority areas with a direct impact on SDGs.

### **Unique development partnership:**

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Going forward, it is time to explore a *strategic partnership* among policy makers, the private sector, technology providers, and international development institutions to expand the pool of development financing and to reach out to the marginalized segments of society. The best way to enter into informal or formal strategic partnership is to structure these partnerships around focused projects and outcomes.

Financial sector institutions in Pakistan are well placed to partner with international investors to float SDG bonds or manage sector-specific private equity transactions. A blended financing model with investments from multi-lateral banks, Government, and private investors will not only reduce risks, but will also provide shared spaces for mutual learning.

# 1

## FROM STABILIZATION TO SUSTAINABLE GROWTH

Since the third wave of COVID-19, Pakistan has shown a steady recovery in socioeconomic indicators. A key next step is to attract Foreign Direct Investment to help the country fulfil its commitment to achieving Agenda 2030.



## Pakistan's SDG Commitment

Soon after the adoption of the 2030 Agenda for Sustainable Development by the UN General Assembly in September 2015, the National Assembly of Pakistan passed a unanimous resolution declaring the SDGs as the country's National Development Goals in February 2016. Since then, Pakistan has implemented a robust governance process for mainstreaming and localizing SDGs by establishing dedicated SDG Support Units within the planning institutions at the Federal and Provincial levels. Established under UNDP and the Government of Pakistan's National SDGs Initiative programme, the SDG Support Units help create an enabling environment for the implementation of the 2030 Agenda. The Units are housed in the Ministry of Planning, Development & Special Initiatives, and the Provincial Planning Departments. The programme is based on the UN Development Group's tool for Mainstreaming, Acceleration and Policy Support (MAPS) for SDGs.

The National Economic Council's Sub-Committee on SDGs was established with support from the Federal SDGs Unit, demonstrating national ownership of SDG implementation. National SDG localization efforts were deepened at federal and provincial levels with the preparation of SDG frameworks as well as various government policy documents in the economic growth and social protection sectors, including the Balochistan Comprehensive Development and Growth Strategy, and District Localization Plans for selected districts identified as MPI-poor. To improve the monitoring of SDGs, an SDG dashboard was also developed, which reports on 80 SDG indicators at the national, provincial and district levels, and also consists of an index to track progress across time.

Keeping in view the limited fiscal space available to the Government of Pakistan on SDG financing, an Expenditure Tracking System was developed in the Financial Accounting and Budgeting System (FABS) in the Office of the Controller General of Accounts to track development and current expenditure at the cost center level, and to map it with SDGs goals, targets and indicators. The major outcome of the Expenditure Tracking System is that it has enabled the Government to track development and current expenditure with respect to the SDGs, and to generate reports at both the national and sub-national levels. A similar exercise was conducted in Sindh, with the Public Finance Management (PFM) team of the Government of Sindh's Finance Department. With UNDP technological support, the Pakistan Bureau of Statistics digitized and conducted the Pakistan Social and Living Standards Measurement (PSLM) survey, allowing for the collection of more accurate data.

To explore opportunities for additional financing for SDGs, a sub-committee on innovative financing was established by the Ministry of Planning, Development & Special Initiatives. In Khyber Pakhtunkhwa, an extensive review of the data ecosystem was conducted to cater to the specific data needs for SDG indicators. Against the 178 provincially relevant indicators, a baseline was established for 82 indicators from various data sources, with a data gap for 96 indicators remaining. A two-dimensional approach has been adopted by the Unit in consultation with the Provincial Bureau of Statistics. The Unit is focusing on broadening the scope of existing datasets to report on additional indicators and also reviewing the potential of administrative data for estimates of additional SDG indicators. The approach will result in bridging the data gap. The Punjab SDGs Unit, in coordination with the Management Information System Wing of the Planning and Development Board, modified the Smart Monitoring of Development Projects (SMDP) portal for development planning, and ensured that every development scheme is linked with its respective SDG targets and indicators. This will not only help to track investments across different SDGs, but will also guide the provincial Governments in diverting investments towards priority SDGs within the provincial SDGs framework. Proposals and analysis related to green sukuk and debt swap were also developed and presented to the Ministry of Finance and Economic Affairs Division for further deliberation and implementation.<sup>1</sup>

<sup>1</sup> 'Federal SDGs Support Unit', accessed 27 June 2021, <https://www.sdgpakistan.pk/web/publication/national>.

## Leveraging Private Investments to Finance SDGs

In addition to the public sector, private sector businesses and investors are also increasingly seeking opportunities to make a positive contribution towards sustainable development. To this end, they are looking for guidance to help translate that intent to action. The SDG Impact Standards have been designed to meet this need.

These are a set of practices that organizations can implement to help build a more sustainable, inclusive and resilient world. The SDG Impact Standards provide a common language and best-practice guidance to integrate impact management into business and investment practices and decision-making – with an eye towards positive and negative effects on people and the planet. The Standards relate to bond issuers, private equity, debt, and venture capital fund managers who want to make a positive contribution towards sustainable development through one or more of their funds.<sup>2</sup> At UNDESA's virtual SDG Investment Fair held in April 2021, the Government of Pakistan, with the help of the Ministry of Foreign Affairs, the Board of Investment, Federal and Provincial ministries, and also through technical support provided by UNDP Pakistan, presented a business case worth USD 2 billion to the members of the GISD Alliance – a first ever for Pakistan.<sup>3</sup> The presentation is placed as Annex I.

The next step in attracting private sector investments is developing an Investor Map for Pakistan. UNDP has created the SDG Impact as a flagship initiative to empower investors with clarity, insights, and tools to achieve the SDGs. Produced by UNDP Country Offices, its dynamic impact intelligence tool, the SDG Investor Map, identifies a range of market-specific investment opportunities for SDG-aligned capital deployment backed with country-specific data and evidence, translating SDG needs and policy priorities into actionable Investment Opportunity Areas (IOAs).

Pakistan's first ever SDG Investor Map will provide localized insight into sectors and market conditions that advance the SDGs, along with the identification of IOAs and business models that could advance private investment for the achievement of SDGs. These opportunities will be backed by actionable data to guide investor decision-making.<sup>4</sup>

## Scope and Methodology of the Report

This report is a first step towards developing an SDG Investor Map for Pakistan. The scope of the report is to explore the sectors and sub-sectors for investment that are in line with the Sustainable Development Goals. To this end, the first chapter begins with an exploration of Pakistan's recovery from macro-economic imbalances and the impacts of COVID-19. The second chapter discusses the policy priorities and needs of the Government with reference to the COVID-19 crisis. This is followed by chapter three, which explores the sectors and sub-sectors in the economy that can attract investments for a clean and green development. Chapter four discusses additional priority sectors and sub-sectors. Chapter five explores the general as well as sector-wise regulatory regimes of the country, while chapter six deconstructs the strong private sector footprint required to handle bigger transactions for SDG investment. Finally, chapter seven summarises the country's investment potential and success stories.

The methodology uses desk research and analysis from secondary sources, including Government reports such as Annual Development Plans, the Pakistan Economic Survey, and data from the Pakistan Bureau of Statistics. The report also includes the review of literature and data from UNDP, World Bank and Asian Development Bank.

2 'SDG Impact | United Nations Development Programme (UNDP)', SDG Impact | United Nations Development Programme (UNDP), accessed 30 May 2021, <https://sdgimpact.undp.org/private-equity.html>.

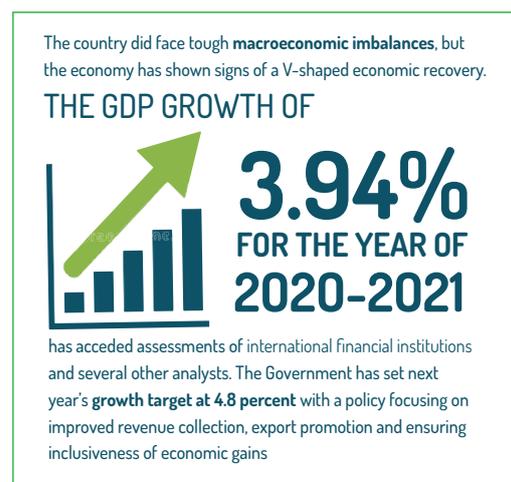
3 '2021 SDG Investment Fair | Financing for Sustainable Development: Office', accessed 29 June 2021, <https://www.un.org/development/desa/financing/events/2021-sdg-investment-fair>.

4 'IMPACT INTELLIGENCE: MAPPING INVESTMENT OPPORTUNITIES through SDG INVESTOR MAPS | SDG Finance', accessed 29 June 2021, <https://sdgfinance.undp.org/sdg-tools/impact-intelligence-mapping-investment-opportunities-sdg-investor-maps>.

As this report is a step towards SDG Investor Mapping in Pakistan, its methodology is a desk review and analysis at the core. However, the methodology for the SDG Investor Map will include comprehensive consultations with the Government, academia, and the private sector to concretise the critical sectors and sub-sectors for SDG investment in Pakistan. For that, an eight step Investor Map Strategy will be followed. These steps are as follows:

1. **Collect information** on the country's SDG needs and policy priorities.
2. **Synthesize needs and policies** into a set of national priority sectors.
3. For each of the identified national priority sectors above, **identify sectoral SGD needs and investment policies**.
4. Synthesize needs and policies into a set of priority **subsectors**.
5. **Identify sub-region** most aligned to the **sub-sector**.
6. **Synthesize the information** into a set of priority sub-regions.
7. **Identify potential business models** with this information. These business models, while capitalizing on the policy and investment momentum, could tackle sub-sectoral and sub-regional SDG needs.
8. For each business model, **add a range of supporting information** that can help investors perform their due diligence and eventually shape impactful deals.

## Pakistan's Socioeconomic Recovery from COVID-19



As an emerging economy, Pakistan has managed well to recover from COVID-19 at a better pace than many other countries in Asia. The country did face tough macroeconomic imbalances, but the economy has shown signs of a V-shaped economic recovery. The GDP Growth of 3.94 percent for the year 2020-21 has exceeded assessments of international financial institutions and several other analysts. The Government has set the next year's growth target at 4.8 percent, with a policy focusing on improved revenue collection, export promotion and ensuring inclusiveness of economic gains<sup>5</sup>. A comparison of the Government of Pakistan's GDP and IMF projections showing Pakistan's recovery is illustrated in **Figure 1**.

5 [Ministry of Finance | Government of Pakistan], accessed 9 June 2021, <https://www.finance.gov.pk/updates.html>.

**Figure 1: V-Shaped Recovery in GDP Growth Rate (%)**

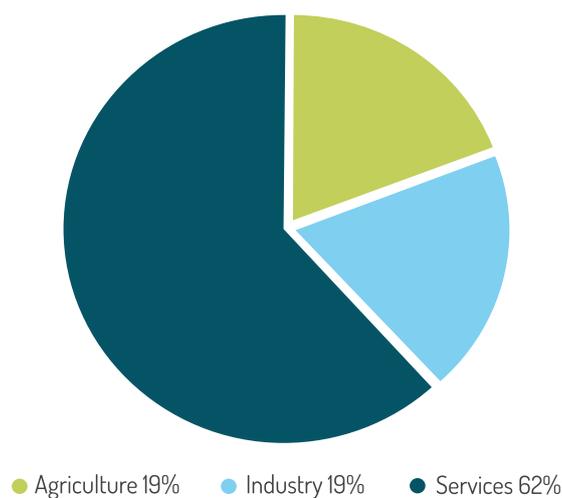


Sources: IMF and Ministry of Finance, Government of Pakistan<sup>6</sup>

**Pakistan has remained a resilient emerging market, owing to growth in almost all economic sectors and indicators, support packages and incentives to industries, stimulus for the social sector, and well-coordinated COVID-19 response.**

Pakistan's growth in agriculture, industry, and services is driven by the revival of Large-Scale Manufacturing (LSM), bumper crops, and the bouncing back of the services sector. Additionally, the country's current account balance remains positive, which can be attributed to the strict financial discipline shown by the Government to discourage unnecessary imports, the unprecedented growth of remittances sent by overseas Pakistanis, and an upward trend in exports. The sector-wise share in GDP is illustrated in **Figure 2**.

**Figure 2: Sectoral Share in GDP (FY 2020-2021)**



Source: Pakistan Bureau of Statistics<sup>7</sup>

<sup>6</sup> 'Pakistan and the IMF', IMF, accessed 12 June 2021, <https://www.imf.org/en/Countries/PAK> and 'Ministry of Finance | Government of Pakistan', accessed 12 June 2021, [https://www.finance.gov.pk/survey\\_2021.html](https://www.finance.gov.pk/survey_2021.html).

<sup>7</sup> 'Table 7 Sectoral Shares in GDP (at Constant Basic Prices) | Pakistan Bureau of Statistics', accessed 9 June 2021, <https://www.pbs.gov.pk/content/table-7-sectoral-shares-gdp-constant-basic-prices>.

## Economic Recovery

Pakistan's economy has shown remarkable resilience to shocks, with key indicators showing an upward trend. The estimated growth of agriculture, industry, and services sectors is 2.8%, 3.6%, and 4.4% respectively, as compared to 3.3 %, -3.8% and -0.6% in 2019-2020. In the overall revival of the manufacturing sector, large-scale manufacturing, which consists of 51% of the production, showed a 9.3% growth as compared to -5.1% in 2019-20. This growth is further amplified by sectors such as Textiles, Food and Beverage, Tobacco, Petroleum, Pharmaceuticals, Chemicals, Non-metallic Mineral Products, Automobiles, and Fertilizers. A much noticeable growth can be seen within the Construction sector, with a growth of 8.3% in the year 2020-21. This in turn spurs growth in the Iron, Steel and Cement sectors. This growth is attributed to the targeted incentives package, and the Government's public spending to boost the construction sector<sup>8</sup>.

Similarly, as per the Economic Survey of Pakistan (2020-21), Pakistan's largest industrial sector, Textiles, is the most significant contributor to Large Scale Manufacturing. In FY 2020-21 (July-March) the growth in the textile sector was 5.9%, compared to a 2.8% decline in FY 2019-20 (July-March). During this time, the textile sector received large orders from American and European markets, as Pakistan recovered relatively better from COVID-19 compared to competing economies. The Government has provided support packages and stimulus to the industry to restore the confidence of domestic manufacturers.

The Pakistan Economic Survey (2020-21) states that the economy has been strengthened by a surplus in the current account balance, worth USD 0.8 billion. This surplus has been seen for the first time in the last 17 years, because of a record increase in workers' remittances and a growth in exports. Despite a decrease in Foreign Direct Investment (FDI), Pakistan managed to raise financing through multilateral banks, debt restructuring, and by floating bonds in the international capital market. These positive developments led to an increase in the reserves of the State Bank of Pakistan worth USD 16 billion, which is the highest in the last four years.<sup>9</sup>

The IMF Extended Finance Facility (EFF) was disrupted in 2020, as the Government was unable to meet its targets due to the spread of COVID-19. In April 2020, IMF disbursed a Rapid Financing Instrument (RFI) of USD 1.386 Billion to address the resulting economic shock<sup>10</sup>. The funds obtained under this RFI have been put towards budget financing. The Government expenditure thus had to be reprioritized to create space for health and social security.

In terms of Pakistan's overall economic recovery from the pandemic, the country has fared well since April 2020<sup>11</sup>. Pakistan's economy has shown good recovery since the third wave of COVID-19 in March 2021. This is due to a well-coordinated, targeted lockdown strategy, as well as large-scale vaccination campaigns. Almost ten million people have received their first dose of vaccination, and the coverage is being expanded systematically.<sup>12</sup>

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8 ' | Ministry of Finance | Government of Pakistan |', accessed 12 June 2021, [https://www.finance.gov.pk/survey\\_2021.html](https://www.finance.gov.pk/survey_2021.html).

9 Ibid.

10 ' | Ministry of Finance | Government of Pakistan |', accessed 9 June 2021, <http://www.finance.gov.pk/imf.html>.

11 Asian Development Bank, 'Pakistan Could See 2021 Economic Recovery If COVID-19 Subsidies, Structural Reforms Resume — ADB Report', Text, Asian Development Bank, 15 September 2020, Pakistan, <https://www.adb.org/news/pakistan-could-see-2021-economic-recovery-if-covid-19-subsidies-structural-reforms-resume-ADB>.

12 'COVID-19 Health Advisory Platform by Ministry of National Health Services Regulations and Coordination', accessed 9 June 2021, <https://covid.gov.pk/>.

## Fiscal Stimulus Package

A fiscal stimulus package of approximately

**PKR 1.27 trillion**

(3% of GDP) aimed at supporting **economic activity** while achieving key strategic priorities



In March 2020, the Government announced a fiscal stimulus package of approximately PKR 1.27 trillion (3% of the GDP) aimed at supporting economic activity while achieving key strategic priorities. The targeted outcomes of fiscal stimulus included increased capacity of the healthcare sector, cash support to the poor and vulnerable, and support to businesses and industry to mitigate losses due to lockdown. Following the phased lifting of lockdown measures in December 2020 and then in May 2021, the indicators of

industrial and services activities have improved, with business confidence indices exceeding pre-COVID-19 levels<sup>13</sup>. In addition, the Government has announced many support and stimulus packages to boost the economy and industrial sector.

## Enhanced Social Security Programs

In order to address social security vulnerabilities during the pandemic, the country has enormously expanded the outreach of its flagship cash transfer programme, the Ehsaas Program. The program was launched to alleviate the financial hardship of low-income segments of society, as well as people relying on daily wages. In April 2020, the program aimed to disburse USD 900 million to 12 million families. Later, its scope was enhanced to

In April 2020, the program aimed to disburse

**USD 900 million**

**to 12 million** 

families. Later its scope was enhanced to another 6 million families

add another 6 million families. The program makes targeted cash transfers of PKR 12,000 (USD 80) per month to each beneficiary, and has successfully managed to reach approximately 15 million families thus far with the help of large-scale poverty surveys and partner microfinance and other grassroots organizations. **Box 1** explains how beneficiaries are identified and how cash transfers are made.<sup>14</sup>

# Box 01

## Ehsaas Cash Transfer Program

### Beneficiary Identification:

- Potential beneficiaries identified by the poverty threshold included in the National Socioeconomic Database.
- Potential beneficiaries excluded from the National Socioeconomic Database will be identified and verified by the district administration. This data will be shared by the district administration on an online poverty threshold portal included in the National Socioeconomic Database.

### Cash Transfer:

The beneficiary collects cash from a Point of Sale (POS) after biometric verification (either a biometrically enabled branchless banking operation or a biometrically enabled ATM)



Source: Pakistan Poverty Alleviation and Safety Net Division<sup>15</sup>

<sup>13</sup> World Bank, 'Pakistan development Update: Navigating through uncertain times', April 2021, Pakistan <https://thedocs.worldbank.org/en/doc/884b60a84f16362376215acef470fb4b-0310062021/original/PDU-April-21-FULL-REPORT-FINAL.pdf>

<sup>14</sup> 'Ehsaas' accessed 9 June 2021, <https://www.pass.gov.pk/Detail/f90ce1f7-083a-4d85-b3e8-60f75ba0d788>.

<sup>15</sup> Ibid.

After the economic and social recovery in 2020-21, Pakistan is looking at a growth target of 4.8% for the next FY 2021-22. The aim of the current Government is to achieve economic recovery across all sectors of the economy. This will indeed be a challenge, as sustainable economic revival will require the absorption of Pakistan's youth in the labor market, improvements in important growth indicators, the maintenance of a moderate debt-to-GDP ratio alongside a higher investment-to-GDP ratio, managing loss-making state-owned enterprises<sup>16</sup>, enhanced productivity, and an increase in competitive exports.

Despite these challenges, the medium-term economic and political outlook of Pakistan remains positive, promising huge opportunities to potential investors. This is because Pakistan has improved its regulatory environment, has nurtured a liberal investment regime, and continues to focus on enhanced connectedness.

## Ease of Doing Business



In terms of Pakistan's regulatory environment for businesses, the government has started to move away from excessive licenses, inspections, and cost associated with the business lifecycle. Pakistan improved 28 points from 136 to 108 in the World Bank's Doing Business Report 2020. In the same report, Pakistan was among the top ten reformers, with six regulatory reforms. These reforms related to facilitating enterprises in company registration, getting construction permits for their warehouses, paying

online taxes and making online payments for employees' social security, getting a commercial electricity connection, registering their commercial property, and improvement in Customs WeBOC (Web Based One Customs)<sup>17</sup>. Now, the government is focusing on improving yet another important aspect - contract enforcement and ADR (Alternate Dispute Resolution) for commercial cases of SMEs (Small and Medium Enterprises). In this context, dedicated commercial courts have been established in Punjab<sup>18</sup>, and the same process has been initiated in Sindh.

## A Liberal Investment Regime

Pakistan has a liberal investment regime, which follows an Investment Policy developed in 2013. The objectives of the Investment Policy include reducing regulatory burdens on investors, attracting investment within the industrial cluster and Special Economic Zones (SEZs), and creating linkages within the trade and industrial sectors for coherent macroeconomic policies.<sup>19</sup> **Figure 3** illustrates the Investment Policy Matrix defined within Pakistan's existing investment policy.

16 Salik, 'Issue Brief on "Privatization of State-Owned Enterprises (SOEs) and Its Implications for Pakistan" | Institute of Strategic Studies Islamabad'.

17 'Doing Business 2020: Accelerated Business Climate Reform Agenda Puts Pakistan Among Top 10 Improvers', Text/HTML, World Bank, accessed 13 June 2021, <https://doi.org/10/24/doing-business-2020-accelerated-business-climate-reform-agenda-puts-pakistan-among-top-10-improvers>.

18 Nudra B. Majeed Mian, 'Punjab Commercial Courts Ordinance 2021: A New Frontier', *Courting The Law*, 28 April 2021, <http://courtingthelaw.com/2021/04/29/laws-judgments-2/punjab-commercial-courts-ordinance-2021-a-new-frontier/>.

19 'Investment Regime & Sector Policies | Board Of Investment', accessed 12 June 2021, <https://invest.gov.pk/investment-regime>.

**Figure 3: Pakistan's Investment Policy Matrix**

Policy Parameters	Manufacturing Sector	Non-Manufacturing Sectors		
		Agriculture	Infrastructure & Social	Services <sup>d</sup> , IT & Telecom
Government Permission(s)	Not required except for 4 specified Industries <sup>a</sup>	Not required except for specific licenses from concerned agencies		
Repatriation of capital, profits, dividends, etc.	Allowed	Allowed		
Upper limit of foreign equity allowed	100%	100% <sup>b</sup> 60:40% <sup>c</sup>	100%	100% 49% <sup>d</sup>
Customs duty on import of PME*	5%	0%	5%	0-5%
Tax relief (IDA**, % of PME cost)	25%	25%		
Royalty and technical fee	No restriction for payment of royalty & technical fee	Allowed as per guidelines of Foreign Exchange Manual 2020		

- a) Specified Industries are: Arms and ammunitions; High Explosives; Radioactive substances; Security Printing, Currency and Mint.  
 b) Corporate Agriculture Farming (CAF) only  
 c) Other than CAF (60% to Foreigner)  
 d) Financial Business and Airline  
 \*PME = Plant, Machinery and Equipment  
 \*\*IDA = Initial Depreciation Allowance Source : BOI



Source: Board of Investment

The China Pakistan Economic Corridor (CPEC) adds further to Pakistan's strengths, enhancing the country's connectivity to China and other regional markets. This is part of China's strategic Belt and Road Initiative (BRI), which was launched in 2013 with ambitious USD 575 billion investments in regional connectivity, to develop new markets across 70 countries<sup>20</sup>. Pakistan has already received substantial Chinese investments under CPEC, in its early harvest projects for the energy and transport infrastructure sectors. The focus is now moving towards industrial cooperation and agriculture sector development<sup>21</sup>. This offers an excellent opportunity to international investors to take advantage of the country's emerging economic potential, with the possibility to tap the regional markets of western China and Central Asia.

20 'Belt and Road Initiative', Text/HTML, World Bank, accessed 13 June 2021, <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative>.

21 'FAQS | China-Pakistan Economic Corridor (CPEC) Official Website', accessed 13 June 2021, <http://cpec.gov.pk/faqs>.

It is pertinent to highlight that traditionally, Pakistan's development spending has focused more on physical infrastructure projects, leaving little space for health, education, skills development and other social development areas. Pakistan's ranking on UNDP's Human Development Index (HDI) 2020 stood at 154 out of the total 189 countries, below the average HDI of South Asia, including Bangladesh and India.<sup>22</sup>

## Green Financing

Government has recently floated  
**USD500million  
GREEN BOND,** 

the WAPDA's Indus Bond. This bond has been floated for **10 years to raise USD 500 million** at a competitive rate of about 7.5 per cent interest rate

The Government is welcoming innovative financing and public-private partnerships to increase SDG investment. To this end, regulatory structures for public-private partnerships have been put in place. The central bank provides cheaper financing of bank loans to priority sectors, and the Government has recently floated a USD 500 million Green Bond, the WAPDA's Indus Bond. This bond has been floated for ten years to

raise USD 500 million at a competitive rate in the range of a 7.5 percent interest rate<sup>23</sup>. Ultimately, the Government of Pakistan has identified a few investment priorities to ensure sustainable growth. These include climate change resilience, youth engagement, increase in health and education expenditures, a shift towards renewable energy, strengthening the country's infrastructure, and regional connectivity. These will be pivotal in Pakistan's commitment to fulfilling the central promise of Agenda 2030: to Leave No One Behind.

<sup>22</sup> "Latest Human Development Index Ranking | Human Development Reports," accessed July 3, 2021, <http://hdr.undp.org/en/content/latest-human-development-index-ranking>.

<sup>23</sup> 'PM's Address to the Launching Ceremony of WAPDA's Debut Green Euro (Indus Bond) for Construction of Diامر Basha and Mohmand Dams', accessed 13 June 2021, <http://wapda.gov.pk/index.php/newsmedia/news-views/582-pakistan-s-first-green-eurobond-launched-to-finance-diamer-mohmand-dams>.

# 2

## PAKISTAN'S DEVELOPMENT POLICY PRIORITIES AND NEEDS

The Government of Pakistan is currently focusing on five key areas: building capabilities for sustainable growth by prioritizing a green economy and carbon reduction, modernizing infrastructure, improving social services, extending social security, and achieving inclusive growth.



An upward economic growth trajectory supported by macroeconomic stabilization and decent growth in all key sectors of the economy has opened up some fiscal space to allocate more funds under the Government's Public Sector Development Programme (PSDP). According to Pakistan's Planning Ministry, the GDP is targeted to grow at 4.8% in 2021-22, with the effects of the pandemic subsiding due to a strategic vaccine roll-out and an expected recovery in the global economy. In the recently announced budget for 2021-22, the Government has increased development spending to PKR 900 billion – a fifteen percent increase from the previous year. As a topmost priority, the Government will make investments in programs focusing on youth entrepreneurship, the housing and construction sectors, and a few large-scale infrastructure projects. The aim is to create sustainable employment opportunities for the approximately two million young people entering the labour market every year, to ensure a smooth transition from stabilization to economic growth.

Furthermore, the Government of Pakistan, under the Ministry of Planning, Development and Special Initiatives, developed an SDG-aligned framework called Vision 2025. The said framework included 25 goals under seven pillars (which were identified as priority areas of sustainable development). These seven pillars are:

- I. Putting people first- developing human and social capital
- II. Achieving sustained, indigenous and inclusive growth
- III. Governance, institutional reform and modernization of the public sector
- IV. Energy, water, and food security
- V. Private sector-led growth
- VI. Developing a competitive knowledge economy through value addition
- VII. Modernizing transportation infrastructure and greater regional connectivity

In most recent times under the COVID-19 recovery phase, the overall priorities of the Government include inclusive and sustainable economic growth; the expansion of pro-poor initiatives and social safety nets; the creation of impact through the Prime Minister's initiatives for youth (such as Kamyab Jawan and Kissan Programmes); the continuation of the stimulus package; reduction in inflation; price control and monitoring; increased development spending for job creation; circular debt financing; power subsidies; support of the housing sector and the construction industry through the Naya Pakistan housing scheme; SME support programs; kickstarting the Pakistan Remittances Initiatives and other schemes; continuing revenue mobilization without new taxes; and finally facilitating expatriates' remittances and savings through the Roshan Digital Account.<sup>24</sup> The overarching theme of these initiatives is job creation and enhanced competitiveness.

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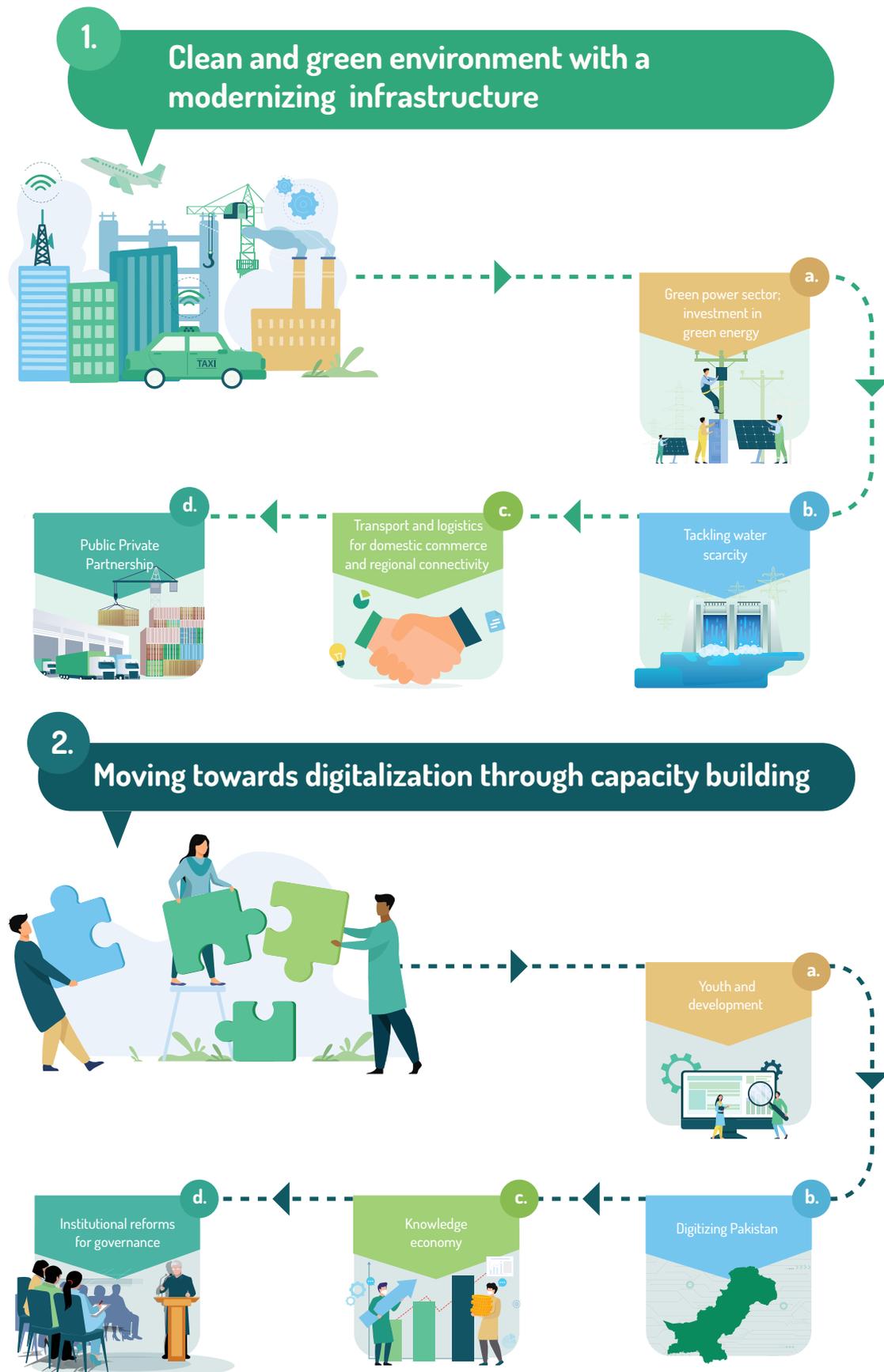
**Translating these into a development framework, the Government is focusing on five key areas; a clean and green environment with modern infrastructure, digitalization, inclusive growth through expanded social security, improved social services, and a special focus on SME financing development (Figure 4).<sup>25</sup>**

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<sup>24</sup> 'Ministry of Finance | Government of Pakistan', accessed 18 June 2021, [https://www.finance.gov.pk/fb\\_2021\\_22.html](https://www.finance.gov.pk/fb_2021_22.html).

<sup>25</sup> 'Ministry of Planning, Development & Special Initiatives', accessed 16 June 2021, <https://www.pc.gov.pk/web/annualplan>.

Figure 4: Development Priorities of the Government



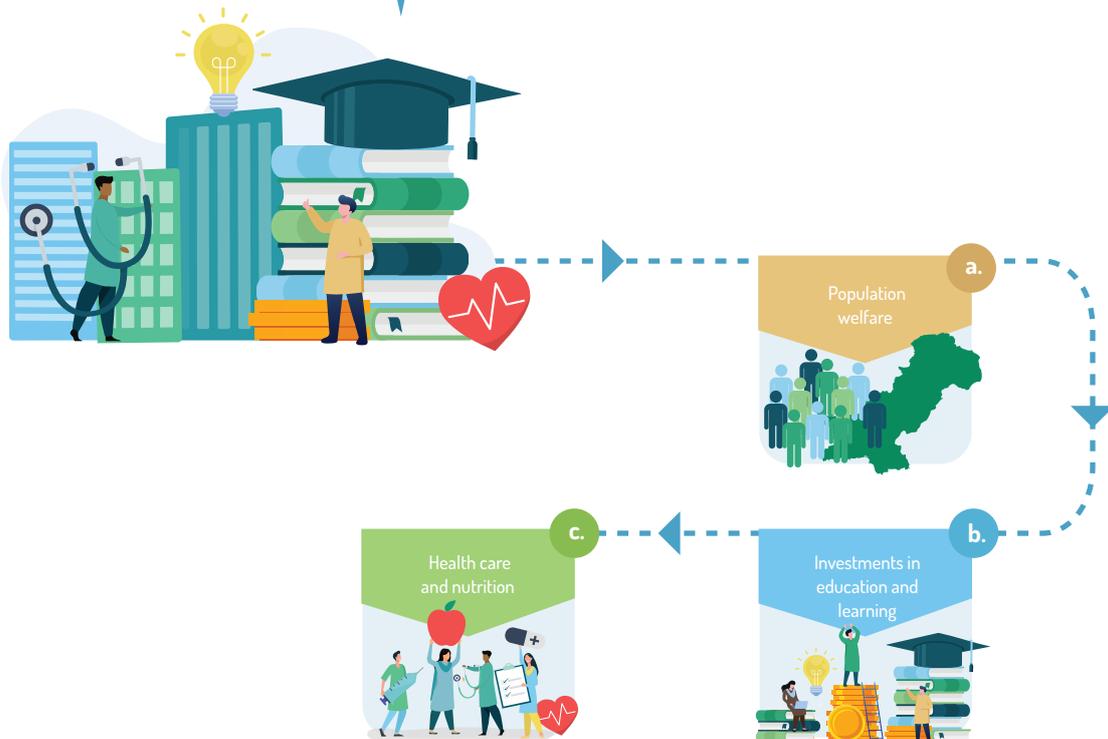
3.

### Inclusive growth by expanding social security

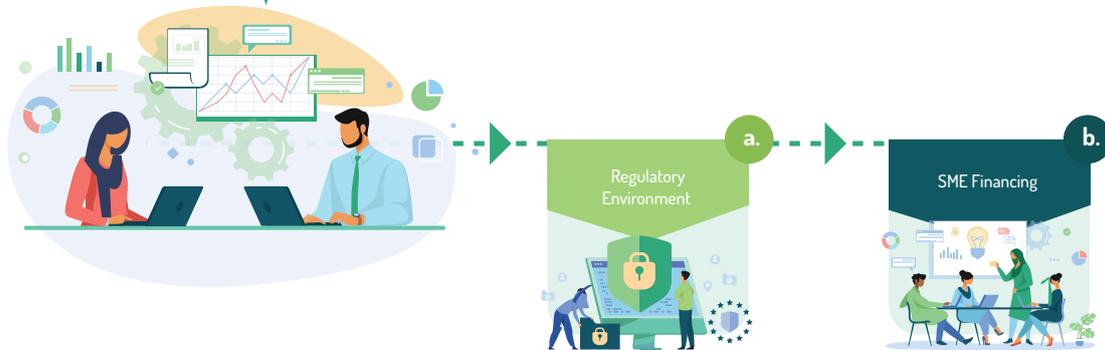


4.

### Improving Social Services



## 5. Special focus; Small and Medium Enterprises (SMEs) and industrial development



Source: Annual Plan and Budget Brief, Ministry of Planning, Development and Special Initiatives (2021-22)

### Climate centered development paradigm

Pakistan has been realigning its development priorities as abrupt changes in climate continue to affect the world's economic order. Nature loss is eroding nations' capacity to underpin the economic prosperity needed to deliver livelihoods to their citizens and, in turn, their ability to service and repay sovereign debt.

As Pakistan aspires to higher economic growth, it also realizes the environmental cost it will bring along in the form of rising temperatures and green-house gas emissions, rapid urbanization, environmental degradation, and deforestation, etc. According to a study by the World Bank, as Pakistan has grown and urbanized rapidly, the patterns of environmental degradation have increasingly shifted and expanded, with the impact coming to represent a high and increasing cost, equivalent to 2.5 to 6.5 percent of gross domestic product (GDP)<sup>26</sup>, which depicts the seriousness of the challenge Pakistan is currently facing, coupled with the impact of COVID-19 on the economy.

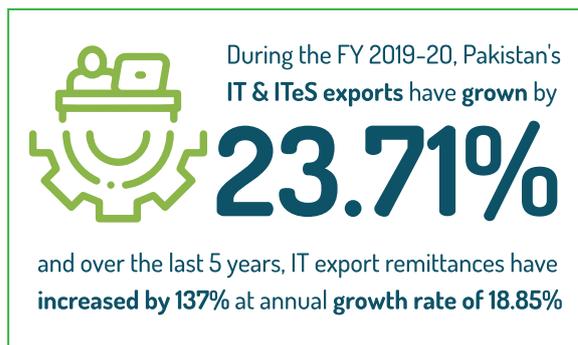
Pakistan is aware of these challenges, and its commitment to climate action is evident from various responsible policies and actions under the Paris Agreement 2015 and Sustainable Development Goals. Pakistan is spending six percent of the annual federal budget towards mitigating the impact of climate change. At a policy level, nature-based solutions are central to the government of Pakistan's green vision fundamentals in the national climate change policy and the Pakistan's Intended Nationally Determined Contribution (PK-INDC). Pakistan's economic situation has induced climate related financing solutions to tackle the sovereign debt crisis. The government of Pakistan is also focusing on greening the sovereign debt to mitigate climate change and spend on the socioeconomic development needs for recovery from the pandemic. The climate investment opportunities and solutions and the new development paradigm are discussed in the next chapter.

### Towards Digitalization through Capacity Building

Since the last two years, Government financing has been continuously directed towards building capabilities, and specifically for the scaling up of skill development initiatives in the areas of data science, machine learning, and artificial intelligence. The Government has acknowledged the need for a transition from efficiency-based skills to knowledge-based skills for increased productivity, exports, and wealth creation opportunities for a young and burgeoning labour force.

<sup>26</sup> Pakistan@100: Environmental Sustainability. The World Bank Group Policy Note March 2019

The fast pace of the digitalization of economies is having a profound impact on the lives of people, governments, and markets. As more and more people adopt to the digital economy, policymakers must think carefully about devising policies that will maximize the benefits of the digital revolution, while also mitigating the risks of job dislocation. There is therefore a similar need for a Digital Pakistan concept. Digitalization can support the Government in catching up with competitors and meeting the pressing need to deliver market-based skills, facilitate labour migration, enhance productivity, and improve access to services for those who have little to none. Other less developed economies are quickly adopting these technologies and taking a lead on digital technology. For instance, initiatives like e-payments in Pakistan and Kenya, land registration in India, and e-commerce in China are facilitating growth at the local level.



In Pakistan, where a burgeoning youth population is regularly entering the job market, policy interventions to create linkages with advanced curriculums through digital partnerships may help youth develop their skills effectively. This is an important factor for productivity in the country. Out of 3.1 million people, 2.1 million will be youth who are expected to enter the labour force. Furthermore, this demographic will be joining

the labour force in Pakistan every year for the next four decades, reaching a projected 181 million by 2050 (Population Council estimates).<sup>27</sup>

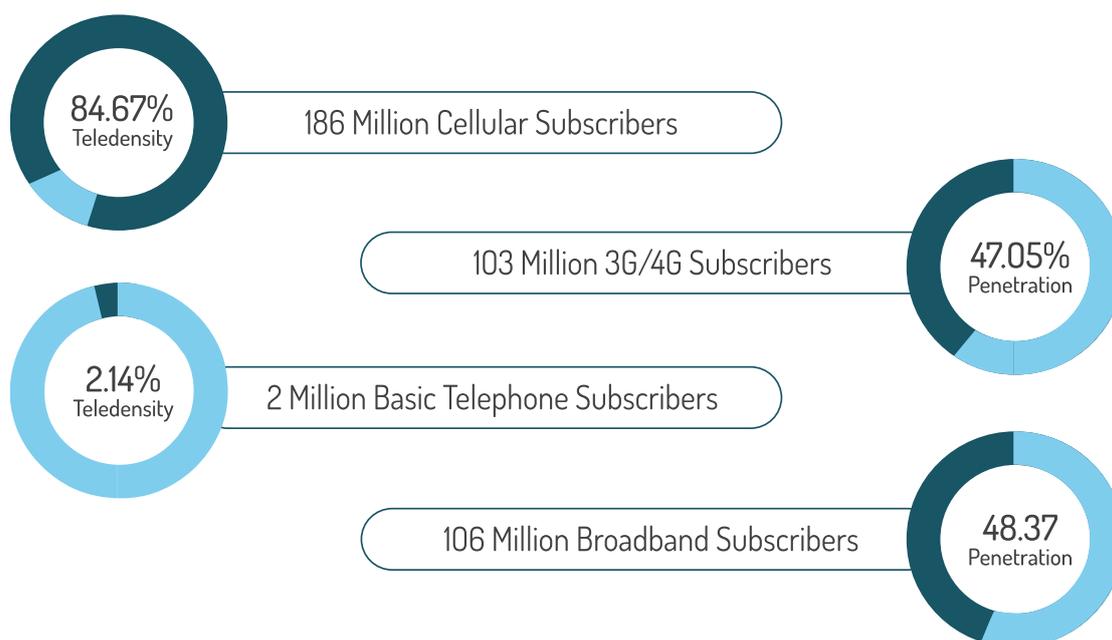
Knowledge has emerged as one of the key drivers for sustained and inclusive growth, and the pace of digitization has increased after the COVID-19 pandemic. During the FY 2019-20, Pakistan's IT & ITeS (Information Technology Enabled Services) exports have grown by 23.71 percent, and over the last 5 years, IT export remittances have increased by 137 percent at annual growth rate of 18.85 percent.<sup>28</sup>

**Figure 5** illustrates Pakistan's IT sector indicators.

<sup>27</sup> *Demographic dividend (2017) UNFPA Pakistan*. Available at: <https://pakistan.unfpa.org/en/topics/demographic-dividend-5> (Accessed: 17 August 2021).

<sup>28</sup> 'Growth in IT Remittances', accessed 18 June 2021, <https://www.pseb.org.pk/growth-in-it-remittances>.

**Figure 5: IT Sector Indicators in Pakistan**



Source: Pakistan Telecommunication Authority<sup>29</sup>

Keeping in mind the potential of leveraging digital technology to accelerate the pace of development, the Government is investing in and creating incentives for the setting up technology parks, scaling up research and IT education skills, and promoting technology-related joint ventures in the health and agriculture sectors. The development of software houses, e-commerce, IT parks, and incubation centres are therefore a significant area for investment.<sup>30</sup>

By combining the skill development of Pakistan’s youth with the government’s incentives, the government aims to boost the confidence of investors, both in the labour market and in business growth in this sector.

### Improving Social Services

As the Government’s priority policy, investments in the health and education sectors provide vital support to economic growth and poverty alleviation. However, Pakistan’s ranking in Asia remains low in both health and education indicators. Pakistan ranks 154<sup>th</sup> among 189 countries on UNDP’s Human Development Index. The literacy level has hovered at 60 percent for the past several years, and gender disparities in access to education remain high. The female youth literacy rate stands at 67.5 percent, while the male youth literacy rate stands at 81.3 percent. The only country ranking lower than Pakistan is Afghanistan, while India, Sri Lanka, Bhutan, Bangladesh, Nepal and Maldives remain ahead.<sup>31</sup> In addition to this, mitigating the loss of learning of the 50 million students affected due to COVID-19 during 2020-21 poses yet another daunting challenge for the country. **Table 1** shows the performance of Pakistan and regional competitors on the literacy rate. Pakistan’s spending on education has also remained low over the years, as illustrated in **Figure 6**.

<sup>29</sup> 'Telecom Indicators | PTA', accessed 18 June 2021, <https://www.pta.gov.pk/en/telecom-indicators>.

<sup>30</sup> 'Information Technology | Board Of Investment', accessed 17 June 2021, <https://invest.gov.pk/it-ites>.

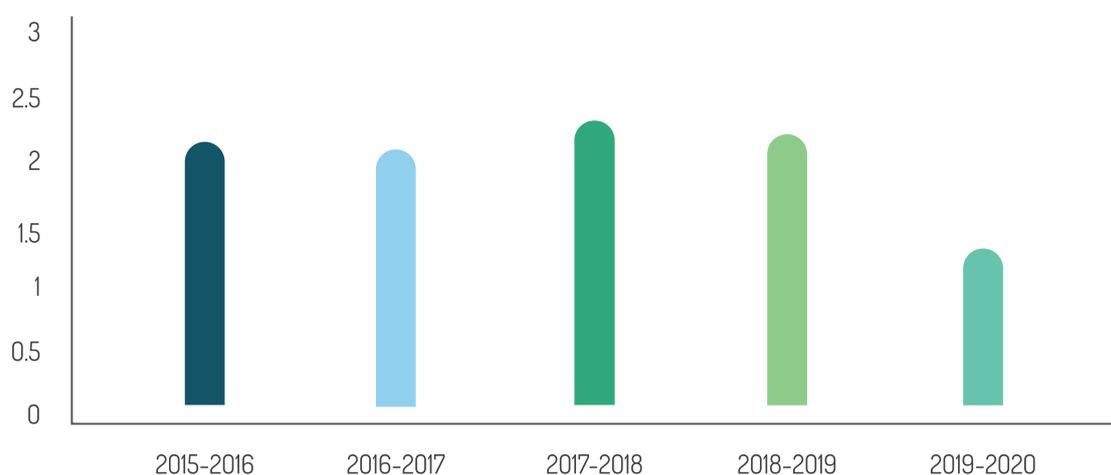
<sup>31</sup> 'Ministry of Finance | Government of Pakistan', accessed 12 June 2021, [https://www.finance.gov.pk/survey\\_2021.html](https://www.finance.gov.pk/survey_2021.html).

Similarly, Pakistan's expenditure on public health is only 0.91 percent of its GDP. Even so, the country has shown improvement in health indicators over the last three years. Life expectancy has increased from 66.9 years in 2017 to 67.3 years in 2019, but this still lags behind other countries in the region. On the other hand, the infant mortality rate, maternal mortality rate, and population growth rate have decreased during the last three years. **Figure 7** illustrates the spending of the Government in healthcare. In the same vein, **Table 2** shows a regional comparison of health indicators, where Pakistan's performance remains poor.<sup>32</sup> The country has one doctor for 957 people, and one hospital bed for 1,580.<sup>33</sup> The government-run hospitals can only cater to 30 percent of the population, with private healthcare facilities covering the rest.

The COVID-19 pandemic has further exposed the country's vulnerabilities in education and health. The Government has come up with major public-private partnership initiatives to increase targeted investments in the health and education sectors. As per the 2020-21 Economic Survey, the focus has been directed towards providing resources to the health and education sectors. In education, PKR 4.5 billion has been allocated in PSDP 2020-21 for 22 on-going and 6 new development projects of the Ministry of Federal Education and Professional Training. At the same time, an amount of PKR 1.2 billion has also been allocated to 6 on-going and new education-related development projects launched by the federal and provincial governments to expand the outreach. The implementation of PSDP funded education projects can have an enduring impact on the socioeconomic development of the country and it is time for private sector to join these initiatives.

In terms of healthcare, the Government of Pakistan has prioritized strengthening the health sector to address the challenges associated with the COVID-19 pandemic. Enhanced effective coverage of skilled birth attendants, improved public sector health facilities, and an increased number of Basic Health Units (BHUs) and Rural Health Clinics (RHCs) equipped with essential services are the result of these strengthened priorities. Additionally, to enable effective family planning, pre-and post-pregnancy care, and neonatal care, the Lady Health Workers (LHW) programme has been revitalized through adequate training, support and a revised service structure.

**Figure 6: Spending on Education as % of GDP**



Source: Pakistan Economic Survey (2020-21), Ministry of Finance, Government of Pakistan.

<sup>32</sup> Ibid.

<sup>33</sup> 'Hospital Beds (per 1,000 People) - Pakistan | Data', accessed 18 June 2021, <https://data.worldbank.org/indicator/SH.MED.BEDS.ZS?locations=PK> and 'Physicians (per 1,000 People) - Pakistan | Data', accessed 18 June 2021, <https://data.worldbank.org/indicator/SH.MED.PHYS.ZS?locations=PK>.

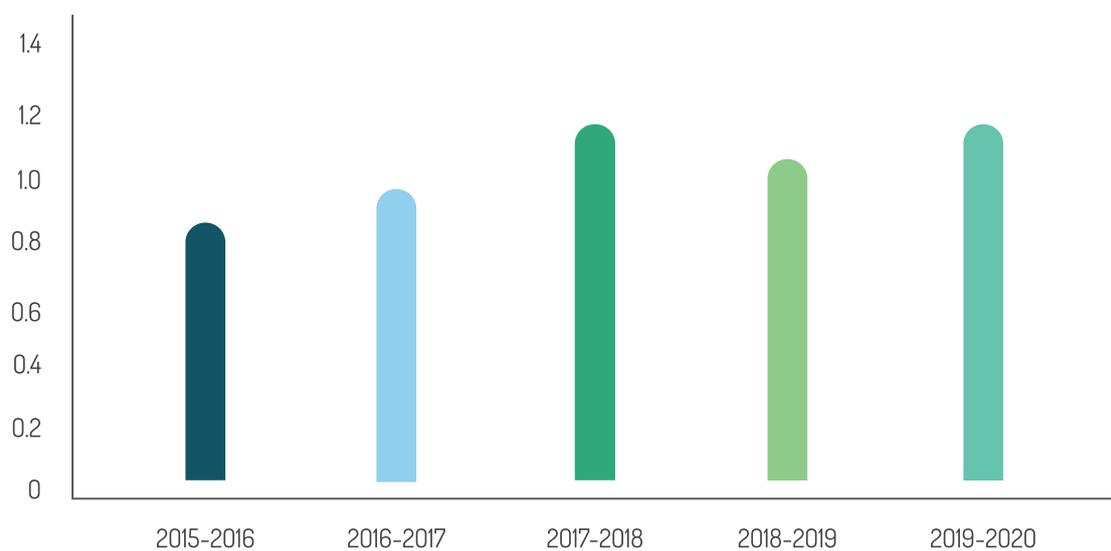
**Table 1: Comparison of Pakistan's Performance on Education Indicators**

Country	Adult literacy rate (%), 15 years and older	Youth Literacy rate (%), 15-24 years old		Population with some secondary education (%), 25 years and older 2015-19
		Female (2008-18)	Male (2008-18)	
Sri Lanka	91.7	99	98.5	80
Maldives	97.7	99.1	98.4	47.6
Bhutan	66.6	92.9	93.3	27.6
India	74.4	90.2	93	39.3
Bangladesh	73.9	94.9	91.8	44
Nepal	67.9	90.9	94	36.2
Pakistan	60.0	67.5	81.3	37.3
Afghanistan	43	56.3	74.1	26.1



Source: Pakistan Economic Survey (2020-2021), Ministry of Finance, Government of Pakistan.

**Figure 7: Spending on Health as % of GDP**



Source: Pakistan Economic Survey (2020-21), Ministry of Finance, Government of Pakistan.

**Table 2: Comparison of Pakistan's Performance on Health Indicators**

Country Name	Life expectancy at Birth, total (years)			Infant Mortality Rate Per 1000 live births			Maternal Mortality Ratio (Per 100,000)			Under 5 Mortality Rate (Per 1,000)			Population Growth Annual%		
	2017	2018	2019	2017	2018	2019	2015	2016	2017	2017	2018	2019	2017	2018	2019
Pakistan	66.9	67.1	67.3	58.8	57.2	55.7	154	143	140	71.6	69.4	67.2	2.0	2.0	1.9
Afghanistan	64.1	64.5	64.8	49.6	48	46.5	701	673	638	64.9	62.5	60.3	2.6	2.4	2.3
India	69.2	69.4	69.4	31.4	29.7	28.3	158	150	145	38.5	36.3	34.3	1.1	1.0	1.0
Bangladesh	69.2	72.1	72.6	28	26.7	25.6	200	186	173	33.9	32.3	30.8	1.1	1.1	1.0
Sri Lanka	76.6	76.8	77	6.7	6.4	6.1	36	36	36	7.8	7.4	7.1	1.1	1.0	0.6
Nepal	70.2	70.5	70.8	27.4	26.5	25.6	236	200	186	33.2	31.9	30.8	1.3	1.7	1.8
Bhutan	71.1	71.5	71.8	25.5	24.7	23.8	203	193	183	30.6	29.6	28.5	1.22	1.2	1.1
China	76.5	76.7	76.9	7.9	7.3	6.8	30	29	29	9.2	8.5	7.9	0.6	0.5	0.4
Indonesia	71.3	71.5	71.7	21.7	20.9	20.2	192	184	177	25.7	24.8	23.9	1.2	1.1	1.1
Malaysia	75.8	76	76.2	7.1	7.2	7.3	30	29	29	8.3	8.4	8.6	1.4	1.4	1.3
Philippines	71	71	71.2	22.7	22.2	21.6	127	124	121	28.7	28	27.3	1.4	1.4	1.4
Thailand	76.7	76.9	77.2	8.4	8.1	7.7	38	37.0	37	9.9	9.4	9	0.3	0.3	0.3



Source: Pakistan Economic Survey (2020-21), Ministry of Finance, Government of Pakistan.

## Inclusive Growth and Expanding Social Security

Moving towards strengthening people-centric security and inclusive growth through the delivery of SDG aligned social services is gradually becoming a socioeconomic and political priority in Pakistan. With an overall focus to sustain economic growth through large scale manufacturing, value added agriculture and information technology exports, the Government is investing in low-cost housing, health insurance cards, and extending cheap loans to students to make economic growth more inclusive. The overall development of lagging regions and connecting these areas with developed urban centres is a key strategy of this Government to raise the standards of living for all. There are a number of programs launched to uplift the physical and social infrastructure in lagging regions in Southern Balochistan, Khyber Pakhtunkhwa, Gilgit-Baltistan and Sindh. The impact of regional connectivity under CPEC is also becoming visible in some of these areas. Most of these initiatives are coordinated under the Government's regional equalization program. Some of these programmes are Ehsaas, the Agriculture Fiscal Package, construction and SME packages, and Kamyab Jawan. Such programmes will ensure opportunities for inclusive socioeconomic development in these areas by improving standards of living, reducing regional disparities, enhancing local potential (such as tourism, mineral development,

and energy resources), alleviating poverty, and improving human development indicators, livelihood support and social protection.<sup>34</sup>

**Ministry of Human Rights and the Poverty Alleviation and Social Safety Division, funds amounting to**

**PKR 271 million**  

**were allocated towards women empowerment**

Furthermore, all programs under Ehsaas have a **women quota**.

As for the inclusion of women in development programmes, in 2020-21, under the Ministry of Human Rights and the Poverty Alleviation and Social Safety Division, funds amounting to PKR 271 million were allocated towards women empowerment. Furthermore, all programs under Ehsaas have a women quota. Even so, the growth contribution from women, who constitute 48.7 percent of Pakistan's population, remains low. Data from the World Bank suggests that participation has remained low with only 21% of women participating in the labour force in 2019. Furthermore, according to the 2021 Global Gender Gap Index (GGGI), Pakistan has moved down from 151<sup>st</sup> to 153<sup>rd</sup> position, highlighting the need for development directed towards reducing the gender gap. Within the ambit of development priorities, gender equality is therefore crucial for sustainable development.<sup>35</sup>

## SME and Industrial Development

SME and industrial development contribute significantly towards long-term economic growth, innovation, and employment. Women-led SMEs constitute a bigger part in new enterprises and the engagement of youth plays a vital role in start-ups. SMEs tend to create jobs that are more inclusive. However, the most commonly cited problem for SMEs is access to finance.<sup>36</sup> This is in part due to the perceived higher risks associated with investing in these enterprises. In the case of Pakistan, there is a clear market failure in providing financing and professional advice to SMEs. Banks in Pakistan have been reluctant to finance SMEs owing to opacity issues and related risks. The mitigation of this problem demands that banks adopt progressive lending techniques that allows them to adequately address SME credit constraints without compromising on risk and return.<sup>37</sup> The Government has now come up with initiatives to prioritize SMEs in terms of access to credit, as well implementing mechanisms that reduce their cost of doing business.

The six areas highlighted above are the Government's policy priorities as drawn from Annual Development Plans and Budgets. **Box 2** explains the priorities of development organizations. The next chapter explores the priority sectors drawn from these policy priorities, and their relevance to the Sustainable Development Goals.

<sup>34</sup> Ministry of Planning, Development & Special Initiatives, accessed 16 June 2021, <https://www.pc.gov.pk/web/annualplan>.

<sup>35</sup> Ibid.

<sup>36</sup> Ruchira Kumar, *Targeted SME Financing and Employment Effects*, Other Papers (World Bank, 2017), <https://doi.org/10.1596/27477>.

<sup>37</sup> Saddam Ilyas, 'BANKS' LENDING PREFERENCES AND SME CREDIT IN PAKISTAN: EXPERIENCE AND WAY FORWARD', *International Journal of Advanced Economics* 1, no. 1 (2019): 18–30, <https://doi.org/10.51594/ijae.v1i1.43>.

# Box 02

## Priorities for Pakistan from UNDP, World Bank and Asian Development Bank



### **From UNDP**

Priority areas include sustainable economic growth; inclusive growth; tech and innovation; governance; environmental protection and climate change; population growth.

### **From World Bank**

From results of Systematic Country Diagnostic four areas of priority are: transforming energy sector, supporting private sector, reaching out to the underserved, neglected, and poor and accelerating improvements in service delivery.

### **From Asian Development Bank**

As per ADB's Country Partnership Strategy (2021-2025) highlights three priority areas: improving economic management, building resilience, and boosting competitiveness and private sector development.

Sources: UNDP, World Bank, and Asian Development Bank

# 3

## CLIMATE FINANCING OPPORTUNITIES

Clean and green growth has emerged as the new development paradigm for Pakistan. Keeping in mind the high risk of the hazardous impacts of climate change, the Government is focused on implementing a set of cross-cutting interventions crucial to reducing and mitigating the impact of climate change on the economy.





Under the 'Ecosystems Restoration Initiative' (ESRI), Pakistan is developing 15 model Protected areas to conserve over 7,300 square kilometers of its land area, as well as creating over 5,000 'nature-based jobs'. This initiative will not only expand protected area coverage but also create social and economic impact.

*"Reducing Emissions from Deforestation and Forest Degradation, as well as the sustainable management of forests and the conservation and enhancement of forest carbon stocks in developing countries (REDD+)"* is another dimension the Government of Pakistan has been working on since 2012-13. The idea behind the REDD+ mechanism is to conserve natural forests in the country through a carbon crediting system and compensate local communities and others who help to contribute to said efforts. UNDP Pakistan financed the very first "REDD+ Preparedness Project" in 2012-13 which helped the Ministry of Climate Change, Government of Pakistan, in devising the country's "Readiness Preparation Proposal" (R-PP) mobilizing substantial resources (around US\$ 8 million in two phases) from the World Bank till date. Pakistan has prepared its Reference Emissions Levels (REL/FREL) which have been submitted to UNFCCC and is now devising its REDD+ Strategy which is a global requirement to enter the full phase of REDD+ implementation.

In terms of modernizing infrastructure for sustainable growth, priority areas for investment include renewable energy sources and the uptake of electric vehicles, with the latter being focused on specifically by the Government and private sector. Investments in renewable energy ensure a smooth transition from environment damaging energy projects, and similarly a shift from fuel-consuming to electric vehicles will safeguard the environment. The next complementary steps include scaling up green financing, private sector participation, and incentives to reduce the country's carbon footprint. In this context, the Government has announced a new policy which will promote the use of electric vehicles (Box 5), as well as a new Alternative Renewable Energy (ARE) policy which will shift the energy mix towards renewable sources. Presently, the share of renewables in the energy mix is only four percent. However, there is a huge potential to improve this by promoting solar energy projects in the private sector. **Box 3** shows the key features of Pakistan's Alternative Energy Policy.

## Box 03

### Key features of Alternate Energy Policy Pakistan



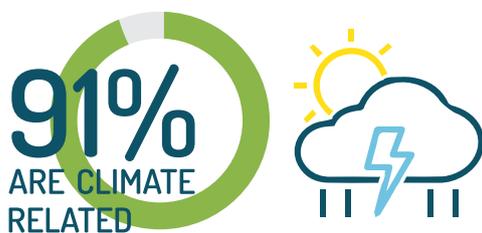
- Investment would be solicited on a competitive bid for the lowest cost instead of upfront or cost-plus based tariffs under all previous power policies.
- Under the new ARE Policy 2020, the four provinces, Pakistan-administered Kashmir, and Gilgit Baltistan would collectively decide the energy share allocated to solar, wind, waste to energy, or other technology, and the location where these energy sources are placed through a Steering Committee.
- The currency devaluation factor would be incorporated in bids for tariffs.
- Special incentives would be given for technology transfers and the local production of solar panels, wind turbines and other related equipment for job creation.
- The "bidding process would be based on two to three-year forward-looking energy requirements and on a 'take and pay basis' without allowing capacity payment prices, to ensure that the tariff is paid only for the electricity purchased and not for capacity availability".

Source: Alternative Energy Development Board<sup>42</sup>

42 'Salient Features of ARE Policy 2019-2020', accessed 28 June 2021, <https://www.aedb.org/articles-list/342-salient-features-of-are-policy-2019-2020>.

## Leveraging Climate Financing

The annual average **economic losses** from **climate-related disasters** are in the hundreds of billions of dollars. This is not to mention the human impact of geo-physical disasters,



and which **killed 1.3 million people** and left **4.4 billion** injured between 1998 and 2017.

Climate change is a global phenomenon, affecting all countries globally. As per SDG 13 which relates to climate action, countries need to address the climate crisis by adopting innovative solutions and investing in low-carbon emissions within industrial development. Today, greenhouse gas emissions are more than 50 percent higher than they were in 1990. The global annual average economic losses from climate-related disasters are in the hundreds of billions of dollars. This is not to mention the human impact of geo-physical disasters, 91 percent of which are climate related, and which killed 1.3 million people and left 4.4 billion injured between 1998 and 2017. As Pakistan moves

towards higher levels of industrialization, infrastructure development and urbanization, there is a dire need to mobilize resources to address climate change and invest in low-carbon development.<sup>43</sup>

Pakistan makes a tiny contribution to global greenhouse gas (GHG) emissions - among the lowest in the world - but it also is among the countries most vulnerable to climate change. At the same time, Pakistan has low technical and financial capacity to adapt to the adverse impacts of climate change. The country is working on a strategy that aims to conserve energy, improve energy efficiency, promote the use of electric vehicles, and scale up forestation to support global efforts towards a reduction in greenhouse gas emissions. Under the leadership of Prime Minister Imran Khan, the Ministry of Climate Change is devising and implementing appropriate adaptation measures to ensure water, food, and energy security for the country, as well as to minimize the impact of natural disasters on human life, health, and property. Apart from the Government's green agenda, UNDP Pakistan has been supporting the government's 'enhancing resilience against Climate Change' agenda with bilateral financing. The bilateral support is provided by the Governments of Japan, United Kingdom (UK) and Italy whereas the projects include 'Disaster Risk Reduction in Pakistan'; 'Enhancing Earthquake and Tsunami resilience in Pakistan's Coastal Areas'; and 'Improvement of Central Karakoram National Park (CKNP) Management System as Model for Mountain Ecosystems in Northern Pakistan.

Over the past ten years, Pakistan has made a number of institutional changes to mainstream climate change as a key priority. The most prominent of these are the enactment of the Climate Change Act; the establishment of a dedicated ministry for climate change. The United Nations Development Programme (UNDP) in Pakistan has extended support to the Govt of Pakistan in development of a National Climate Change Policy (NCCP) 2012 (being updated in 2021); the Framework for Implementation of NCCP 2013; and the completion of a Climate Public Expenditure and Institutional Review (CPEIR) 2015; and the 2017 CPEIR update.

### Life on land

SDG 15 refers to life on land. In pursuit of this goal, Pakistan has initiated a flagship 'Ten Billion Tree Tsunami Program' that aims to enhance the country's forest cover and restore the forest landscapes for regaining ecological integrity and enhancing human wellbeing in deforested or degraded landscapes across Pakistan. This program has been acknowledged globally and is under rapid implementation. Sufficient budgetary allocations have been made to meet the target of one percent forestation every year, and to equip the local population with the knowledge and tools necessary for disaster risk

<sup>43</sup> 'Sustainable Development Goals | United Nations Development Programme', accessed 19 June 2021, [https://www.undp.org/sustainable-development-goals?utm\\_source=EN&utm\\_medium=GSR&utm\\_content=US\\_UNDP\\_PaidSearch\\_Brand\\_English&utm\\_campaign=CENTRAL&c\\_src=CENTRAL&c\\_src2=GSR&gclid=CjwKCAjwiLGGbHAqEiwAgq3q\\_IzNyfGThUmmxL4o4NiH8bZ\\_P8\\_yLGyjomxqzSjxhBzylgHmDQM5hRoCEjcQAvD\\_BwE#climate-action](https://www.undp.org/sustainable-development-goals?utm_source=EN&utm_medium=GSR&utm_content=US_UNDP_PaidSearch_Brand_English&utm_campaign=CENTRAL&c_src=CENTRAL&c_src2=GSR&gclid=CjwKCAjwiLGGbHAqEiwAgq3q_IzNyfGThUmmxL4o4NiH8bZ_P8_yLGyjomxqzSjxhBzylgHmDQM5hRoCEjcQAvD_BwE#climate-action).

reduction. The total budgetary allocation for the forest component is PKR 109.38 billion, with PKR. 15.59 billion being allocated towards the wildlife component from 2019-2023.<sup>44</sup>

The United Nations Development Programme (UNDP) in Pakistan has been extensively supporting the Government's green agenda and substantially contributed towards Ten Billion Tree Tsunami Program with its various initiatives including Sustainable Forest Management (SFM) project, Sustainable Land Management Programme (phased out in Dec 2020), Scaling up of Glacial Lake Outbursts Floods in Northern Pakistan (GLOF-II). UNDP is also supporting the Govt of Pakistan in establishing an integrated Environmental Information Management System (EIMS) through a project called 'Generating Global Environment Benefits from Improved Decision Making in Pakistan'. All these initiatives are supported by Vertical Funds (VF)/ Global Environment Facility (GEF)/ Green Climate Fund (GCF). In partnership with UNDP, the Government also came up with a Pakistan Climate Change Financing Framework in 2017 that focuses on financial management and governance reforms to ensure medium-term financing for climate change initiatives. As per the framework, sectoral policies can be an important entry point to identify financing options relating to climate change adaptation in various sectors. The framework recommends that it is possible when synchronized and strategic planning processes are undertaken at the national, sectoral and provincial levels.<sup>45</sup> Investments in the climate sector will not only impact the core SDG, but also SDG 3 – ensuring healthy lives and promoting wellbeing for all, at all ages; SDG 15 – restoring of the terrestrial ecosystem; and SDG 14 – the conservation and sustainable use of the oceans, seas, and marine sources for sustainable development. Recently, Pakistan successfully hosted the World Climate Day and gained support from global leaders and leading international institutions.



With the government's keen focus on climate change mitigation, Pakistan is now on an environmentally resilient pathway towards sustainable growth. As part of its climate-resilient growth initiatives, the Government is also aiming to establish a Nature Performance Bond with a defined set of ambitious ecosystem restoration targets to provide Pakistan with accelerated access to finance for development. The Government will be supported by the governments of UK, Canada, and Germany, who have shown a keen interest in further dialogue on the modalities of a Nature Performance Bond that could enable green recovery and accelerate natural capital restoration action in the country. This bond will be developed

44 'Ministry of Climate Change', accessed 17 June 2021, <http://www.mocc.gov.pk/ProjectDetail/M2QzOWJmMjUtZTU3MC00NmFkLWE4YmMtZDFhMmRlOGU2NGRh>.

45 'Pakistan Climate Change Financing Framework: A Road Map to Systemically Mainstream Climate Change into Public Economic and Financial Management | UNDP Climate Change Adaptation', accessed 20 June 2021, <https://www.adaptation-undp.org/resources/reports-and-publications-relevance-country-teams/pakistan-climate-change-financing>.

by a consortium of financial advisors consistent with market conditions, thereby creating an enabling environment for private sector finance as well as for non-traditional development partners to work towards sustainable development. UNDP and the Govt of Pakistan are also exploring avenues of partnership to strengthen the country's economy in 'Blue Carbon' especially in the country's coastal regions.

### Renewables and alternate energy

The country's climate adaptation needs range between USD 7 billion and USD 14 billion a year, according to Pakistan's Intended Nationally Determined Contribution.<sup>46</sup> Pakistan is working towards a multi-dimensional financing strategy to achieve this ambitious goal, which requires well-designed policies to tap local and international green finance available for energy efficiency, climate change adaptation, waste management, and other sustainable energy investments. In addition to global financing and borrowing from multilateral development banks, Water and Power Development Authority, Pakistan has recently successfully floated USD 500 million Green Bonds, called the Indus Bond through the international capital market.<sup>47</sup> **Box 4** explains the framework of Green Bonds. The space for private sector investments is huge, and the Government will provide facilitation and regulatory flexibility for private capital to support this challenging sector.

The Indus Bonds will be utilized for renewable energy projects, specifically Hydropower or Wind Power electricity generation projects with a carbon intensity of less than 100g CO<sub>2</sub>e/KWh, subject to independent environmental and social risk monitoring and mitigation. The utilization is also extended towards the financing of climate change adaptation projects, such as Flood Control and Prevention Systems projects supported by independent technical engineering, design and hydrological studies.

## Box 04

### Pakistan's First Green Bonds



#### “Water and Power Development Authority's Indus Bonds”

Pakistan launched the country's first green Eurobond, called the Indus Bond, by the Water and Power Development Authority (WAPDA). This aims to meet the financial needs of the construction of Diamer Bhasha and Mohmand dams. The bond has been floated for 10 years to raise USD 500 million at a competitive price of about a 7.5 per cent interest rate.

This bond is a step towards a business model that is more sustainable, and focuses on a lower-carbon economy in Pakistan, reflecting significant changes in the current investment portfolio and future investments. As per the Indus Bond Framework, WAPDA further believes that the technologies and assets it is investing in will help achieve the United Nations' Sustainable Development Goals, and contribute to delivering the objectives of the Paris Agreement. WAPDA recognizes the need for facilitation towards a transition to a more sustainable, lower-carbon economic model, and has therefore decided to issue a Green Bond to allow investors an opportunity to support its business model and investment plans.

Source: Water and Power Development Authority<sup>48</sup>

<sup>46</sup> <https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Pakistan/1/Pak-INDC.pdf>

<sup>47</sup> 'PM's Address to the Launching Ceremony of WAPDA's Debut Green Euro (Indus Bond) for Construction of Diamer Basha and Mohmand Dams', accessed 13 June 2021, <http://wapda.gov.pk/index.php/newsmedia/news-views/582-pakistan-s-first-green-eurobond-launched-to-finance-diamer-mohmand-dams>.

<sup>48</sup> Ibid



Investments in the renewable energy sector will not only impact the core SDG 7 - affordable and clean energy - but also SDG 8, which focuses on inclusive and sustainable economic growth, productive employment, and decent work for all. UNDP Pakistan also assisted the Ministry of Planning, Development and Reforms, Govt of Pakistan in developing an 'Investment Prospectus' and 'National Action Plan' in 2019/2020 under its 'Sustainable Energy for All' initiative.

Furthermore, Pakistan has tremendous potential to generate solar and wind power. According to the World Bank, utilizing just 0.071 percent of the country's area for solar photovoltaic (solar PV) power generation would meet Pakistan's current electricity demand. In addition, wind is also an abundant resource to supplement this renewable mix. Pakistan has several well-known wind corridors and average wind speeds of 7.87 m/s in 10 percent of its windiest areas. However, despite a number of successful projects, the installed capacity of solar and wind energy in Pakistan, at just over 1,500 Megawatts, is just 4 percent of the total capacity - equal to around 2 percent of total generation.<sup>49</sup> To achieve such targets, a massive and immediate expansion of solar and wind energy is required through competitive bidding in order to decrease prices. Efforts to reduce power generation from uneconomical thermal plants (in particular heavy fuel oil) and continued investment in hydropower must continue as well. Pakistan is actively seeking investments around this shift to renewable energy. In this context, during the SDG Investment Fair 2021, two such projects were introduced to solicit investment. These projects are the Naran Hydropower Project and the Batakundi Hydropower Project (see Annex I for details).

Pakistan has experienced significant growth in small-scale power generation, such as from solar rooftop photovoltaic installations. The scaling up solar power offers huge opportunities in Pakistan, including the manufacturing of solar panels, medium-sized industrial solutions, and the conversion of universities and state offices from expensive fuel-based power to solar energy. At the SDG Investment Fair 2021, the Government of Pakistan presented a project on the Silicon Solar PV Panel Fabrication Facility, which is one of the pioneering projects in the field (see Annex I for details). The over 40,000 villages, which are far away and therefore costly to extend the grid to, are prime candidates for village electrification using Solar Home Systems (SHS). In addition, there is a big market for investors in Solar Water Heaters and Geothermal Heat Pumps in the domestic and industrial sectors, as only 22 percent of the population has access to piped natural gas. This could also be used productively in agriculture. Solar Powered Efficient Pumps could replace the 260,000 water pumps (tube-wells) with a sanctioned load of over 2,500 MW operated with electricity, and another 850,000 Diesel Water Pumps that consume 72,000 ToE of Diesel annually.

The National Energy Efficiency and Conservation Authority (NEECA), which is planning and implementing these strategies, is aiming for 3 MToE (million tons of oil equivalents) of power saving by 2023. This is being done through its Strategic Plan (2020-2023). In this context, Pakistan has the potential to store between 10 to 15 percent (10-12 MToE) of primary energy supply via power performance.<sup>50</sup>

## **Water, sanitation, and waste management**

Pakistan has a total water storage capacity of 13.68 million acres' feet (MAF) for thirty days, which makes Pakistan a water stressed country. Currently, the country can store only 10 percent of its annual river flows against the world average of 40 percent. Instead of increasing water storage capacity, Pakistan has lost about one-fourth of the storage in its dams. The Government plans to add another 10 MAF in this capacity during 2021-2022. In order to overcome water scarcity, and for an enhanced storage

49 'Expanding Renewable Energy in Pakistan's Electricity Mix', Text/HTML, World Bank, accessed 20 June 2021, <https://www.worldbank.org/en/news/feature/2020/11/09/a-renewable-energy-future-for-pakistans-power-system>.

50 'National Energy Efficiency & Conservation Authority', accessed 20 June 2021, <https://neeca.gov.pk/TopStoryDetail>.

capacity, two large water reservoirs (Diamer Basha and Mohmand dams) are under construction. In addition, plans for over 500 small and medium dams have been initiated throughout the country.<sup>51</sup> The Government is actively looking for private investments in small-scale hydro projects, which are vital for the availability of water for both agriculture and daily use.



This is all connected to SDG 11, which relates to sustainable cities and communities, includes targets which focus on reducing the adverse environmental impact of cities, and paying special attention to the quality of air and other waste management issues. Similarly, SDG 12 includes the targets focused on the environmentally sound management of waste through prevention, reduction and recycling of waste.

Pakistan generates about 48.5 million tons of solid waste a year, which has been increasing more than 2 percent annually. Like other developing countries, Pakistan lacks waste management infrastructure, creating serious environmental problems. Most municipal waste is either burned, dumped or buried on vacant lots, threatening the health and welfare of the general population. The Government of Pakistan (GOP) estimates that 87,000 tons of solid waste is generated per day, mostly from major metropolitan areas. Karachi, Pakistan's largest city, generates more than 13,500 tons of municipal waste daily. All major cities face enormous challenges on how to manage urban waste. Bureaucratic hurdles, lack of urban planning, inadequate waste management equipment, and low public awareness contribute to the problem.

In the existing scenario, local and municipal governments are responsible for collecting waste throughout most of Pakistan's major cities. About 60-70 percent of solid waste in the cities is collected. The waste collection fleet typically consists of handcarts and donkey pull-carts for primary collection; then open trucks, tractor/trolley systems, and arm roll containers/trucks for secondary collection and transport. Some municipalities hire street sweepers and sanitary workers to augment other collection methods. They use wheelbarrows and brooms to collect solid waste from small heaps and dustbins, then store it in formal and informal depots. The specialized services for waste management are either high in cost or unavailable in the current system.

Karachi, Pakistan's largest city, utilizes three sanitary landfill sites, while Lahore, the country's second-largest city, has two. Other major cities plan to build proper landfill sites. In many areas, solid waste is simply dumped outside the city limits. Solid waste management capabilities and systems vary by province. In Punjab, Lahore is the only city with a proper solid waste management, treatment and disposal system, which was outsourced to international companies. Similar systems are planned for other big Punjab cities. In Sindh, the Asian Development Bank's (ADB) Infrastructure and Service Delivery Reform Program has provided \$400 million to the Sindh Cities Improvement Investment Program (SCIP), which aims to improve solid waste management services in 20 secondary cities, and has issued tenders for a wide range of waste management projects (Source: Government of Sindh, <http://scip.gos.pk/website>; <http://scip.gos.pk/eoi.php>). In Khyber Pakhtunkhwa, the Water and Sanitation Services Peshawar (WSSP) is planning to build a sanitary landfill. Balochistan, with a population of 6.9 million, has no significant infrastructure for waste management system.

Much of Pakistan's solid waste does not reach final disposal sites. In developed countries, most solid waste generated winds up in landfills, incinerators, or other recycling centers. In Pakistan, much of the waste generated is recovered for recycling, mostly by scavengers, before it ever reaches disposal points.

In terms of opportunities, the market has shown a positive trend for FDI as it provides more business opportunities in the solid waste management sector. The National Electric Power Regulatory Authority (NEPRA) has announced a Competitive Upfront Tariff of USD 10007/kWh for waste-to-energy projects based on a 25-year operational period, with an overall capacity cap of 250MW. Investments in these

<sup>51</sup> The Newspaper's Staff Reporter, 'Country's Water Storage Capacity on the Decline', DAWN.COM, 16 February 2021, <https://www.dawn.com/news/1607566>.

SDGs will not only impact the core SDG but will also positively impact SDG 3 - ensuring a healthy life and promoting the wellbeing for all, at all ages, as well as SDG 15 - promoting the sustainability of the terrestrial ecosystem. There is a dire need for infrastructure, that too modern and green infrastructure that supports the transition of low carbon emitting vehicle industry, renewable energy and waste management.<sup>52</sup>

### Transition to low carbon emissions

The Government of Pakistan has been rigorously introducing environment-friendly policies and specific interventions that engage markets to investing in low-hydrocarbon use. In this context, one major transition has been towards electric vehicles. The introduction of electric vehicles will change the automotive market in the country, capturing up to 30 percent of the market by 2030.<sup>53</sup> As for the general automotive market, the production and sales have both grown by 171 percent and 172.5 percent respectively between 2014 and 2018, all of which has been fuelled by the Automotive Development Policy introduced in 2016.<sup>54</sup> Another reason for this shift from a fossil fuel-heavy automotive industry to electric and hybrid cars is to reduce the import bill contribution of fuel.

An Electric Vehicle and New Technology Policy 2020-25 (**Box 5**) has been drafted, which will be put into practice after consultation. Currently, with an estimated Foreign Direct Investment of PKR 663 million, and local investments worth PKR 637 million, MG JW Automobile will establish an electric car manufacturing plant. MG JW Automobile (MG Pakistan) is a joint venture between JW-SEZ (Private) Limited and SMIL, which is a subsidiary of SAIC Motor Corporation Limited. SAIC is a Chinese state-owned automotive design and manufacturing company headquartered in Shanghai with multinational operations.<sup>55</sup>

## Box 05

### Key Features of Electric Vehicle Policy



The key features of Pakistan's National Electric Vehicle Policy (NEVP) are as follows:

**Lower GST:** Manufacturers, assemblers, and suppliers in the EV and related infrastructure industries will benefit from lower taxes – 1% GST for EVs as opposed to 17% for regular vehicles. The import duty for charging equipment is also being slashed to 1%.

**EV Market Capture:** The NEVP envisages that electric vehicles would capture 30% of all the passenger vehicle and heavy-duty truck sales by 2030, and 90% by 2040. It sets even more ambitious goals for two- and three-wheelers and buses; 50% of new sales by 2030 and 90% by 2040.

**Infrastructure Development:** The new policy imposes a miniscule 1% import duty on importing charging equipment. It further incentivizes EVs by having a lower power tariff for charging stations.

**Incentives to Manufacturers:** In the new NEVP, 0% Custom Duty and Taxes (income tax & sales tax) on imports of machinery & equipment for EVs for both new and existing manufacturers. Furthermore, the State Bank would offer lower rate financing for EV manufacturing

Source: Engineering Development Board<sup>56</sup>

52 Pakistan-Country Commercial Guide available at Pakistan - Waste Management (trade.gov)

53 'Electric Vehicle Policy – EDB', accessed 19 June 2021, <http://engineeringpakistan.com/electric-vehicle-policy/>.

54 'Automobiles | Board Of Investment', accessed 19 June 2021, <https://invest.gov.pk/automobiles>.

55 'Chinese Firm to Set up EV Plant in Pakistan', The Express Tribune, 13 March 2021, <http://tribune.com.pk/story/2289222/chinese-firm-to-set-up-ev-plant-in-pakistan>.

56 Electric Vehicle Policy – EDB', accessed 19 June 2021, <http://engineeringpakistan.com/electric-vehicle-policy/>.

Furthermore, advancing government's agenda on reducing carbon emission, National Energy Efficiency & Conservation Authority (NEECA) and Ministry of Climate Change are working with All Pakistan Brick Kiln Owners Association and International Centre for Integrated Mountain Development (ICIMOD) to explore the cost effective, energy efficient and environment friendly technologies for informal Brick Sector of Pakistan. NEECA has conducted training for the association and stakeholders. The trainings cover topics like, modifying of existing kilns to zigzag kilns, clay preparation, brick firing, fuel and combustion, field level training etc. About two Hundred Brick Kiln Owners were imparted classroom/practical training. The new brick kiln was also made operational during the training program.

Onsite trainings on Energy Efficient brick kilns were given to about 3000 brick kiln owners from different regions of Pakistan. Many owners have started modifying their brick kilns now for which further technical support is being given by the NEECA. More than 1000 energy efficient Zig-Zag Kilns have been constructed so far and many are under construction. The manual for operations of Zig Zag kilns was translated and disseminated together with all stakeholders among the members of All Pakistan Brick Kilns Owners Association.

On averaged, a new Brick Kiln construction costs around 25-30 million Rupees but modifications of such new and existing kilns on a zigzag pattern costs 2-3 million and now even less than 1 million are required for retrofitting. The modification has resulted into about 30-40 % Fuel Reduction leading up to 70 % emissions reduction and 2-3 times increase in production with more than 90 percent improved brick quality of A-Grade. Many Brick Kiln Owners are ready to modify their kilns now and this is a revolution in Pakistan towards mitigating GHG emissions. If all Brick Kilns i.e. 18K-20K switch to the new design, this will reduce annual consumption of Coal from 3 million Tonnes (as per HDIP Energy Year Book) to 1.8 Million Tonnes of Coal annually, a reduction of 1.2 million Tonnes Coal).

## Investment Opportunities in a Clean and Green Environment

### **A case for private sector investments for climate adaptation**

Looking at global trends, the private sector's contribution to Climate Action has predominantly centred on risk mitigation with investments in renewable technologies, clean energy, the transport sector, and conservation of natural endowments. For instance, the Clean Development Mechanism (CDM) under the Kyoto Protocol established the first global carbon crediting scheme which provided a platform for calculating certified emission reductions (CERs) and converting them into carbon credits. Benefits of CDM platform include investment in climate change mitigation projects in developing countries, transfer or diffusion of technology in the host countries, as well as improvement in the livelihood of communities through the creation of employment or increased economic activity. Till 2018, more than 7000 projects were registered across 140 countries under the CDM. Almost two billion tonnes of carbon dioxide were reduced in the developing countries with many more important energy efficient projects across the globe being undertaken. Following this, the government in Pakistan has taken a leadership role by prioritizing greening the economy. It is time to develop a strategic framework for the private sector's participation in financing climate actions. The following areas are critical for structuring public-private partnerships to reduce climate related risks to the economy.

Firstly, there has been a lot of emphasis on energy infrastructure development due to severe power shortages in the past. Several new power generation projects have been commissioned during the past five years to ensure an uninterrupted supply of electricity to industrial, commercial and household consumers. However, this effort led to rather expensive furnace oil-based electricity generation and a few coal-based plants. According to the Economic Survey of Pakistan (2020-21), the electricity based on residual furnace oil carries a 16.8% share in the energy mix; the coal-based electricity share stands at 12.8% percent; and the share of electricity generated by natural gas stands at 12.2%. The contribution of renewable energy remains less than 5% in the overall energy mix. The good news is that the share

of hydro power has gone up to 30% and fuel-based power generation is on a declining trend. This situation demands for raising resources for the conversion of hazardous power plants to low carbon emission technologies. Similarly, the sunny weather conditions in Pakistan make it an ideal location for the expansion of solar energy. The government is quite willing to create a window for subsidized financing for this transition. What is required is adequate knowledge, compatible technologies, and tailored financing solutions to ensure sustainable growth in the energy sector.

Secondly, Pakistan is investing heavily in improving regional transport connectivity under CPEC. The sales of vehicles have shown a significant increase during the past two years. The transport infrastructure plays an imperative role in a country's growth and overall progress. At the same time, it causes environmental degradation due to the extensive use of fossil fuels. The transport sector in Pakistan is largely dependent on non-renewable energy sources (oil, coal, and gas), which are hazardous to air quality. As mentioned in this chapter, the government is encouraging a shift towards electric vehicles to reduce dependence on oil. However, huge financing is required for laying the requisite infrastructure, production of parts and technical know-how to make this switch. The private auto sector companies need incentives to switch to hybrid and then electric vehicle manufacturing in Pakistan. A whole range of financial instruments are needed to fast track this transition. Some of these include project financing in existing units, auto leasing for environment friendly vehicles, charging stations and auto workshop equipment.

In addition to a transition to electric vehicles, the Government of Pakistan considering the connectivity projects strategic in nature have shifted a gear to ensure that such projects are green corridors. The current coal power projects are equipped with state-of-the-art technology along the corridor, the adjoining communities also benefit in terms of health, education and provision of livelihood.

The third area of vital importance is responsible urban planning and tourism development. The government is giving massive fiscal incentives to the construction and tourism industry. As a result, Pakistan is seeing a construction boom and hotel occupancy has been substantially increased to cater to a large number of local and international tourists. There are serious dangers of deforestation, lapses in conservation of historic sites and a substantial increase in carbon emissions due to weak regulation. The Prime Minister is keen to promote responsible tourism, but this would require huge investments by the private sector in sustainable housing, transport and urban planning. For a populous country like Pakistan, this sector offers huge potential for private investment to demonstrate responsible and sustainable development.

A pool of Green Financing needs to be structured for both debt and equity financing in priority sectors as mentioned above, and many others like the new Specialized Economic Zones and construction of small dams for water conservation. It will be useful for the Government to take a lead and set up a development financing institution for climate financing with the help of multi-lateral institutions and impact investors. **Table 3** shows Pakistan's investment opportunities with reference to a clean and green environment.

The private sector in Pakistan has stepped up further to create a market for financing sustainable and green businesses. One such example of development assistance through private sector is that of Karandaaz. As part of the UK's Foreign Commonwealth and Development Office's Sustainable Energy and Economic Development (SEED) programme, Karandaaz will be investing over USD 20 million to promote renewable energy generation and efficiency in Pakistani businesses. The programme will work with firms, businesses, and financial institutions to demonstrate the financial viability of enhancing investments in clean energy and energy efficiency improvements.<sup>57</sup>

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57 'UK-Funded Karandaaz to Promote Sustainable Energy and Economic Development', Karandaaz Pakistan (blog), 7 August 2019, <https://karandaaz.com.pk/media-center/news-events/uk-funded-karandaaz-promote-sustainable-energy-economic-development/>.

**Table 3: Investment Opportunities in a Clean and Green Environment (Renewable Energy, Water Sanitation and Waste Management, and Low-carbon Emission Vehicles)**

Sector and SDG	Investment Opportunity
<b>Automobile</b>	
  <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation SDG 9</p> <p>Make cities and human settlements inclusive, safe, resilient and sustainable SDG 11</p>	<ol style="list-style-type: none"> <li>1. Electric Vehicle</li> <li>2. Support infrastructure</li> </ol>
<b>Renewable Energy</b>	
  <p>Ensure Access to affordable , reliable; sustainable and modern energy for all SDG 7</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all SDG 8</p>	<ol style="list-style-type: none"> <li>1. Solar Panels / Photovoltaic Panels</li> <li>2. Dry Batteries</li> <li>3. Inverters</li> <li>4. Wind Farm Equipment (especially turbines)</li> <li>5. Biomass Boilers</li> <li>6. Transmission Equipment</li> <li>7. Distribution Equipment</li> <li>8. Biogas Equipment</li> <li>9. Technical Consultancy</li> </ol>
<b>Water Sanitation and Waste Management</b>	
   <p>Ensure availability and sustainable management of water and sanitation for all SDG 6</p> <p>Ensuring healthy life and promote wellbeing for all at all ages SDG 3 and Sustainability of terrestrial ecosystem SDG 15</p>	<ol style="list-style-type: none"> <li>1. Equipment : Waste Collection and transportation</li> <li>2. Chemicals : To remove waste odour for open landfill sites all-over the country</li> <li>3. Instrumentation</li> <li>4. Waste to energy plants and equipments</li> <li>5. Waste recycling plants</li> <li>6. Biohazard Waste Equipment</li> <li>7. Industrial and municipal wastewater treatment machineries</li> </ol>



# 4

## OTHER PRIORITY SECTORS AND SUB-SECTORS

In order to achieve Agenda 2030, the SDG-aligned priority sectors and sub-sectors that must be focused on include transportation and logistics, technology and communication, and healthcare and education.



Pakistan's physical and social infrastructure needs are crucial to sustain the required levels of economic growth. There needs to be a systematic effort to prioritize SDG-related sectors to strengthen human development indicators, and raise them to the levels of emerging Asia.

**Keeping in mind the Government's policy priorities discussed in the chapter 2 and their closest alignment with Sustainable Development Goals, this report includes the following priority sectors:**

- **Transportation and logistics**
- **Technology and communication**
- **Healthcare and education**

## Transportation and Logistics



Investment in infrastructure and innovation are crucial drivers of economic growth. Therefore, the development of the transport and communication sector will not only impact SDG 9 - Industry, innovation, and infrastructure, but also SDG 11 – to make cities and human settlements inclusive, safe, resilient, and sustainable

With more than half the world's population now living in cities, mass transport and renewable energy are becoming ever more important, as are the growth of new industries and information and communication technologies. Technological progress is also key to finding lasting solutions to both economic and environmental challenges, such as providing new jobs and promoting energy efficiency. Promoting sustainable industries, and investing in scientific research and innovation, are all important ways to facilitate sustainable development. One of the targets of this goal is to develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

Effective and well-functioning transport and logistics sectors are critical for sustainable economic growth in any country. The Government of Pakistan is linking economic and urban clusters with domestic and regional markets to broaden economic opportunities. As per the Pakistan Economic Survey 2019-2020, Pakistan ranks 21<sup>st</sup> globally on the Quality of Roads Index for its length of road networks (at 263,775 km for roads and 13,000 km for national highways and motorways). The country is ranked below the global average and government is aiming to improve its ranking significantly with the construction of new economic connectivity projects, especially under the China Pakistan Economic Corridor (CPEC). Enhanced transport connectivity is also linked with poverty reduction and better welfare gains as a result of improving poor people's access to economic opportunities, lowering the cost of goods and services they consume, and providing better access to essential infrastructure services.

The China Pakistan Economic Corridor program is implementing seven projects, five of which are for road connectivity and two geared towards railways. Through its investments in infrastructure, the economic corridor aims for sustainable economic growth by enhancing regional connectivity. There are proposed Economic Zones along the route of the corridor, which can be used for investments in smaller projects that lie within the corridor.<sup>58</sup>

In the context of highways for strategic connectivity, Pakistan's National Highway Authority (NHA) is responsible for building and maintaining major intercity road networks. In addition to connecting Gwadar port in the south of Pakistan with Western China, NHA is prioritizing the connectivity of SME clusters and lagging districts with developed markets and urban areas. For instance, the work on the Sialkot to Rawalpindi motorway is planned to start this year. This strategic motorway will connect Pakistan's largest SME hubs with major markets and will reduce the cost of doing business, as well as

<sup>58</sup> 'Infrastructure | China-Pakistan Economic Corridor (CPEC) Official Website', accessed 19 June 2021, <http://cpec.gov.pk/infrastructure>.

the load on rural urban migration. For this project alone, the government has received three bids as the project will be carried out in a PPP.<sup>59</sup> NHA is an established independent statutory authority with decades of professional experience in managing highways. Similar to the Sialkot to Rawalpindi motorway, private sector investors are invited to participate in such strategic infrastructure projects wherein income streams are guaranteed through securitizing toll receivables. In this context, during the SDG investment Fair 2021, two such projects were introduced to solicit investments. These projects are the Sialkot-Kharian-Rawalpindi Motorway Phase I and Phase II (see Annex I for details).

CPEC offers fantastic opportunities to both local and international investors to set up trade and transport logistic services to support this regional connectivity initiative. Warehousing, goods transport, rest areas, and energy sector opportunities offer high returns on investments. Specialized Economic Zones (SEZs) are also being developed under CPEC. These zones will specifically target export-oriented industries in partnership with international investors. It is pertinent to note that these economic zones are open to all investors and offer uniform incentives. Investors can look into the possibility of setting up economic zones and joint venture opportunities with existing investors. In the context of trade and transport through the lens of supply chain management, investments are invited in warehousing and cold chain logistics. In the context of transportation, Pakistan is soliciting investments in urban transport, inter-urban transport, courier services, trucking, international transport, and air freight transportation.<sup>60</sup>

**Box 6** shows how CPEC impacts and opens up other projects within transportation and logistics.

## Box 06

### Transportation and Logistics through CPEC

**Warehouses**

Almost 50% of agricultural products go to waste because of a lack of cold chain logistics and processing facilities. To this end, keeping in view the significance of agrarian products, the Belt and Road Initiative (BRI) outlines a plan in which logistics companies will be operating large storage and transportation systems.

**Storage and Distribution Network**

It was recently unveiled that CPEC plans to build a nationwide logistics and distribution network, and also aims to enlarge the warehousing network. The time period for completion is from 2026 to 2030. In the first phase, storage bases will be built in Islamabad, Gwadar, Lahore, and Karachi. The first storage base will be built in Gwadar, followed by Karachi, Lahore, and Islamabad.

**Transport Network for Accessible routes**

CPEC will open doors to immense economic opportunities, not only in Pakistan but also by physically connecting China to markets in Asia, Europe, and beyond. The trade route from Kashgar, Xinjiang to Gwadar port, Karachi is of great significance and allows China to trade between Europe and Africa with less hurdles and costs. For instance, the distance from Kashgar to Karachi/Gwadar is 3,140 km, taking eight days, reducing the current distance of 9,500 km from Shanghai to Karachi. Pakistan's railway network will also be extended to eventually connect to China's Southern Xinjiang Railway in Kashgar, with the Karachi–Peshawar main railway line also being upgraded.



Source: Board of Investment <sup>61</sup>

59 'NHA Receives Three Bids to Construct Sialkot-Kharian Motorway', accessed 19 June 2021, <https://nation.com.pk/24-May-2021/nha-receives-three-bids-to-construct-sialkot-kharian-motorway>.

60 'Logistics | Board Of Investment', accessed 19 June 2021, <https://invest.gov.pk/logistics>.

61 Ibid.

## Technology and Communication

When discussing infrastructure, it is pertinent to include access to Information and Communications Technology (ICT), as well as investments in ICT to provide universal and affordable access to the internet. Pakistan ranks 111<sup>th</sup> among 136 countries on the Networked Readiness Index (NRI).<sup>62</sup> Investments in digitalization will positively impact SDG 9 - building resilient infrastructure, promoting sustainable industry, and fostering innovation. Additionally, SDG 3 and 4 on health and education and decent job and economic growth will also be positively impacted. Digital Pakistan has been a priority sector of the government of Pakistan, and in accordance with Pakistan Vision 2025 and the Digital Policy of Pakistan 2018, the ICT industry size is targeted to reach USD 20 billion by 2025. Areas for investment in this sub-sector include m-commerce, e-commerce, incubation centres, IT parks, and IT infrastructure. More investment opportunities are discussed in the coming chapters.

Pakistan has more than 2,000 IT companies and call centres, employing more than 300,000 English-speaking IT professionals with expertise in current and emerging IT products and technologies. More than 20,000 IT graduates and engineers are graduating each year, coupled with a rising start-up culture. The plan is to improve the quality of existing IT education in Pakistan, and to expand the network of IT universities and training institutes in the country.

The IT sector is responding to Government's incentives, with the ICT industry's export remittances-including telecom, computer and information services – rising to USD 1.298 billion in the current quarter compared to USD 917.840 million during Jul-Feb of FY 2019-20, after recording a growth of 41.43 percent. Looking ahead, one of the key challenges to the Government is to make a structural shift from an efficiency-based skills to a knowledge-based skills model. Pakistan has recently set up the Technology Parks Authority which will facilitate large-scale IT companies to move to Pakistan. This is a growing investment opportunity for investors to play a role in scaling up knowledge-based skills to enhance productivity in Pakistan.<sup>63</sup>

In this context, during the SDG investment Fair 2021, two such projects were introduced to solicit investment. The projects are the NED technology Park and start-up incubation centres at 20 locations across the country. **Box 7** highlights the need for investments in key socioeconomic areas.

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62 NRI is a ranking of countries on their digital transformation. 'Pakistan', Network Readiness Index, accessed 19 June 2021, <https://networkreadinessindex.org/countries/pakistan/>.

63 'Information Technology | Board Of Investment', accessed 19 June 2021, <https://invest.gov.pk/it-ites>.

# Box 07

## Investments in Key Socioeconomic Areas



### **E-commerce**

E-commerce in Pakistan is expected to generate USD 1 billion by the end of the year. E-commerce companies boast an average of up to 300 percent growth per year.

### **Health**

By offering health services via digital means, e-health can help bridge gaps in healthcare access and availability

### **Education**

With only a 58 percent literacy rate in 2015, and 22.6 million out of school children, Pakistan's education system needs a major overhaul. Digitalization of the education sector can improve both access to and quality of education in the country.

### **Agriculture**

D-Agriculture transforms the way actors in agricultural value chains collect, analyse, store, and share agricultural information for their daily decision making purposes. This leads to greater efficiencies in rural markets through lower transaction costs, less information asymmetries, improved market coordination, and transparent rural markets. It also reduces wastage in various stages from the field-to-fork value chain. D-Agriculture development stimulates investment in both ICT infrastructure and human capital.

Source: Accelerate Digital Pakistan<sup>64</sup>

## Healthcare and Education

The relevant goals here include SDG 3 - ensuring healthy lives and promoting wellbeing for all, at all ages; and SDG 4 - ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all. One of the major targets of both these SDGs is equal access to essential health and education services for the population.

<sup>64</sup> 'Accelerate Digital State', accessed 19 June 2021, <https://digitalpakistan.pk/home.html#publication>.



Investments in the health and education sector will not only impact the core SDGs - 3 and 4 - but will also positively impact SDG 10 - reducing inequality among countries, and SDG 12 - ensuring sustainable consumption and production patterns. Interventions such as digitalization in the education and e-health services will enable the Government to achieve these targets.

Like many other countries, Pakistan's health sector gaps became more visible during the COVID-19 pandemic. The country spends less than 1 percent of its GDP on the health sector, and the availability of per capita doctors, hospital beds, and nurses remains far below the Asian average. **Box 8** gives a snapshot of the health sector in Pakistan.<sup>65</sup> Within this sector, COVID-19 has negatively impacted outcomes covered under SDG 3 on health and wellbeing. The Government's Human Resource for Health initiative is also a priority agenda for the next financial year, as the Government is focusing on strengthening the nursing sector, which is the backbone of the health system. Private sector provision of healthcare is rapidly expanding in both urban and rural areas. The Government is planning specialized health economic zones to attract private capital in this vital sector. In addition, Chinese companies are considering several initiatives in the pharmaceutical and healthcare sectors under CPEC. Given its strategic location and the availability of trained doctors, Pakistan has the potential to become a regional hub of health tourism for western and central Asian countries. One such upcoming investment is in domestic and export production of healthcare equipment under the CPEC Healthcare sector.<sup>66</sup>

## Box 08

### Pakistan's Health Sector Snapshot



The health sector offers SDG-led opportunities with both social and commercial returns in most places. According to the World Health Organization, Pakistan is ranked 66th amongst countries with the highest burden of disease. Despite its heavy burden of communicable as well as non-communicable diseases, Pakistan's expenditure on public health is only 0.91 percent of its Gross Domestic Product. The country has one doctor for 957 people and one hospital bed for 1,580. The government-run hospitals can only cater to 30 percent of population, with private healthcare facilities covering the rest.

Source: World Health Organization

The Ministry of National Health Services has proposed 42 new schemes for financing the health sector in the development budget 2021-22. Some important initiatives are in the areas of improving emergency and response services for COVID-19 and other transmittable diseases.<sup>67</sup>

An area that further supports the health sector in general and associated industries in particular is the medical equipment industry in Pakistan. Pakistan is a long-established actor in the medical devices global value chain (GVC), a multi-billion global dollar industry covering a wide spectrum of products

<sup>65</sup> [Ministry of Finance | Government of Pakistan], accessed 12 June 2021, [https://www.finance.gov.pk/survey\\_2021.html](https://www.finance.gov.pk/survey_2021.html).

<sup>66</sup> Silk Road Briefing, 'Pakistan Opens Special Economic Zones For Healthcare Manufacturing In North Punjab', Silk Road Briefing (blog), 18 March 2021, <https://www.silkroadbriefing.com/news/2021/03/18/pakistan-opens-special-economic-zones-for-healthcare-manufacturing-in-north-punjab/>.

<sup>67</sup> 'Ministry of Planning, Development & Special Initiatives', accessed 16 June 2021, <https://www.pc.gov.pk/web/annualplan/>.



from inexpensive, single-use items such as bandages and dressings, to high-cost, state of the art capital equipment, such as magnetic resonance imaging (MRI) machines. For years, Sialkot, Pakistan has been a traditional global cluster for the export-oriented contract manufacturing of precision metal instruments used in general surgery. Pakistan exports medical instruments across the globe, reaching 107 nations in 2017. It is an important sector as its growth has a two-pronged effect. First, the sector provides effective arrangement to manage non-communicable diseases by making medical equipment available for domestic use (for retail, medical practitioners, and healthcare providers). Secondly, the sector is inviting foreign exchange into the country that helps curtail macroeconomic imbalances.

During the past two years, the Government has made a conscious effort towards promoting the manufacturing of critical medical equipment in Pakistan. As a result, a number of impressive pilot projects have produced ventilators, laboratory equipment, and hospital beds. Most of the locally manufactured healthcare products are now approved by FDA and EU standards. In addition, Pakistan has also started production of COVID-19 and other critical vaccines. These exciting developments have opened this market up for investment, with a huge export potential. Furthermore, during the SDG Investment Fair 2021, Pakistan presented a project on the Medical Devices Development Center for ventilators, syringe pumps, dialysis machines, and patient monitors, an area which is ripe for investment (for details see Annex I).

The Government of Pakistan is committed to expanding its investment to meet the growing demand for quality education. There are roughly 317,000 public and private institutions delivering primary, secondary, and tertiary education to some fifty million students in Pakistan. Of these, public sector institutions accommodate 57 percent of students and the remaining 43 percent are taught by the private sector.<sup>68</sup> With only 1.5 percent of the Gross Domestic Product (GDP) spent on the education sector in 2019-20, Pakistan is faced with a major challenge to provide appropriate education and skills to enhance productivity.

A large number of young people are preparing to enter the job market. Policy interventions to create linkages with advanced curriculums through digital partnerships may help youth develop their skills effectively. More and more online learning platforms are emerging which provide lectures, problem solving, and scientific skills. The greater challenge for Pakistan is to reach out to its marginalized communities who might mistrust digital change. According to Pakistan's Social and Living Standards Survey (PSLM) 2018-19, only 14 percent of all households' own computers/laptops/tablets, 95 percent have mobile phones, and 34 percent have an internet connection. This base needs to be strengthened for the rapid expansion of quality education.

The Government of Pakistan launched its Digital Pakistan program in 2019. The program focuses on developing ownership of the digital economy, establishing a suitable governance structure, and creating platforms to enable the expansion of technology-based services. Proliferation of digital education remains among the top priorities under this ambitious program. According to the vision of Digital Pakistan, the utilization of technology in the education sector will yield transformative benefits for individuals, institutions, and different layers of the Government.

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68 'Pakistan Education Statistics 2016-2017', AEPM, Ministry of Education and Professional Training, <http://library.aepam.edu.pk/Books/Pakistan%20Education%20Statistics%202016-17.pdf>



# 5

## CONDUCTIVE REGULATORY STRUCTURE

Pakistan has been working towards a more hospitable investment climate to help bolster the confidence of investors. The Government's focus on this is evident from the flexible regulatory frameworks and special incentives it offers to priority sectors.

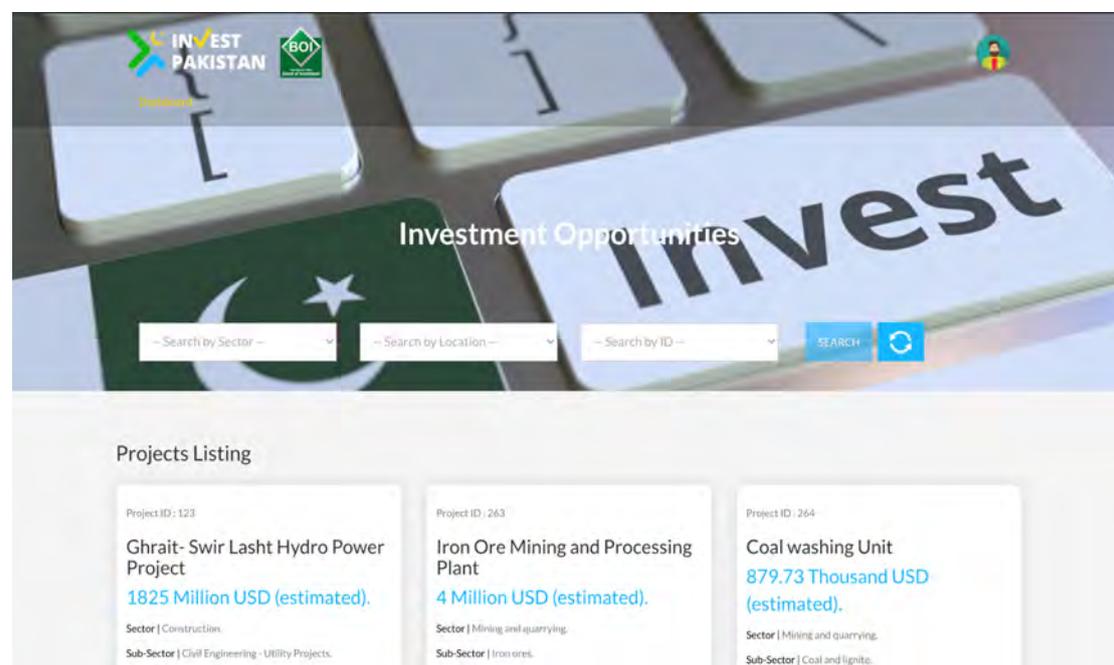


Over the years, the regulatory structure in Pakistan has evolved to enable the smooth functioning of a market-based economy. As a result of a successful privatization and deregulation programme in the 1990s, 80 percent of Pakistan's financial sector is controlled and managed by the private sector. This is in sharp contrast to India, where the state controls and directs financial intermediation.

The private sector can and does bring crucial resources and innovations that are essential to fulfil the Sustainable Development Goals<sup>69</sup>. The two apex regulatory institutions, the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP), are constantly developing supportive regulatory interventions and technology-based solutions to open up spaces to develop finance. However, borrowing remains an easy and preferred option for governments as well as the corporate sector in Pakistan to meet operational and development needs. Neither the capital market nor financial intermediaries have come up with innovative financing solutions for development projects. During the past few years, regulators have started focusing on creating incentives for innovative financing solutions like digital banking, securitized transactions through Special Purpose Vehicles (SPV), bonds, and private equity funds.

## Investment Facilitation

For investment promotion and facilitation, the Board of Investment (BOI) is entrusted with providing one-stop solutions to investors. Recently, BOI has done extensive work to develop a repository of infrastructure and other innovative projects to attract investors' interest. The list of investment projects is available online, and can be searched by sector and location. Similarly, a list of sector-wise incentives has also been made online to ensure that investors have an adequate idea of the incentives in their chosen sector of investment.<sup>70</sup> Furthermore, the process of approval for a foreign company to open a branch or liaison office in Pakistan has also been automated by the Board of Investment.



Source: Board of Investment, Project Information Management System.

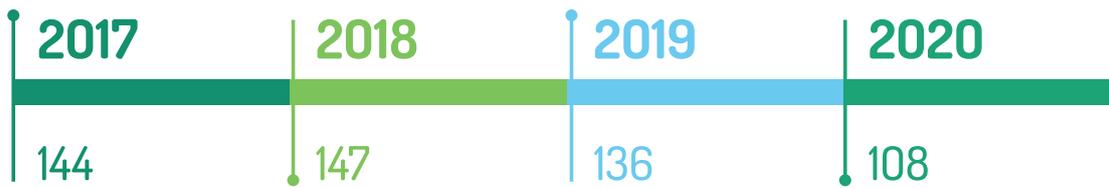
<sup>69</sup> Civicus State of Civil Society Report 2017.

<sup>70</sup> 'BOI PIMS', accessed 20 June 2021, <https://project.gov.pk/pmis/#/>.

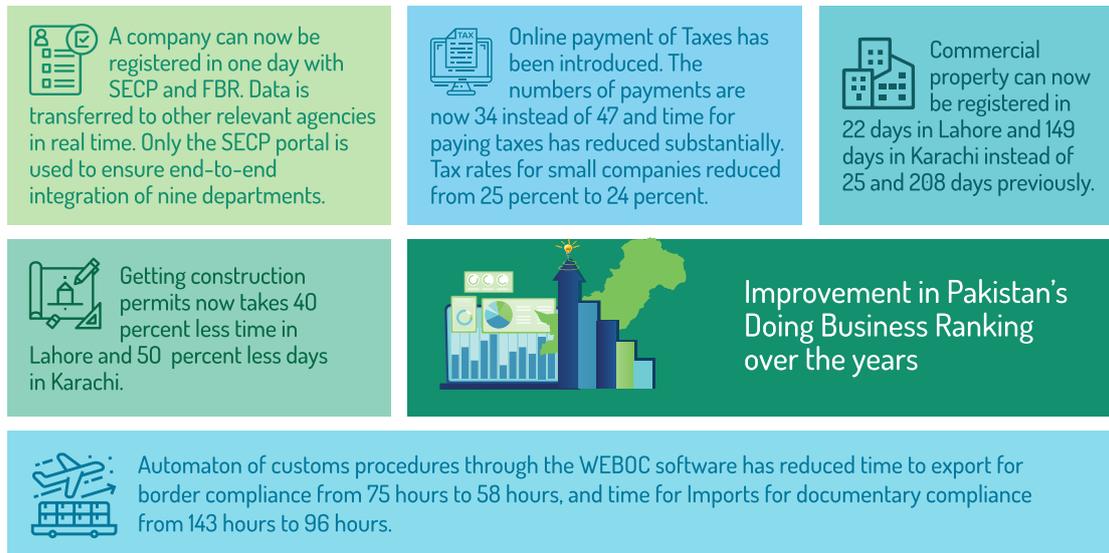
## Regulatory Environment

In terms of the regulatory environment, the country has sustained improvement in the Doing Business ranking of the World Bank. Since 2016, almost 300 reforms have been implemented to improve the investment climate in the country. Consequently, Pakistan improved 39 positions in the EODB ranking in the last two years, and was placed at the 108<sup>th</sup> position. Pakistan was recognized as the top reformer in South Asia, and the sixth best reformer in the world - where Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Kuwait, China, India, and Nigeria were among the top ten. **Figure 8** illustrates Pakistan's improvements in the Doing Business Ranking in 2020.<sup>71</sup>

**Figure 8: Pakistan's Doing Business Ranking**



### Doing Business Rank by Years



Source: Board of Investment.

The Government has made changes in processes, time, and cost of doing business. The regulatory reforms have made company registration, commercial property registration, getting construction permits, and getting a commercial electricity connection easier. Currently, the Government is focused on improving contract enforcement by starting commercial courts and Alternative Dispute Resolution (ADR) mechanisms.<sup>72</sup> **Table 4** shows the regulatory regimes in priority sectors.

<sup>71</sup> 'Ease of Doing Business | Board Of Investment', accessed 20 June 2021, <https://invest.gov.pk/eodb>.

<sup>72</sup> Ibid

**Table 4: Regulatory Regimes in Priority Sectors**

Priority Sector	Regulatory Regime
Clean and Green Environment	National Forest Policy, 2018 National Climate Change Policy 2012 National Sanitation Policy, 2012 Pakistan Climate Change Act 2017 Alternative and Renewable Energy Policy 2019
Transportation and Logistics	National Transport Policy of Pakistan Electric Vehicle Policy (draft) Automotive Development Policy , 2016-2020
Technology and Communication	Public and Private Right of Way Policy Directive, 2020 Digital Pakistan Policy 2018 Telecommunication Policy, 2015 and others Mobile Device Manufacturing Policy, 2021
Healthcare and Education	Health Sector National Health Vision Pakistan 2016-2025 Drug Regulatory Authority of Pakistan (DRAP)'s Licenses  Education Sector Pakistan Education Policy 2021 (in process) National Education Policy Framework 2018 Technical and Vocational Education Training Policy 2018



## Modes of Investment

Based on the context highlighted above, it is important to mention the ways in which the private sector can invest in and support the financing of the priority sectors. The investments can be made by establishing a company, joint venture, or a public-private partnership modality.

### Registering a Company

The regulations around opening new companies in Pakistan have been simplified. The e-services of SECP allow simultaneous registration with Federal Board of Revenue (FBR), Employees Old-Age Benefit Institute (EOBI), and other provincial institutions.<sup>73</sup> Foreign companies are registered online under the Foreign Companies Regulations, 2018.

### Joint Ventures

Joint ventures may be started with either private or public companies. They are an attractive option because many local entrepreneurs have built a substantial market base and seek to combine their knowledge of local markets with foreign capital and technological know-how. The foreign joint venture partner limits its initial country exposure while enjoying the support of a local partner in a new market. Prominent joint ventures have been established in the automobile, fertilizer, electronics and home appliances, financial services, food and consumer products, and energy sectors.<sup>74</sup>

<sup>73</sup> 'Securities & Exchange Commission of Pakistan', accessed 20 June 2021, <https://eservices.secp.gov.pk/eServices/>.

<sup>74</sup> 1, 'Pakistan - Joint Ventures/Licensing', accessed 20 June 2021, <http://www.trade.gov/knowledge-product/pakistan-joint-ventureslicensing>.

## Public-Private Partnership

At the federal level, the Public Private Partnership Authority (PPP Authority) was set up in 2017 under the Public Private Partnership Authority Act, No. VIII of 2017 (2017 PPP Act). The new federal PPP Act is being introduced to create a more facilitative PPP regulatory framework, and make it more amenable to private investment in development projects. The 2020 Ordinance was placed before the Parliament in accordance with the provisions of the Constitution and was passed by the National Assembly on 1 February 2021. The Act mandated the Authority to establish a regulatory framework to attract domestic and foreign private investment in the development of public infrastructure through transparent and fair procurement processes.

At the federal level, the 2020 Ordinance amending the 2017 PPP Act made several noteworthy changes to the law aimed at creating a more facilitative regulatory regime for PPPs. Some key developments include:

- Lowering regulatory approval requirements for certain categories of projects that do not require governmental support.
- Integration of unsolicited proposals (USPs) by private parties in the PPP regime.
- Creation of the project development facility (PDF), a new pool of funds to support the preparation of project proposals.
- Inclusion of the possibility of mediation for purposes of settlement of disputes between the private party and the relevant government agency.
- Creation of a new Public Private Partnership Working Party (P3WP) to review and approve PPP proposals
- Formation of a risk management unit (RMU) to ensure fiscal oversight of all PPP projects.<sup>75</sup>

The Public Private Partnership Authority (P3A) currently has a portfolio of following 47 projects for investors. These projects could qualify for:

- Government funding, including Viability Gap Funding (VGF) to improve the financial viability and bankability of the project.
- Sovereign Guarantee(s) to be issued by the Government.
- P3A Project Development Fund (PDF) support, to meet transaction advisory costs related to the development and procurement of a project on PPP basis.
- Any project prescribed by P3WP or CDWP as a 'Qualified' project.

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<sup>75</sup> 'Public Private Partnership Authority (P3A)', accessed 20 June 2021, <https://www.pppa.gov.pk/>.

**Box 9** shows examples of some active and completed projects in P3A.

# Box 09

## Active and Completed Projects under Public-Private Partnership

**Active Projects**

- Construction of Sukkur Hyderabad Motorway
- Construction of Sialkot Kharran Motorway
- Karachi Circular Railway

**Completed Projects**

- Overlay and modernization of Lahore Islamabad Motorway on Build Operate Transfer (BOT) basis
- Construction of Habibabad Flyover on BOT basis
- Conversion of existing 4-lane super highway into 6-lane Karachi Hyderabad Motorway on BOT basis
- Construction of Lahore Sialkot Motorway on BOT basis



Source: Public Private Partnership Authority<sup>76</sup>

In addition to strong presence of public-private partnerships in infrastructure projects, the social services sector also receives a small share of investments. One such project is in the education sector - the Punjab Education Foundation. Several lessons can be drawn from the PEF experience with public-private partnership (PPP) programs. One of the key lessons is in demand driven PPP programs, as we see in Pakistan. In this way, the private sector can be strongly pro-poor and can increase access to, and quality of, education while also enhancing gender equity. PEF is discussed further in the last chapter.

## Special Initiatives

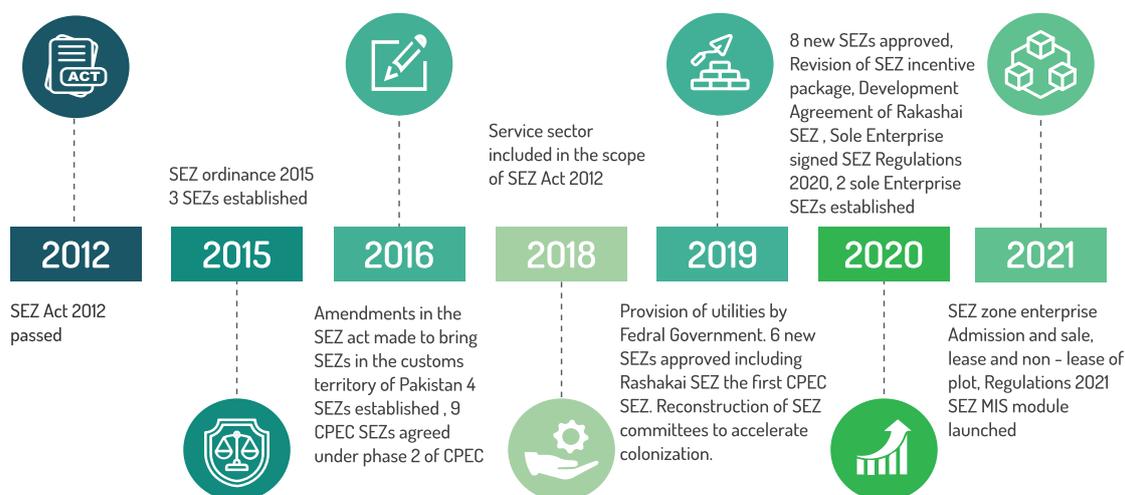
### **Special Economic Zone Framework**

The country's largest initiative for industrialization and investment is the Special Economic Zone (SEZ). To this end, the SEZ Act was first passed in 2012 and later amended in 2016. The Government has recently passed the SEZ Zone Enterprise Admission Regulations, 2021. The minimum land requirement for SEZ is 50 acres (20.23 hectares or 202,343 Sq. m), with no maximum limit. The Board of Investment is the Secretariat for SEZ in Pakistan. **Figure 9** illustrates the SEZ journey of Pakistan.

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<sup>76</sup> Ibid.

**Figure 9: The Special Economic Zone Journey of Pakistan**



Source: Pakistan Economic Survey, 2020-21<sup>77</sup>

There can be three modes to develop SEZ: through the public sector, the private sector, or through public-private partnerships. In this regime, the incentives given to SEZ are:

1. Exemption from income tax for ten years for Zone Developers, Co-developers and Zone Enterprises;
2. One time exemption from all custom-duties and taxes on the import of capital goods to Zone Developers, Co-developers and Zone Enterprises.<sup>78</sup>

In addition to incentives, the Board of Investment has recently launched an online module called the Special Economic Zones Management Information System (SEZMIS). SEZMIS will act as a one-stop shop for investors. It is backed by the legal provisions of the SEZ Act, SEZ Rules, and SEZ Zone Enterprise Admission and Sale, Lease and Sub-Lease of Plot Regulations. The module is enabling the speedy and transparent disposal of zone applications and zone enterprise entry applications. The investors can simply register online and submit their applications, which will automatically be shared with the concerned authorities, thereby ensuring disposal of the said applications.<sup>79</sup>

### Special Technology Zone Authority Act 2021

Pakistan's focus on digitalization and on creating a knowledge-based economy is supported by the new Special Technology Zone (STZ). To start the development of STZs, the STZ Authority (STZA) has been established by an STZA ordinance and in October 2021, the ordinance has been enacted as the STZA Act 2021.<sup>80</sup> The aim of STZA is to foster a national innovation and entrepreneurship ecosystem. The STZ's world-class technology destinations across Pakistan will offer unmatched and extraordinary incentives to investors. Zone Developers are the backbone of the STZs. These are public/private companies that will be responsible for the development, operation, and or management of the whole, or a part of the whole STZ, and licensed by the Authority.

From Article 20: **"Exemptions and Incentives for the Authority and for the zone developers"** and Article 21: **"the Exemptions and Incentives for zone enterprises"**, the following shall be the incentives for the zone enterprises from the date of issuance of license for a period of ten years:

<sup>77</sup> 'Ministry of Finance | Government of Pakistan', accessed 12 June 2021, [https://www.finance.gov.pk/survey\\_2021.html](https://www.finance.gov.pk/survey_2021.html).

<sup>78</sup> 'Special Economic Zone Framework in Pakistan | Board Of Investment', accessed 23 June 2021, <https://invest.gov.pk/sez>.

<sup>79</sup> 'BOI SEZ', accessed 23 June 2021, <https://sezmis.invest.gov.pk/sez/#/>.

<sup>80</sup> 'Special Technology Zones Authority Act, 2021. Gazette of Pakistan', accessed 30th November 2021, <https://stza.gov.pk/wp-content/uploads/2021/10/STZA-Act-2021.pdf>

1. **Tax exemptions:** Exemption from all taxes under the Income Tax Ordinance, 2001 (tax on profits and gains, income tax, turnover tax, withholding tax, capital gains tax, income tax on dividend income and withholding tax on dividend); from sales tax under the Sales Tax Act, 1990; from property tax;
2. **Custom Duty exemptions:** Exemption from Customs Duty under the Customs Act 1969 on the import in Pakistan of all Capital Goods including but not limited to materials, plant, machinery, hardware, equipment and software, devices, instruments, accessories, attachments, building materials, materials and any other equipment required to perform functions of the Authority, zones and zone developers, whether or not manufactured locally, for use in zones;
3. **Other exemptions:** Exemption on dividend income and capital gains of any venture capital fund (whether local or foreign) derived from investments in the zone developers; and permission for opening and maintaining of foreign currency accounts, availability of foreign exchange, full convertibility to foreign currency and repatriation and free transfer of foreign currency to meet the requirements of investors, lenders, contractors, operators, consultants, insurers, re-insurers, vendors and advisors in relation to any compensation amounts, loan repayments, equity and return on equity, profits, works, goods and services in accordance with the foreign exchange regulations of the State Bank of Pakistan for zones.

## Housing and Construction

The Government's has a special focus on the development of low-cost housing and construction. Despite a recent decline in GDP, public sector spending on infrastructure, and Foreign Direct Investment (FDI), the outlook in the construction sector remains positive due to unprecedented reforms carried out by the Government through restructuring, improvements in the regulatory environment, and the introduction of incentives and relief packages. The regime has been eased as the Income Tax Ordinance has been amended to declare the construction sector an industrial undertaking, making it eligible for benefits and concessions available to other industries.

The incentives offered by the Government are:

1. A new fixed tax regime from the tax year 2020 and onwards, for Eligible Builders and Developers.
2. Eligible Developers and Builders shall be exempted from withholding taxes on the purchase of building materials. Dividend income paid to a person by a builder or developer company out of the profits and gains derived from a project shall be exempt from tax and also from tax withholding obligations.
3. Capital gains received by an individual on the sale of residential property (personal/family), house or flat, have been exempted from income tax.

The State Bank of Pakistan (SBP) has made it mandatory for banks to ensure that the financing for housing and the construction of buildings (Residential and Non-Residential) shall be at least 5 percent of their domestic private sector credit by December 2021.<sup>81</sup>

## Tourism and Hospitality

A key initiative of the Government is investment in tourism and hospitality, while protecting environmental and heritage sites. Pakistan is home to a number of UNESCO world heritage sites like the archaeological ruins at Moenjodaro, the Buddhist ruins of Takht-i-Bahi, neighbouring city remains at Sahr-i-Bahlol, the Lahore Fort and Shalimar Gardens in Lahore, as well as the historical monuments at Makli, Thatta, Rohtas Fort and Taxila. **Figure 10** illustrates a snapshot of the country's tourism sector.

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81 'Housing and Construction | Board Of Investment', accessed 23 June 2021, <https://invest.gov.pk/housing-and-construction>.

**Figure 10: A Snapshot of Pakistan's Tourism Sector**



Source: Tourism and Hospitality, Board of Investment

The government offers the following incentives to investors in tourism and hospitality:

1. Reduced duty on prefabricated structures for hotels and on machinery and equipment.
2. Set off losses of companies operating hotels.
3. Tourist visa on arrival.
4. Business visa on arrival.
5. Refinance facility under the Export Finance Scheme for Consultancy Services.<sup>82</sup>

<sup>82</sup> 'TOURISM SECTOR INCENTIVES | Board Of Investment', accessed 22 June 2021, <https://invest.gov.pk/node/1454>.



# 6

## STRONG PRIVATE SECTOR FOOTPRINT

Pakistan's private sector has grown with supportive policies and enabling regulation. The country's vibrant financial market highlights opportunities that can help leverage and manage SDG investments for sustainable development.



Pakistan's economy is driven by the services sector which accounted for 62 percent of the GDP in 2020, and experienced a 5 percent growth during the past ten years. This is quite a significant shift in the economic structure of a country where the agriculture and manufacturing sectors remained major contributors towards the GDP in the first thirty years after its independence in 1947. With the exception of a brief period in early 1970s, the private sector remained the main driver of Pakistan's economy. It owns 100 percent of the textile and telecommunications sectors, and a significant majority in the finance, energy, cement and fertilizers sectors. In this context, Pakistan's liberal investment policy is one of the most attractive in the region<sup>83</sup>. It allows full ownership of companies in many sectors and the unhindered repatriation of profits, capital, and dividends.

The private sector can and does bring crucial resources and innovations that are essential to help society fulfil the agenda of the Sustainable Development Goals<sup>84</sup>. According to UN's Financing for Sustainable Development Report 2020, adequate financial instruments should be implemented and utilized to reduce climate risks and raise resources for SDG investments.<sup>85</sup>

In the context of raising resources for the SDGs in Pakistan, the private sector is both well developed and well positioned. It has been adopting different approaches to engage and influence public policy, in order to improve the business environment and create more space for corporate social responsibility related to SDG investments. Several business groups have initiated impressive programmes to support education, health, and cash transfers. However, most of these initiatives remain individual efforts and are not translated into a collective or sustainable platform. Nonetheless, the private sectors' role is getting more visible in both for-profit as well as not-for-profit areas. The Federal and Provincial Governments both use Public-Private Partnership frameworks to deliver public services.

One of the key innovations in terms of expanding access to services is the rapidly increasing role of digital technology. Pakistan is currently implementing its first digital policy to further encourage the use of digital communication and to reach out to youth who are consistently demanding better services. Financial services dominate this sector and there is a huge room for innovation and diversification within it. The financial sector's regulatory framework is also progressive, and both the SBP and SECP have introduced regulations to facilitate new entrants into the market.

After a slow growth period during the COVID-19 pandemic, Pakistan's economy is showing signs of higher growth, with a projected growth of rate of 6 percent by 2023.<sup>86</sup> The investments under the China-Pakistan Economic Corridor (CPEC) are perhaps the most significant initiative which will define the future shape of Pakistan's private sector. CPEC is one of the priority corridors in China's Belt and Road Initiative (BRI), which will strategically connect western China with the Gwadar port in the southern part of Pakistan. While the overall sentiment on CPEC remains hopeful in Pakistan with a steady growth in the transport, engineering, power, and cement sectors, major challenges exist for the private sector. This because Pakistani companies often have difficulties partnering with large and influential Chinese firms due to less experience, a lack of market knowledge, and poor access to finance.

In Pakistan, the private sectors' participation has remained mixed in the non-profit sector. On the one hand, private businesses have heavily invested in the education and health sectors, but on the other hand, their role in development has remained limited to a few large corporate social responsibility initiatives. This has a lot to do with the continued dichotomy in government policies towards the non-

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83 The Asian Development Bank: Private sector assessment in Pakistan, 2018.

84 Civicus State of Civil Society Report 2017.

85 United Nations, Inter-agency Task Force on Financing for Development, Financing for Sustainable Development Report 2020. (New York: United Nations, 2020), available from: <https://developmentfinance.un.org/fsdr2020>.

86 'GDP Growth Expected to Reach 6% by 2023: Hammad Azhar', accessed 24 June 2021, <https://tribune.com.pk/story/2303096/gdp-growth-expected-to-reach-6-by-2023-hammad-azhar>.

profit private sector. The growth of Rural Support Programs, microfinance-providing NGOs and the Pakistan Poverty Alleviation Fund demonstrates clear support from the state. A good example of this is the National Rural Support Program (NRSP), which has a mandate to alleviate poverty by harnessing people's potential and undertaking development activities in Pakistan. It has a presence in 72 Districts in all four provinces, including Pakistan-administered Kashmir, through Regional and Field Offices. NRSP is currently working with more than 3.67 million poor households organized into a network of 236,059 Community Organizations. With sustained incremental growth, it is emerging as Pakistan's leading engine for poverty reduction and rural development.<sup>87</sup>

The expansion of private universities, mostly owned by large business groups, is another interesting recent development. Until 1991, there were only two recognized private universities in Pakistan: Aga Khan University, established in 1983, and the Lahore University of Management Sciences, established in 1985. Now, over 80 HEC recognized private universities are operating in Pakistan.<sup>88</sup> Although this space has been created due to the continued failure of the state to provide quality education to a demanding young population, there seems to be considerable interest within the private sector to play an active role in higher education. These universities have now started investing in research programs and public policy initiatives, and should be looked into as potential partners for development programs in Pakistan.

The PEF (Punjab Education Foundation) has shown much success in education since it was revitalized in 2004. Its programmes, particularly its flagship FAS (Foundation Assisted School) programme, have grown significantly since their inception. The FAS programme alone has grown from just 54 schools and 8,573 students in 2005 to more than 1,300 schools and 529,000 students in 2009. Several lessons can be drawn from the PEF experience with public-private partnership (PPP) programmes. First, when working within demand-based PPP programmes, the private sector can be strongly pro-poor and can increase access to, and the quality of, education while also enhancing gender equity. The PEF Act of 2004 mandated the foundation to encourage participation in PPPs of everyone who has a stake in the educational system; to provide funds for the expansion, improvement, and better management of private schools in the interest of offering quality education to the poor; and to provide technical assistance to low-tuition private schools to test innovative programs with replication in mind. This mission has been facilitated by the programme development of the PEF and by service delivery through the PPPs.<sup>89</sup>

With emerging global development themes including climate change, human rights, gender equality and skills development, businesses across the globe and in Pakistan acknowledge the shift of markets towards more responsible enterprises. This provides an opportunity for international development organizations to implement innovative partnerships and modes of investment with the private sector.

## Financial Markets in South Asia

Traditionally, financial markets in South Asia have offered a diverse array of investment opportunities in different sectors. For development financing, governments have been using Development Financing Institutions (DFIs) as the main intermediaries for medium- to long-term financing. Among the most significant of these in South Asia are networks of the Microfinancing Institutes (MFIs) that have developed innovative debt and equity instruments for the poor. MFIs address market failures and help develop the financial sector by providing new avenues for low-income clients to access financial services. This trend was reinforced at the start of the 21<sup>st</sup> century, as Bangladesh's numbers continued to grow, and a substantial microfinance system based on Self-Help Groups (SHGs) was developed in India. Other

87 'National Rural Support Programme', accessed 24 June 2021, <https://nrsp.org.pk/>.

88 'Private Sector Universities', accessed 23 June 2021, <https://www.hec.gov.pk/english/universities/pages/recognised.aspx>

89 Allah Bakhsh Malik, *Public-Private Partnerships in Education: Lessons Learned from the Punjab Education Foundation* (Asian Development Bank, 2010), <https://www.adb.org/publications/public-private-partnerships-education-lessons-learned-punjab-education-foundation>.

countries in the region made slower progress but have since established active microfinance sectors.<sup>90</sup> There is a notable variation between the sectors targeted by DFIs and those targeted by other MFIs. As per data from 27 Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs), large investments have been made by these institutions in energy and manufacturing projects. The amount of total private mobilization for infrastructure (including power, water, transportation, telecommunications, information technology, and social infrastructure such as schools and hospitals) in middle - and low-income countries was USD 29 billion, or 46 percent of all private mobilization. In 2019, USD 18.4 billion in total private mobilization was for projects in Asia; USD 14.6 billion for projects in Latin America and the Caribbean; USD 14.4 billion for projects in Africa; and USD 6.9 billion for projects in the Middle East.<sup>91</sup>

In other cases, global impact investors invest in companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return. There is also growing interest among impact investors in other sectors such as agri-business, health, education, information and communication technology (ICT), and in businesses providing basic goods and services.<sup>92</sup> However, there remains a huge financing gap to deliver skills and quality education to a very large number of young populations in South Asia. The expansion of digital technology has opened new windows of opportunity to fast-track the delivery of education in an effective and less expensive manner. Furthermore, venture and angel capital investments have also seen an increasing trend in Pakistan, and are seen investing across many sectors. A comprehensive list of investors is available here, and shows the appetite in private sector financing.

## The Financial Market in Pakistan

Pakistan's financial market is vibrant, private sector-led, and offers possibilities of professionally raising capital for SDG investments. If technical assistance is provided and meaningful partnerships facilitated between the GISD Alliance and leading financial institutions, there is potential to structure debt and equity funds of USD 1 billion to finance sustainable projects in priority areas with a direct impact on SDGs.

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**The strong footprint of Non-Banking Finance Companies, fund management companies, digital finance, the corporate debt market, and Islamic finance in Pakistan gives investors a flavor of the private sector's capability to handle large investments.**

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The following paragraphs explain the structure of financial sector opportunities in Pakistan that can help leverage and manage SDG investments.

### Non-Banking Finance Companies (NBFC)

A range of non-bank financial intermediaries including finance companies, Modaraba companies (Islamic funds), and Development Finance Institutions with varying business models are operating in Pakistan. The assets of the Non-Banking and Financial Company (NBFC) sector increased by 23.86 percent to PKR 1,412.42 billion during 2019-20, compared to PKR 1,140.36 billion in the last fiscal year.<sup>93</sup> SECP

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<sup>90</sup> Sinha, Sanjay; Rasmussen, Stephen; Brar, Amit; Sinha, Frances; Ivatury, Gautam; Matin, Imran; Verma, Niraj; Rutherford, Stuart; Hashemi, Syed. 2006. *Microfinance in South Asia: toward financial inclusion for the poor* (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/134951468101989178/Microfinance-in-South-Asia-toward-financial-inclusion-for-the-poor>

<sup>91</sup> 'Mobilization of Private Finance by Multilateral Development Banks And', accessed 24 June 2021, [https://www.ifc.org/wps/wcm/connect/Publications\\_EXT\\_Content/IFC\\_External\\_Publication\\_Site/Publications\\_Listing\\_Page/Mobilization+of+Private+Finance+by+Multilateral+Development+Banks+and+Development+Finance+Institutions+2019](https://www.ifc.org/wps/wcm/connect/Publications_EXT_Content/IFC_External_Publication_Site/Publications_Listing_Page/Mobilization+of+Private+Finance+by+Multilateral+Development+Banks+and+Development+Finance+Institutions+2019).

<sup>92</sup> 'Impact Investment', accessed 24 June 2021, <https://www.sdfinance.undp.org/content/sdfinance/en/home/solutions/impact-investment.html>.

<sup>93</sup> APP, 'NBFC Sector Increases by 23.86pc: Report', Brecorder, 4 January 2021, <https://www.brecorder.com/news/40047206>.

introduced major amendments to the regulatory framework for non-bank companies in 2015. The major thrust of these changes was to distinguish between deposit taking and non-deposit taking financial intermediaries. The concept of small and medium-sized non-deposit taking finance companies was introduced with flexible and facilitative regulations.<sup>94</sup> The idea was to promote development financing in the areas of Small and Medium Enterprises, low-income housing, and microfinance. These companies are required to finance 70 percent of their assets in the core business for which the licence has been obtained. Measures have also been taken to support sustainable growth of the fund management industry. In order to reduce the cost of setting up a finance company, Fund Management Companies have been allowed to undertake different fund management services. These include asset management, private equity, venture capital, and real estate investments under a single entity.

### **Fund management companies**

In order to encourage private fund management, the eligibility criteria for fund management companies have been redefined and now any company other than a public limited company may also obtain a license for private fund management. In addition, a new type of private fund has been introduced where the fund management company can launch private funds with varied objectives of investing in debt and equity instruments. This is another interesting development which may open up avenues for social finance, impact investments, and other innovative development financing schemes. Shifting attitudes towards financial and social return, new technologies, and the growth of microfinance have led to new opportunities for market-based innovations to serve marginalised segments. These are being pioneered by ambitious entrepreneurs globally, and offer a huge scope in a country like Pakistan. Having said this, a significant amount of investment will be required to understand the market for impact investment and relevant instruments in a particular jurisdiction.

A careful review of financial market development reveals the reasons of a narrow bank-led financial system in Pakistan. For instance, private equity and venture capital firms have not been firmly established in Pakistan, and the ones that are claim to have found the transactions risky and cumbersome. This is despite the fact that the regulatory framework for private equity, which was first introduced in Pakistan in 1995, was revised in 2008 as NBFC & NE regulations in 2008, and Private Fund Regulations in 2015.<sup>95</sup> Yet only a few private equity firms are currently registered with the SECP. One of the major impediments in the development of private equity in Pakistan is a rather difficult exit process and transfer of dividends outside Pakistan. These controls and regulatory approvals have been relaxed and simplified to create incentives for investors to use fund management vehicles.

### **Digital finance**

The Government of Pakistan is forthcoming in its support to private financial institutions planning to reach out to deprived areas and under privileged people. Digital transactions are being promoted as a tool to empower the poor and marginalised. At the moment, the regulatory framework for digital financing is being developed, and considering Pakistan's large population base, this will offer opportunities to legally empower citizens and generate a healthy debate in society. Currently, payment system platforms including microfinance, pensions, and other digital transactions are already in place. These could be developed further for awareness and interactive debates on the rights of citizens. Timing will be the key factor for both local and international development organizations to leverage these opportunities in the private sector. There is a huge scope to partner with the private sector to have an impact on the lives of millions of young people with little or no access to information, guidance, and finance.<sup>96</sup>

<sup>94</sup> <https://www.secp.gov.pk/document/prudential-regulations-for-non-banking-finance-companies/>

<sup>95</sup> 'PE & VC Fund Management Services | SECP', accessed 24 June 2021, <https://www.secp.gov.pk/licensing/nbfcs/pe-and-vc-fund-management-services/>.

<sup>96</sup> 'Accelerate Digital State', accessed 19 June 2021, <https://digitalpakistan.pk/home.html#publication>.

## Corporate debt market

The debt market in Pakistan is more developed compared to private equity, but its share in overall capital formation is very low when compared with emerging Asian economies. Apart from interest rate volatility, one of the key reasons for low private debt instrument issuance includes the Islamic Sukuk bonds, which have crowded-out the market through National Savings Schemes (NSS). These schemes are government backed, and therefore should offer a lower profit rate than bank deposits due to their lower risk. According to the Debt Capital Market Committee formed by the SBP, NSS has “historically been a costly source of funding for the government due to the inefficient pricing structure and the free embedded put option”. The built-in put option allows investors to redeem the investments as any point in time at nominal redemption charges.<sup>97</sup> Against this backdrop, a debt instrument for social or environmental impact will only attract investors if it is partially backed by the government or other guarantors. At this point, the government will be inclined to work on a guarantee mechanism to raise long term capital for investments in health, education, or climate change related initiatives.

A more viable avenue for raising private impact capital is through blending CSR with debt instruments and guarantees to cover the perceived risk premium. Blended financing models have received much international attention. In 2015, the Sustainable Development Investment Partnership (SDIP) was launched at the United Nations Conference on Financing for Development in Addis Ababa. This collaborative platform, coordinated by the World Economic Forum and the Organization for Economic Cooperation & Development (OECD), aims to catalyse USD 100 billion worth of blended public/private sector finance to invest in sustainable infrastructure in developing countries.<sup>98</sup>

In transition economies like Pakistan, a blended finance model may provide comfort to private investors. This model will also provide learning opportunities for all partners who will have to converge their respective expectations for shared impact outcomes. It is clear that blended financing is an important part of the sustainable finance narrative and provides one potential solution to address funding gaps in creating a more sustainable global economic system. One such recent example of the private sector opening up to financing for social impact is the issuance of bonds by U Microfinance Bank Limited. The bank has announced the issuance of Pakistan's first Social Impact Bond of PKR 3,500 million. The bond's proceeds will be used to finance renewable energy, private school loans, low-cost housing, and Small & Medium Enterprises, primarily in rural Pakistan. The transaction was jointly led by two private sector banks that were also the mandated lead arrangers and the Social Impact Advisors for the instrument.

## Islamic Finance

Islamic finance is rooted in the principles of Islamic Shariah, with the financial products aiming to create mutual well-being for both bank and client through profit and loss-sharing. Liquidity in Islamic banks in Pakistan is high, with the Islamic finance market expected to reach a value of USD 3.25 trillion globally by 2020. Although not specifically impact investing, it is considered to be a unique form of socially responsible investment, and organizations like the Center for Financial Inclusion consider there to be significant potential to grow impact investing within Islamic finance.<sup>99</sup>

Ultimately, the institutions outlined above have the capability to handle large investments and create instruments that can spur financing for sustainable growth in Pakistan.

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97 "Relaxation of Min Tax: AMCs Should Be Included in the List of Beneficiaries: MUFAP," Brecorder, July 31, 2018, <http://www.brecorder.com/news/4622023>.

98 'SDIP', accessed 24 June 2021, <http://sdiponline.org/>.

99 'Islamic Finance Market Set to Reach \$3.25 Trillion by 2020 | Business – Gulf News', accessed 24 June 2021, <https://gulfnews.com/business/islamic-finance-market-set-to-reach-325-trillion-by-2020-1.1591447>.

# 7

## INVESTMENT OPPORTUNITIES

Due to its demography and the Government's political will, the investment landscape in Pakistan is ripe with potential, particularly in sectors related to transportation and logistics, technology and communication, and healthcare.



Pakistan offers many investment opportunities within the sectors identified in Chapter 4. A detailed analysis of these investment opportunities is given below.

## Investment Opportunities in Transportation and Logistics

With a population approaching 210 million, Pakistan is the 6th most populous nation in the world, continuing to grow at a high rate of 2.4 percent per annum. Transport itself contributes 22.3 percent of the services sector to the GDP, and accounts for approximately 6 percent of the nation's total employment. **Box 10** highlights the importance of public-private partnerships in the context of large infrastructure projects in Pakistan.

# Box 10

## The Rapid Transit Program in Urban Punjab



Initially, the private sector was reluctant to invest in large infrastructure projects like the Punjab Rapid Transit Program, where the required magnitude of investment is much higher and risks far greater than in other types of businesses. At the same time, several complexities are involved in the estimation of risks and returns on such long-term investments. Infrastructure financing therefore requires prudence in investment decision-making, because of the longer duration of projects, high political risk, higher cash outflow at an earlier stage, and barriers to exit before the payback period. Another risk that is always associated with large infrastructure projects (particularly in the construction of highways and land development) is 'free riding'. To ensure payments by beneficiaries through user charges, fees, and taxes, Government support is essential. This is the reason why public-private participation is always necessary in infrastructure-related projects, despite private investment. Several types of support and guarantees from the Government are required to make such investment feasible.

In addition to this, international transport is connecting Pakistan via its border crossings, ports, and airports to neighbouring countries and further abroad. Pakistan's economy relies on these international connections, including a large Pakistani workforce in the Gulf States, that routinely fly in and out of the country. In addition, there is a growing emphasis on increasing trade with the Central Asian region. This gives investors opportunities to invest in many spaces, as shown in **Table 5**.

**Table 5: Investment Opportunities in the Transportation and Logistics**

Sector and SDG	Investment Opportunity
<div data-bbox="343 367 427 450"> </div> <div data-bbox="437 367 521 450"> </div> <p data-bbox="343 472 711 602">Ensuring cities and human settlements are inclusive, safe, resilient, and sustainable (SDG 11) Promoting Industry, innovation, and infrastructure (SDG 9)</p>	<p data-bbox="922 443 1177 611">Warehousing Cold Chain Logistics Air Freight and Transportation Trucking Urban Transport</p>

Source: Infrastructure Development and Public–Private Partnership: Measuring Impacts of Urban Transport Infrastructure in Pakistan, Asian Development Bank.<sup>100</sup>

### Investment Opportunities in Technology and Communication<sup>101</sup>

The Fourth Industrial Revolution is currently taking place, and it is going to be digital. The actual size of the 2016 digital economy was USD 11.5 trillion globally, which was 15.5 percent of the global GDP. The base digital assets comprise one-third of this, or USD 3.8 trillion, while digital spill over effects account for the remaining two-thirds, or USD 7.5 trillion. 60 percent of Pakistan’s 200 million strong population is between the ages of 15 to 29, representing an enormous human and knowledge capital. Pakistan has more than 2,000 IT companies and call centres, with the number is growing every year. The country also has more than 300,000 English-speaking IT professionals with expertise in current and emerging IT products and technologies, 13 software technology parks, with over 20,000 IT graduates and engineers graduating each year, as well as a rising start-up culture. In line with Pakistan Vision 2025 and the Digital Policy of Pakistan 2018, the ICT industry is targeted to reach USD 20 billion by 2025.<sup>102</sup> **Table 6** highlights potential investment opportunities in digitalization.

<sup>100</sup> Muhammad Ayub Mehar, *Infrastructure Development and Public–Private Partnership: Measuring Impacts of Urban Transport Infrastructure in Pakistan* (Asian Development Bank, 2020), <https://www.adb.org/publications/infrastructure-development-public-private-partnership-pakistan>.

<sup>101</sup> It is pertinent to mention here that digitalization is not only a sector for investment, but is also cross-cutting along other sectors of investments.

<sup>102</sup> 1, 'Pakistan - Computer Software', accessed 22 June 2021, <http://www.trade.gov/knowledge-product/pakistan-computer-software>.

**Table 6: Investment Opportunities in Technology and Communication**

Sector and SDG	Investment Opportunity
<b>Digitalization</b>	
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>17 PARTNERSHIPS FOR THE GOALS</p> </div> <div style="text-align: center;">  <p>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</p> </div> <div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div> </div> <p>Partnership for the Goals (SDG 17)</p> <p>Build a resilient infrastructure, promote sustainable industry, and foster innovation (SDG 9)</p> <p>Quality education (SDG 4)</p>	<ol style="list-style-type: none"> <li>1. M-Commerce</li> <li>2. E-Commerce</li> <li>3. Incubation Centres</li> <li>4. Software Houses</li> <li>5. IT Parks</li> </ol> <p><b>Specific Areas</b></p> <ol style="list-style-type: none"> <li>6. Mobile Wallets</li> <li>7. Cell Phone Manufacturing</li> <li>8. Digital Health and Education Platforms</li> </ol> <p><b>Telecommunication</b></p> <ol style="list-style-type: none"> <li>1. Telecom switches</li> <li>2. Radio Communication links</li> <li>3. Fibre Optic Cables</li> <li>4. Towers, poles, ducts, and pits used in conjunction with other infrastructure facilities</li> <li>5. Tower Sharing Services</li> <li>6. Broadband Services</li> <li>7. Back-up power for telecommunication towers</li> </ol> <p><b>Computer and Peripherals</b></p> <ol style="list-style-type: none"> <li>1. Personal Computers (New/Used)</li> <li>2. Computer Laptops and Tablets (New/Used)</li> <li>3. Computer Networking Equipment</li> <li>4. Server / Gateways</li> <li>5. Modems</li> <li>6. Wireless and Broadband Modems</li> <li>7. Power Supplies / Battery Charge</li> <li>8. Wires, Cables, and Connecting Equipment</li> <li>9. Liquid Crystal Display (LCD)/ Light Emitting Diode (LED) Monitors</li> </ol>



## Investment Opportunities in Healthcare

Healthcare services and medical devices are in high demand in Pakistan, especially in the growing private healthcare market and even more so after the onset of COVID-19. Healthcare providers include the Government, NGOs, as well as the private sector. Health-related expenditure in Pakistan increased by 14.3 percent, from PKR 421.8 billion in 2018-19 to PKR 482.3 billion in 2019-20. Public sector expenditure on health was estimated at 1.2 percent of the GDP in 2019-20, compared to 1.1 percent in 2018-19. According to Business Monitor International, the medical devices market in Pakistan is worth USD 457.1 million, and projected to increase to USD 537.5 million by 2020 - an increase of 6.2 percent. **Table 7** shows the investment opportunities in this space in Pakistan.

**Table 7: Investment Opportunities in Healthcare**

Sector and SDG	Investment Opportunity
<p><b>Healthcare</b></p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Ensure healthy lives and promote well-being for all at all ages SDG 3</p> </div> <div style="text-align: center;">  <p>Reduce inequality among countries SDG 10</p> </div> <div style="text-align: center;">  <p>Sustainable consumption and production pattern SDG 12</p> </div> </div>	<ol style="list-style-type: none"> <li>1. Respirators (HS 9019)</li> <li>2. Monitors, Ventilators</li> <li>3. Dental Veterinary Instruments and Appliances (HS 9018)</li> <li>4. Orthopedic Appliances, Hearing Aids (HS 9021)</li> <li>5. X-Rays, Radiography/Radio Therapy Apparatus(HS 9022)</li> <li>6. Second hand and used X-Ray Machines, Dialysis Machines, Anesthesia Apparatus</li> <li>7. Health IT/Telemedicine/eHealth</li> </ol>



While discussing opportunities in healthcare and medical equipment, it is pertinent to highlight success stories of public-private partnerships in social sector. In education, for instance a large-scale public-private partnership project has had immense success. The project is Punjab Education Foundation. **Box 11** explains successful public-private partnerships in the education sector; Punjab Education Foundation.

# Box 11

## Punjab Education Foundation and Public-Private Partnership: A Success Story



The Punjab Education Foundation (PEF) programmes, based on a Public-Private Partnership (PPP) model, seek to promote affordable quality education in Punjab that is both sustainable and accessible. This allows poor students to perform better and stay in school longer. Projections for these programs are encouraging. The PEF has demonstrated that its programmes are cost-effective, economical, and efficient in terms of service delivery. It has won wide approval from private schools; international donor agencies; and federal, provincial, and district governments. The synergy of the PPPs has started to pay dividends. Students at private institutions participating in PEF programs have shown remarkable progress, as measured by their scores in the QATs. The PEF's flagship initiative, the FAS program, has demonstrated that affordable quality education can be had at a lesser cost through PPPs. Participating private schools are now providing quality education in underprivileged urban, suburban, and remote rural areas. At private schools selected by the FAS program, students have on average scored higher in the QATs every year, with the proportion of students scoring over 90 percent rising from about 1 percent to almost 18 percent in only 4 years. More startling, the dropout rate at FAS partner schools is now zero, an exemplary accomplishment considering that the overall dropout rate in Pakistan's schools is 40 percent by Grade 4 and 77 percent by Grade 10. In addition, for the first time in the country's history, teachers at low-tuition private schools have been given the opportunity to hone their professional skills. The CPDP is a cluster-based training initiative aimed at improving teachers' pedagogical skills and understanding of their subject areas. The irrefutable evidence of dramatically improved learning outcomes among the students - the ultimate beneficiaries of the CPDP - has earned praise for the program.

Source: Public-Private Partnerships in Education Lessons Learned from the Punjab Education Foundation, Asian Development Bank.<sup>103</sup>

<sup>103</sup> Allah Bakhsh Malik, *Public-Private Partnerships in Education: Lessons Learned from the Punjab Education Foundation* (Asian Development Bank, 2010), <https://www.adb.org/publications/public-private-partnerships-education-lessons-learned-punjab-education-foundation>.

# THE WAY FORWARD

The key is to leverage and mobilize capital resources for sustainable growth, and to fulfill the promise of Agenda 2030: To Leave No One Behind.





Financing for development is one of the greatest challenges faced by developing countries. In the case of Pakistan, the pressure of providing jobs and quality services to a young population, as well as implementing safety nets for the poorest segments of society, requires a much wider pool of financing than what is available through the state. Continued borrowing from multilateral and other sources is posing all sorts of economic and political challenges, and external development grants are rapidly shrinking. The situation calls for an exploration of resources from the private sector, as well as non-traditional regional partners. Innovative partnerships seem to be the progressive way forward as some important new donors, such as China, Saudi Arabia, Qatar and UAE are already providing financing to the country's social sectors. Private investors looking for social impact should therefore look at partnering with regional development partners to ensure targeted transactions and mutual learning opportunities. In addition, risk guarantees and the securitization of receivables could provide additional comfort to financial market participants. It will be important, especially in the first few years, for a credible development organization to take the leading role to conduct research, convene dialogue, and provide technical assistance for such partnerships.

It is pertinent to note that the Government of Pakistan has a clear focus on Financing for Development as a guarantor of human development. This implies that the State will ensure the social conditions and the competitive and coordinated context needed to match financing flows with appropriate needs and uses. It is also responsible for maximizing the impact of international public finance; mainstreaming social sector development in national financing strategies; and exploiting synergies across the economic sphere. Private financing is profit-oriented, while the State needs to ensure the quality, equity, policy priorities, and sustainability of investments. Consistent with its policy and regulatory role, the State is developing policies that incentivize long-term investment in the priority social sector. This enabling environment is fundamental to reduce risks and leverage private investment.

It is time to forge **strategic partnerships** with policy makers, the private sector, technology providers, and research institutions to expand the pool of development financing and create a difference for marginalised segments of the society. The best way to enter into informal or formal strategic partnership is to structure them around focused projects and outcomes. The timing is right to facilitate partnerships between the financial sector, GSD alliance, technology platforms, and specific project sponsors in order to develop debt and equity instruments linked to the SDGs. Risk sharing will be a key factor in structuring successful pilot financing funds or bonds. Guarantees have several characteristics that bring advantages over the more traditional lending operations of multilateral development banks (MDBs) and local financial institutions, such as targeting specific classes of risk and helping 'crowd in' other funding sources. Guarantees for development have grown in relevance of late, as many emerging economies are more focused on accessing private sources of finance than traditional development loans, and instruments like guarantees can leverage external resources beyond the lending capacity of the banking system. Banks face a number of major impediments to using guarantees more extensively, linked to their capital structure, financial and operational policies, and staff skillsets.

Pakistan is ready to leverage USD 1 billion in SDG investments, with credible project pipelines in priority development sectors created specifically for this purpose. These projects have a direct impact on achieving SDGs and the lives of the poor. The political ownership of the idea to expand Financing for Development is high, with a supporting institutional structure already in place. International investors should therefore expect a good financial and social return on their investments in Pakistan. These projects are managed by credible corporate entities with exposure to international capital markets and corporate governance practices. Pakistan has a well-functioning private sector-led financial market that will be keen to partner, both in terms financial contribution as well as managing the interests of international partners. Pakistan offers excellent opportunities to reach out to the regional markets of west and central Asia in the medium-term.



The role of the Government and multilateral development partners is critical in terms of developing credible tools for SDG impact assessment and ensuring social returns. For that, the Government of Pakistan will welcome setting up an indigenous institutional framework of independent assessment and continuous training for all stakeholders. In addition, partial risk guarantee mechanisms should be developed to give comfort to international investors.

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**In the end, the key is to leverage and mobilize not only local and regional but also global capital resources for sustainable growth and shared prosperity in order to fulfill the promise of Agenda 2030: To Leave No One Behind.**

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## Annex I: Pakistan Country Presentation at SDG Investment Fair, 14<sup>th</sup> April 2021, New York

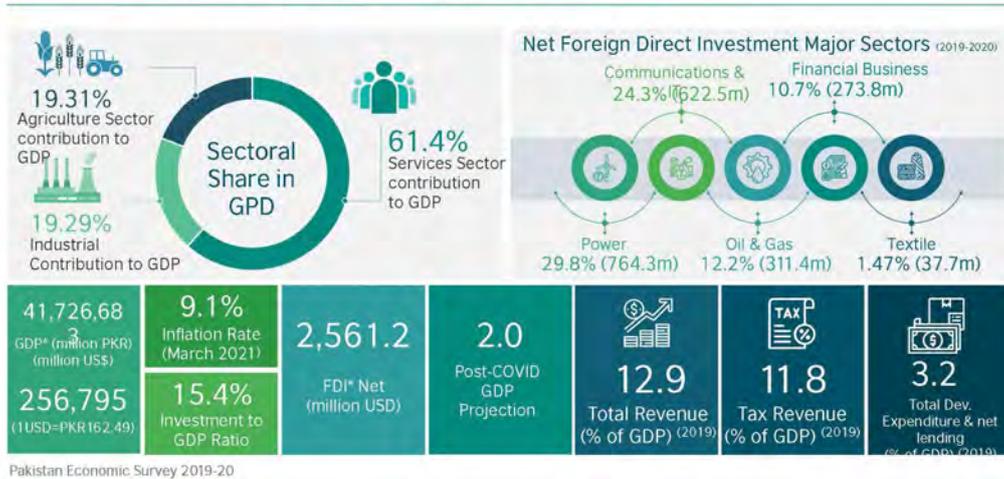


### Pakistan Profile

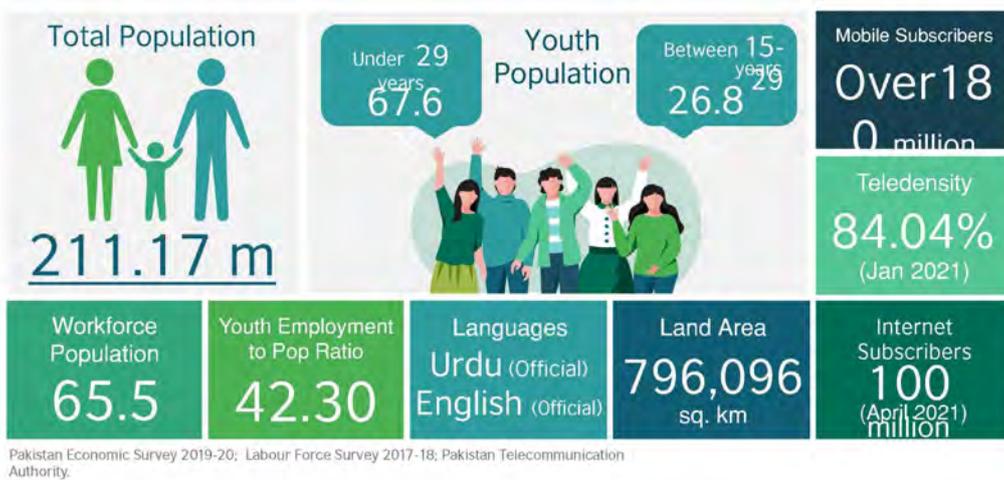


- Achieved macro-economic stability: aiming for post COVID-19 economic recovery.
- Projected to approach upper middle-income status, with declining poverty rate, lowered inequality and better HDI ranking.
- National poverty headcount ratio declined from 6.1% in 2013-14 to 3.9% in 2015-16.
- Among top ten best reformers in the World Bank's Ease of Doing Business Index 2020.
- Estimated private investment needs of \$96.2 billion in infrastructure related SDGs makes Pakistan an attractive destination for FDI.
- Gradual increase in investment to GDP ratio required from 15% to 25% to achieve sustainable growth.
- Risk mitigation: COVID-19 has increased the number of people living below the poverty line to approx. 50 million (25% of population). Hence, immediate need for SDG investments to prevent reversal of recent economic gains.

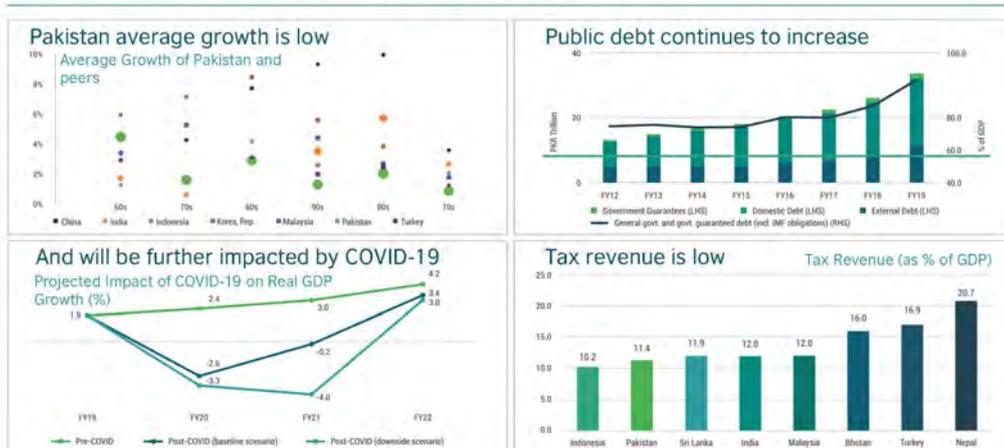
## A Frontier Market Ripe for Growth



## Demographic Dividends as Force Multiplier



## Continued Fiscal Constraint



## Pakistan's Growth Vision 2025



## Top 5 Reasons to Invest in Pakistan



## Liberal Investment Regime



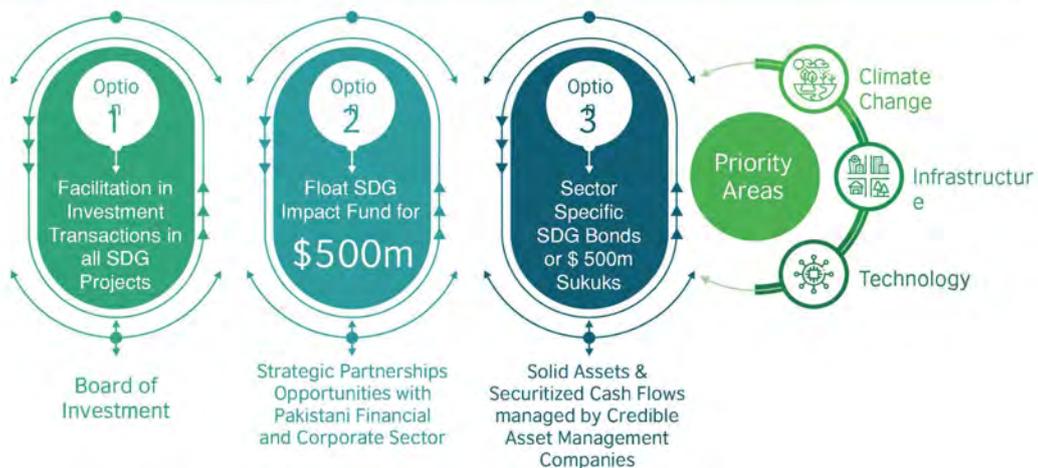
# Pakistan SDG Investment Opportunity

Potential of private sector investment of **\$96.2bn**



Source: Opportunity 2030. The Standard Chartered SDG Investment Map

## Flexible Investment Options



# Pakistan Board of Investment



- ✔ One Window for your investment endeavors in Pakistan
- ✔ Apex Investment Promotion & Facilitation Agency
- ✔ Focal Agency to Improve Legislative/Regulatory/Policy Environment for Investment
- ✔ Secretariat & Lead Agency for

Investment Policy	Special Economic Zones	Industrial Cooperation under CPEC	Ease of Doing Business
Regulatory Modernization Initiative	Recommendation for Work Visa	Branch / Liaison Office	(www.invest.gov.pk)

## Investment Facilitation



**COMPANY REGISTRATION IN A SINGLE DAY**



**ONLINE VISA FACILITATION**



**ONLINE ONE WINDOW PORTAL**



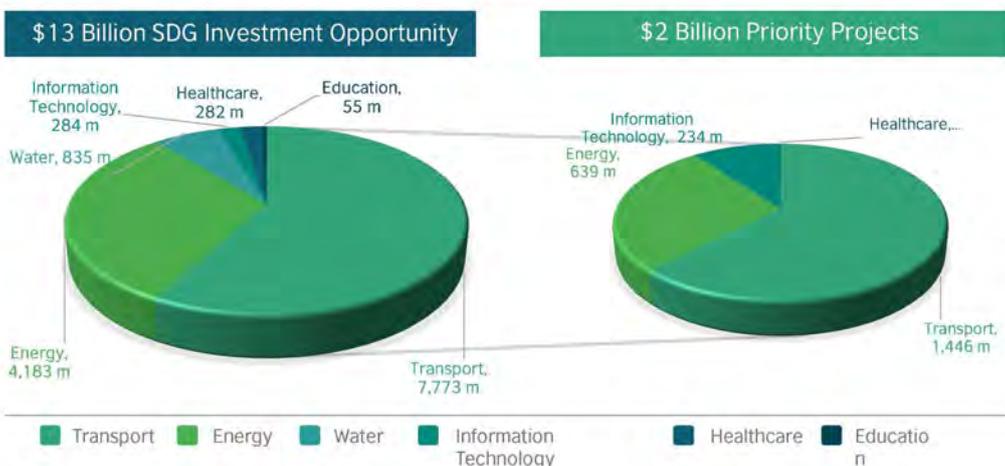
**SPECIAL INCENTIVES FOR TECHNOLOGY & SOCIAL SECTORS**



**BORROWING FACILITATION FROM FINANCIAL SECTOR**



## Repository of SDGs Aligned Projects



# List of Priority SDGs Aligned Projects

- Sialkot-Kharian-Rawalpindi Motorway Phase-I
- Sialkot-Kharian-Rawalpindi Motorway Phase-II
- 188 MW Naran Hydropower Project
- 96 MW Batakundi Hydropower Project
- Medical Devices Development Center
- Silicon Solar PV Panel Fabrication Facility (500 MW/annum)
- Production of Agriculture Drones & 250 Smart Farms
- NED Technology Park
- Startup Incubations Across Pakistan

## Project 1 SIALKOT-KHARIAN-RAWALPINDI MOTORWAY –PHASE I



### Project Location Map



**Description :**  
This important toll road project is designed with a total length of 69 km connecting Pakistan's largest SME industrial cities. This strategic project will play a major role in Pakistan's post-COVID economic recovery. The basic design and commercial feasibility study have been done. The project will be extension of 4-lane Lahore-Sialkot Motorway which is operational for traffic. The Sialkot-Kharian project would further be extended up to Rawalpindi in next phase. The project will reduce cost of doing business and increase commercial transport connectivity.

Sector: Communication

Sub Sector: Transport

Government Contracting Agency: National Highway Authority (NHA)  
Contact Person: Dr. Iftikhar Mehboob, mehboob.iftikhar@gmail.com; Aatif Umer, BOI aatifumar@invest.gov.pk  
Estimated Concession Period : 25 years

Business Opportunity: Construction Industry Growth; Consultancy Firm's (Engineering, Financial, and Legal) to flourish; Service Area Industry (Hoteling Industry, Trucking Stations, Fueling Stations, etc.)

Project Status: Project is currently on Request For Proposal phase

Indicative Government Support & Guarantee:

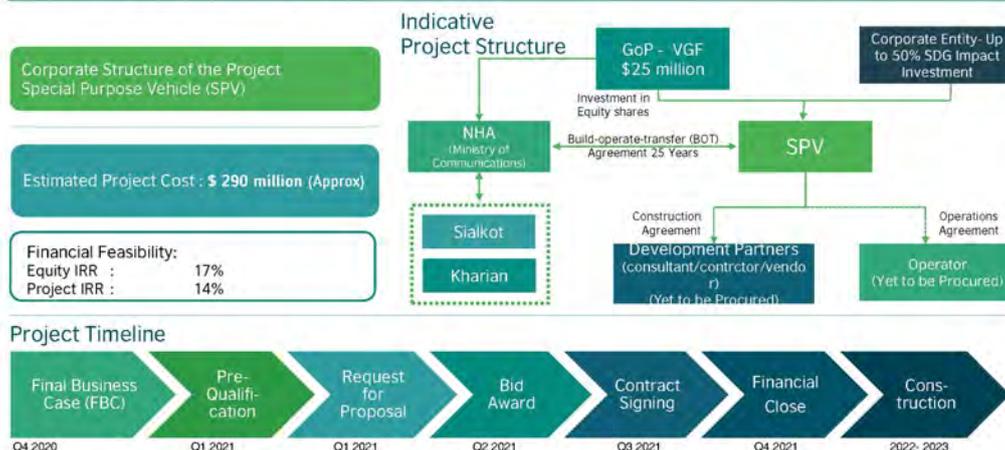
Potentially guaranteed by Government Subsidy in the form of Viability Gap Fund (VGF)

Implementation Schedule:  
1. Preparation : 2020 - 2021  
2. Land Acquisition : Dec-2021  
3. Construction : 2022-2023  
4. Operation : Jan-2024

Social Impact Outcomes of the Project  
Outcome 1: Industrial cities like Sialkot, Gujrat, and Wazirabad with high-speed connectivity. Will also reduce migration pressure to large cities.

Outcomes 2: Thousands of jobs will be created allied with forty industries associated with the construction of road.

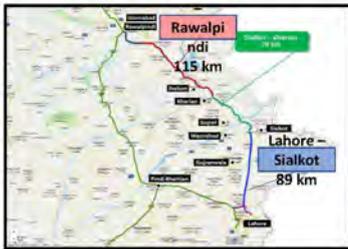
## Project 1 SIALKOT-KHARIAN-RAWALPINDI MOTORWAY – PHASE I



# Project 1 SIALKOT-KHARIAN-RAWALPINDI MOTORWAY –PHASE II



## Project Location Map



**Description :**  
This Phase-II of the project is designed with a total length of 115 km. The basic design and commercial feasibility study is in progress. The project will be extension of 4-lane Sialkot-Kharian Motorway which is under procurement. The construction of Kharian-Rawalpindi section shall complete the Lahore-Sialkot-Kharian-Rawalpindi Motorway network. It will be a major initiative to connect SME hubs for job creation and productivity enhancement.

Sector: Communication Sub Sector: Transport

Government Contracting Agency: National Highway Authority (NHA)  
Contact Person: Dr. Itikhar Mehboob. [mehboob.itikhar@gmail.com](mailto:mehboob.itikhar@gmail.com); Aatif Umer, BOI [aatifumar@invest.gov.pk](mailto:aatifumar@invest.gov.pk)  
Estimated Concession Period : 25 years

Business Opportunity: Construction Industry Growth; Consultancy Firm's (Engineering, Financial, and Legal) to flourish; Service Area Industry (Hotelling Industry, Trucking Stations, Fueling Stations, etc.)

Project Status: Project is currently on Request For Proposal phase

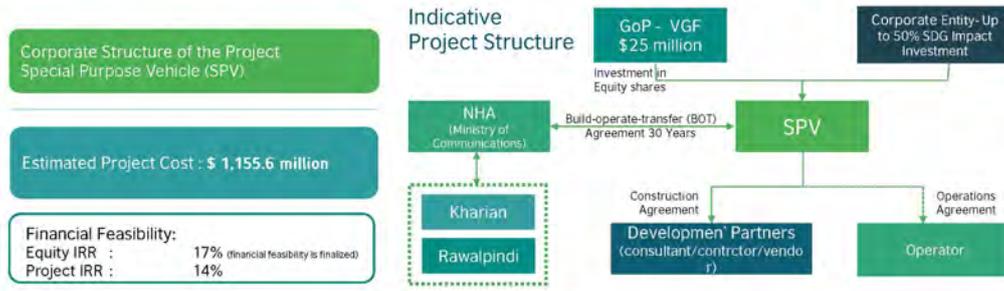
Indicative Government Support & Guarantee:  
Potentially guaranteed by Government Subsidy in the form of VGF

Implementation Schedule:  
1. Preparation : 2020 - 2021  
2. Land Acquisition : 2022  
3. Construction : 2022-2024  
4. Operation : Jan-2025

Social Impact Outcomes of the Project  
Outcome 1: Connectivity with impoverished areas. Deprived regions will be connected. Will reduce pressure on urban migration.

Outcomes 2: Thousands of jobs will be created allied with forty industries associated with the construction of road.

# Project 1 SIALKOT-KHARIAN-RAWALPINDI MOTORWAY – PHASE II



# Project 2 188 MW NARAN HYDROPOWER PROJECT



## Project Location Map



**Description :**  
The feasibility study has resulted in a project size of 188 MW with a good economic rate of return. Naran dam and powerhouse have been, proposed in the river stretch between Kaghan and Batakundi on Kunhar River. The dam site on Kunhar River is 12 km upstream of major tourist city of Naran. The powerhouse is to be located on the left bank of Kunhar River, 11 km downstream of Naran town. IFC has been appointed as the Transaction Manager.

Sector: Clean Energy Sub Sector: Construction

Government Contracting Agency: Pakhtunkhwa Energy Development Organization, Energy & Power Department, GoKP. Contact Person: Mr. Muhammad Mazahir Ali. [kpprojects@kpboit.gov.pk](mailto:kpprojects@kpboit.gov.pk); Aatif Umer, BOI [aatifumar@invest.gov.pk](mailto:aatifumar@invest.gov.pk)  
Estimated Construction Period : 7 years

Business Opportunity: Available for investment in PPP mode after International Competitive Bidding (ICB)  
Project Status: Project is currently on Request For Proposal phase

Indicative Government Support & Guarantee:  
Potentially guaranteed by Federal Government Agency.

Implementation Schedule:  
1. Preparation : 2021-2022  
2. Land Acquisition : 2023-2024  
3. Construction : 2024-2028  
4. Operation : 2028

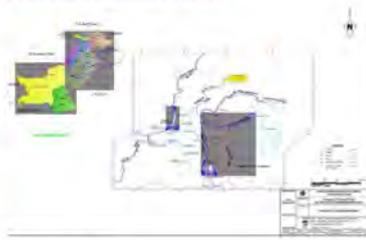
Social Impact Outcomes of the Project  
Outcome 1: Several number of new businesses will be generated. Provision of low-cost clean energy.

Outcomes 2: A greater number of jobs will be created both during implementation and operation phases. Reduction in carbon emissions.

# Project 3 96 MW BATAKUNDI HYDROPOWER PROJECT



## Project Location Map



**Description :**  
The feasibility study has resulted in a project size of 96 MW with good economic rate of return. The Batakundi HPP is proposed to be located on Kunhar River, with its powerhouse located about 01 km downstream of Batakundi Village, which falls in District Mansehra of KP Province. The project area is accessible by road from Rawalpindi / Islamabad through Abbotabad, Mansehra and Balakot. IFC has been appointed as Transaction Manager.

Sector: Clean Energy

Sub Sector: Construction

Government Contracting Agency: Pakhtunkhwa Energy Development Organization, Energy & Power Department, GoKP. Contact Person: Mr. Muhammad Mazahir Ali. [kpprojects@kpboit.gov.pk](mailto:kpprojects@kpboit.gov.pk) ; Aatif Umer, BOI [aatifumar@invest.gov.pk](mailto:aatifumar@invest.gov.pk)  
Estimated Construction Period : 7 years

Business Opportunity: Available for investment in PPP mode after International Competitive Bidding (ICB)

Project Status: Project is currently on Request For Proposal phase

Indicative Government Support & Guarantee:  
Potentially guaranteed by Federal Government Agency.

Implementation Schedule:

- 1. Preparation : 2021 - 2022
- 2. Land Acquisition : 2023-2024
- 3. Construction : 2024-2028
- 4. Operation : 2028

Social Impact Outcomes of the Project

Outcome 1: Several number of new businesses will be generated. Provision of low-cost clean energy.

Outcomes 2: A greater number of jobs will be created both during implementation and operation phases. Reduction in carbon emissions.

# Project 4 MEDICAL DEVICES DEVELOPMENT CENTER



## Project Location



**Description :**  
N-ovative Health Technologies (previously named as MDDC) is a public sector company established at National University of Sciences and Technology (NUST) under the special directives of Prime Minister's Office. The company is looking to expand and scale up operations. It is currently producing Low-cost treatment solution for the patients suffering from Heart (cardiac) diseases.

Sector: Healthcare

Sub Sector: Medical Equipment

Government Contracting Agency: Ministry of Science and Technology & NUST  
Contact Person: Mr. Hamza Haroon. [hamza.a.haroon@gmail.com](mailto:hamza.a.haroon@gmail.com) ; Aatif Umer, BOI [aatifumar@invest.gov.pk](mailto:aatifumar@invest.gov.pk)  
Estimated Construction Period : 1 year

Business Opportunity: Work on ventilators, syringe pumps, dialysis machine, patient monitors, catheters. Immediate expansion of 3 products scaling up to 10 products in next two years.

Project Status: Project is currently producing small scale devices such as stents

Indicative Government Support & Guarantee:  
Supported by Ministry of Science and facility  
European commission certified and DRAP licensed production facility for medical devices

Implementation Schedule:

- 1. Preparation : 2021
- 2. Construction : 2021-2022
- 3. Operation : 2022

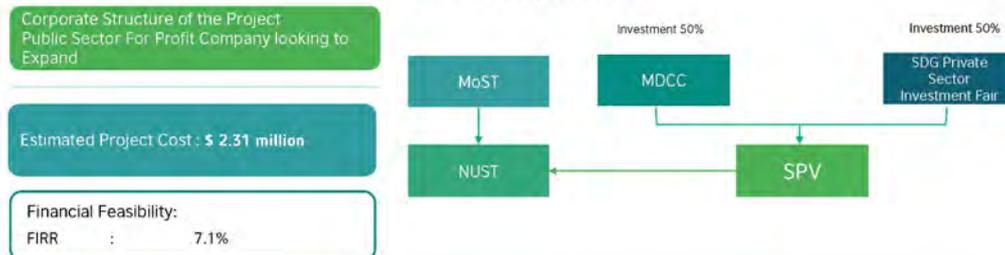
Social Impact Outcomes of the Project

Outcome 1: Availability of cost-effective healthcare services in Pakistan.

Outcomes 2: Reduction in import bill and job opportunities in the healthcare sector, Contribution to Post-COVID healthcare provision.

# Project 4 MEDICAL DEVICES DEVELOPMENT CENTER

## Indicative Project Structure



## Project Timeline



# Project 5 SILICON SOLAR PV PANEL FABRICATION FACILITY (500 MW/ANNUM)



## Project Location Map



**Description :**  
Pakistan is importing more than 3000MW PV panels/annum. The demand of PV panels is increasing exponentially. It is estimated that 2900 GW of electricity can be generated in Pakistan using day light hours. Pakistan being the sunbelt country will be one of the largest consumers of PV panels. Importing huge quantity of PV panels is already consuming substantial amount of foreign exchange which is surely expected to increase tremendously in near future. In view of above local manufacturing of PV panels is direly needed.

Sector: Renewable Energy

Sub Sector: Solar Photovoltaics

Government Contracting Agency: Pakistan Council of Renewable Energy Technologies Dr. Afzal Hussain Kamboh. Afzal8isb@yahoo.com ; Aatif Umer, BOI aatifumar@invest.gov.pk

Estimated Construction Period : 2 years

Business Opportunity: B2B Model.  
Project Status: Project is currently on Request For Proposal phase

Indicative Government Support & Guarantee:  
Potentially guaranteed by Ministry of Science & Technology

**Implementation Schedule:**  
1. Preparation : 2021 - 2022  
2. Land Acquisition : 2022-2023  
3. Construction : Jan 2024  
4. Operation : After Construction

**Social Impact Outcomes of the Project**  
Outcome 1: Major contribution towards affordable renewable energy. Import substitution.

Outcomes 2: Reduced carbon emission, job creation, climate change risk mitigation.

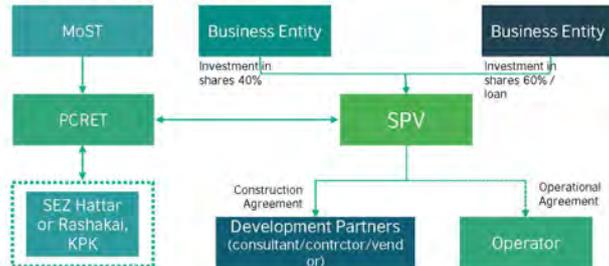
# Project 5 SILICON SOLAR PV PANEL FABRICATION FACILITY (500 MW/ANNUM)

**Corporate Structure of the Project (B2B Model)**

**Estimated Project Cost : \$ 19.21 million**

**Financial Feasibility:**  
IRR: 12.20%

## Indicative Project Structure



## Project Timeline



# Project 6 PRODUCTION OF AGRICULTURE DRONES & 250 SMART FARMS



**Description :**  
Global Drone Technology is growing at a rate of over 20% and is expected to double in the next 5-7 year. Pakistan, an agricultural country, can greatly benefit from this technology specifically as it implements technology towards farming. Smart Farms is the future of farming which allows on average 10X yield generation with efficient utilization of land. Smart farms incorporate latest technologies like Drone technologies and sensors to increase yield, safer production and efficient utilization of resources.

Sector: Agriculture and Food Technology

Sub Sector: Drone Technology

Government Contracting Agency: Ministry of Science and Technology, Private Sector. Contact Person: Hamza Haroon. hamza.a.haroon@gmail.com ; Aatif Umer, BOI aatifumar@invest.gov.pk

Estimated Construction Period : 3 years

**Business Opportunity:** To build A comprehensive collection of interoperable technologies for farm-level precision agriculture methods comprising:  
• Multi-rotor, Hybrid & Fixed Wing Unmanned Aerial Systems (UAS)  
• Array of Imaging Sensors  
• High Performance & Cloud Computing (HPCC)  
• 250 Smart Farms across Pakistan that venture in high demand crop using optimized technology  
Project Status: Feasibility completed. Looking for financial close.

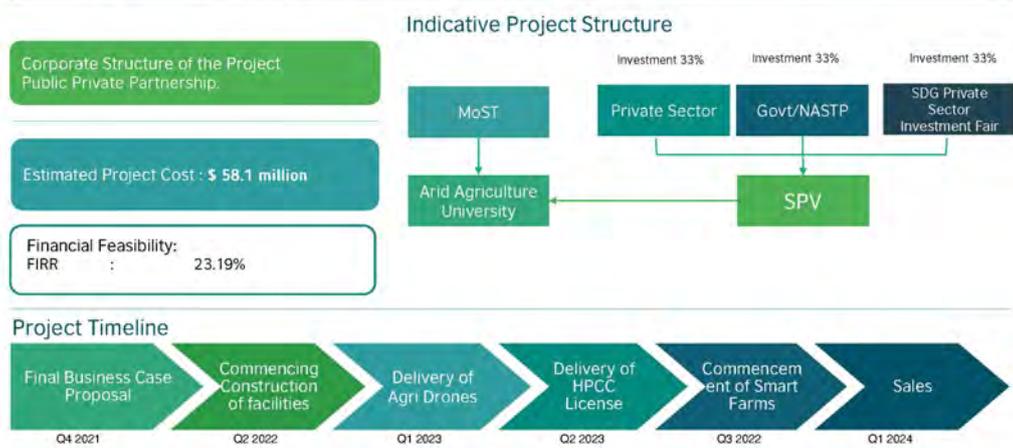
Indicative Government Support & Guarantee:  
Facilitated by Ministry of Science and Technology

**Implementation Schedule:**  
1. Preparation : 2021-2022  
2. Facility construction : 2022-2023  
3. Operation : 2023 -beyond

**Social Impact Outcomes of the Project**  
Outcome 1: Improved productivity in agriculture sector. Contribution towards food security.

Outcomes 2: Direct impact on rural poverty reduction through higher yields and job opportunities.

# Project 6 PRODUCTION OF AGRICULTURE DRONES & 250 SMART FARMS



# Project 7 NED TECHNOLOGY PARK



Sector: Technology development | Sub Sector: IT & Engineering

Government Contracting Agency: NED University of Engineering & Technology, Karachi. Contact Person: Dr. Asad Arfeen. [arfeen@neduet.edu.pk](mailto:arfeen@neduet.edu.pk); Aatif Umer, BOI [aatifumar@invest.gov.pk](mailto:aatifumar@invest.gov.pk)  
Estimated Concession Period : 20 years

Business Opportunity: Bidder/Financer under Public Private Partnership  
Project Status: Project is currently on Request For Proposal phase

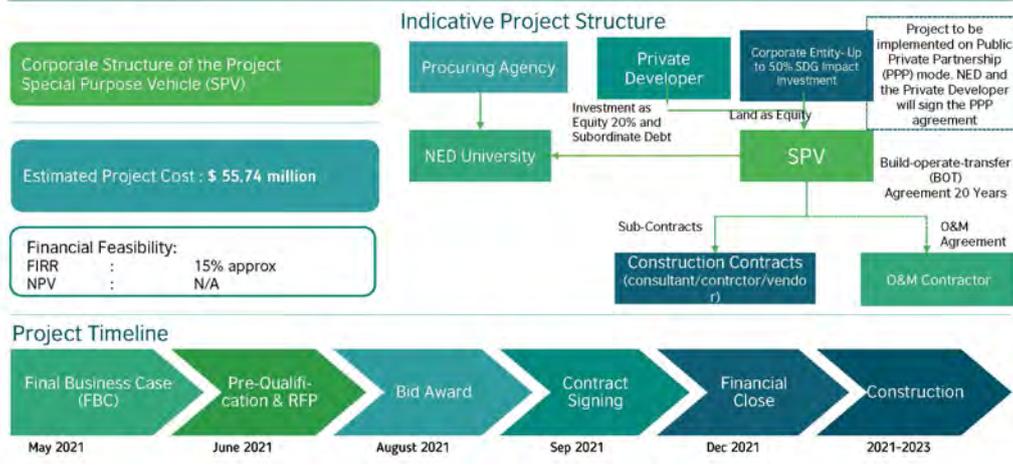
Indicative Government Support & Guarantee:  
Partially supported by Government of Sindh with logistical support from International Association of Science Parks & Areas of Innovation (IASP) Spain.

Implementation Schedule:  
1. Preparation : 2019-2020  
2. Land Acquisition : own land  
3. Construction : 2021-2023  
4. Operation : Dec 2023

Social Impact Outcomes of the Project  
Outcome 1: 200 new business opportunities. Major contribution in productivity enhancement through technology.  
Outcomes 2: 4000 new jobs will be created. Digital adoption facilitation through university industry linkage.

**Description :**  
NED Interregional Technology Park (ITP) will be the first fully integrated Science and Technology Park of Pakistan to be established within the premises of NED University Karachi under Public Private Partnership model. The initiative is meticulously aimed at redesigning the knowledge economy by stimulating and nurturing innovation-led germination and growth of hi-tech entities. Interregional Technology Park (ITP) will be the new national tech-pad where entrepreneurs and multinationals will come together to discover, ideate, create, collaborate and break new ground.

# Project 7 NED TECHNOLOGY PARK



# Project 8 STARTUP INCUBATIONS ACROSS PAKISTAN



**Description :**  
National Incubation Center is a joint venture of Government of Pakistan and major corporate entities. NIC is currently running five start-up facilities in all provinces of Pakistan. Each facility hosts 50 start-up tech companies. Siting the impact of ongoing projects under national incubation center, the Ministry of Information Technology has decided a major expansion for establishing innovation ecosystems and themed incubators across twenty locations in the country. This project is making huge contribution towards youth employment and technology innovation in Pakistan.

Sector: Information Technology Sub Sector: Entrepreneurship

Government Contracting Agency: National Incubation Center, Islamabad.  
Contact person: Muhammad Saleem Ranjha. [saleemranjha@yahoo.com](mailto:saleemranjha@yahoo.com); Aatif Umer, BOI [aatifumar@invest.gov.pk](mailto:aatifumar@invest.gov.pk)  
Estimated Concession Period : 18 months

Business Opportunity: Developing Pakistan's Startup Ecosystem  
Project Status: Project is currently on Request For Proposal phase

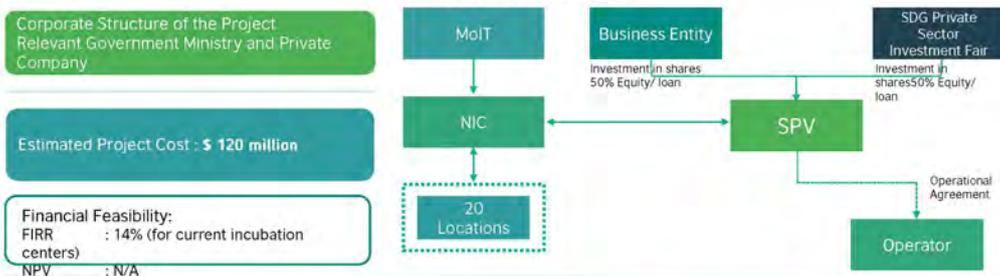
Indicative Government Support & Guarantee:  
N/A

**Implementation Schedule:**  
1. Preparation : 2021  
2. Venue Acquisition : 2021-2022  
3. Renovation : 2022  
4. Operation : Dec 2022

**Social Impact Outcomes of the Project**  
Outcome 1: Incubating and supporting 500 startups per annum. Promoting digital connectivity and innovation.  
Outcome 2: Creating 100,000 jobs across the span of the project through the companies.

# Project 8 STARTUP INCUBATIONS ACROSS PAKISTAN

## Indicative Project Structure



## Project Timeline







United Nations Development Programme  
4<sup>th</sup> Floor, Serena Business Complex,  
Khayaban-e-Suharwardy, Sector G-5/1,  
Islamabad, Pakistan

<http://www.pk.undp.org/>