

Investor perceptions in Punjab - 2016

Final presentation of survey results

Dec 8th 2016

Consultancy
Provided by :



WORLD BANK GROUP

Snapshot of the survey

Consultancy provided by :
Gallup Pakistan, affiliated with Gallup International

Timelines: Questionnaire dispatch started from the second week of October and data collection ended in the first week of December

Methodology: A mix of Postal, online and referral self-administered interviews

Sample size: 282 including both local (~60%) and foreign investments (~40%)

Concept Note - TOR investment perception survey in Punjab

Background

World Bank mission is interested in obtaining an independent feedback from investors and their perception of the investment climate in the Punjab province of Pakistan, including policy constraints, government support towards investors, such as incentive programs, and future investment plans/intentions in Punjab. Proposed survey will focus on domestic and foreign investor who are already based in the key economic areas of Punjab and hence is the proposal.

Survey Objectives

The Government of Punjab (GoPunjab) is making substantial efforts toward improving the overall investment climate for attracting investment and stimulating business growth. In the context of these reforms, GoPunjab is keen to remove the main investment climate obstacles facing investors and increase overall investor satisfaction with Punjab as an investment destination. This includes removing investment policy obstacles, embarking on an investor promotion/aftercare program, and stimulating greater linkages and domestic value addition (DVA) with local firms, to support the retention and further growth of existing investments in the country. The survey findings will be included in a comprehensive Investment Reform Map (IRM), which will outline policy recommendations to GoPunjab specifically related to investor entry, establishment, operations, incentives, protection, retention, and linkages / DVA. Understanding the experiences of existing investors will help GoPunjab, PBIT and provincial level partners in their efforts at improving policies directed toward investor and the investment climate, including investment promotion and aftercare efforts; these improvements should also encourage potential new investors to consider Punjab in their investment location decisions.

Who are we Interviewing

The survey envisions to interview a select number of Key Stakeholders falling into :

Foreign Investors having Investment in Punjab

Local Investors having Investment in Punjab

Presentation flow

This presentation would start with recommendations by consultant followed by thematic analysis and recommendations of stakeholder feedback and survey results.



Consultant recommendations

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Consultant recommendations

Motivations for investing in Punjab

GoPunjab should focus on promoting important factors such as local infrastructure, political and economic stability in the province to relevant investor groups. This should be done via trade shows, investor delegation meeting etc. Another important source of information seems to be the 'word of mouth' so current investor perception and aftercare is crucial to attract more investment

Entry (obstacles and processes)

Procedures related to starting a business should be simplified and clarity of guidelines should be improved (and be easily available) for potential investors.

Finance and revenue departments of the province should be made more proactive and better communication should be established between the federal ministries and local departments to ensure smooth entry journey

Linkages / DVA

Since an overwhelming majority of the firms want to purchase good locally, the GoPunjab and its IPAs should help facilitate this with better information on potential linkages (an MIS system for the same would be useful) as well as policy on improvement of standard of goods / services and possible tax rebates on exploiting these linkages

Protection and confidence

GoPunjab should take measures on reducing corruption as well as the communicating on the perception of 'reduction in corruption' to increase investor confidence in business operations

Incentives, grievances

It is crucial that incentives should be communicated to the potential / existing investors and the process of availing these incentives be made simple and easy. One-stop windows may help with such aftercare activities.

Transparency in processes and internet based procedural mechanisms may help curtail any grievances especially related to bribery etc.

Stakeholder feedback and recommendations

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Stakeholder

feedback and recommendations

Motivation

1.1 Stability: Government, political and economic stability are the main factors that may have a positive impact on the investors in terms of encouraging them.

1.2 Skilled Labor: Technical labor can be promoted through Training workshops, Proper National education policy and vocational training institutes.

1.3 Infrastructure and advance technology: Infrastructure may be improved and technology should be inexpensive. Latest machineries, E- Payment system and Electronic track record should also be promoted.

1.4 Transparency: Transparency in all laws particularly in the land records should be encouraged.

1.5 Good governance: Governance should be improved. E- Governance system should be incorporated for the maintenance of law and order.

1.6 Misc. motivational factors: One window solution, Industries coordination and better Transportation facility can also build the trust of the investors. Pakistani visa should easily be available on lower rates.

Policies

2.1 Export policy: Policy may be made that results in maximizing the exports and for this export industries should be promoted.

2.2 Affordable loan policy: Loans / funds may be easily available. Loan facility / affordable loan/ free interest loan should be given and for this Loan policy may smooth the process in this regard.

2.4 Tax reform: Tax reform can be done by creating easy Tax policy which focuses on the proper electronic tax collection. Also, software can also be created so that taxes should be entered easily.

2.5 Labor laws: Labor laws should be revised and skillful labor should be promoted.

Stakeholder

feedback and recommendations

Issues

3.1 Energy crises: This may need to be resolved on an immediate basis and is a point of concern for a lot of the companies

3.2 Corruption: Corruption should be eradicated from the government institutions like PFA and PRA. System regarding proper check and balance should be created.

3.3 Security condition: Security measures should be taken particularly in the educational institutes and restaurants. Other than that, CPEC and expatriate security should also be ensured to attract more investors.

3.4 Tax burden: Tax burden is the major issue mentioned by majority of the investors. New property tax should be revised. Custom duties should also be reduced.

3.5 Stable market/ stable prices: Market, value of money, foreign currency exchange and prices should be stable. International prices of raw materials should be followed. Also, Industrial areas should be available for investment in economical prices.

3.7 Redtapism/ bureaucratic structure: Red tapism, long procedures to follow, over regulations and documentation process on imported good results in increasing the overall operational costs.

3.8 Other misc. Issues: Other Issues cited by the investors include the terrorism, discrimination, geopolitical condition, Lack of uncertainty and man power. Protection of local market is also the major concern of the local investors.

4. Incentives

4.1 Tax incentives/ subsidy: Tax incentives and Subsidy on utilities should also be given particularly to Industrial and education sector.

5. Grievances

5.1 Nature of grievances and its resolution: Bribery, weak contract enforcement / contract violations and tax related grievance are the common grievances faced by the investors. To resolve the grievance, speedy justice system, proper panel court system and Timely law enforcement would be needed.

How to maintain or increase investments in Punjab

12 key points to drive policy

- I. resolve taxes issues/tax structure should be revised /facilitation for tax paying investors
- II. Correction and improvement in govt policy and procedures
- III. Ensure uninterrupted supply of utilities
- IV. improve security issues
- V. Increase political stability
- VI. Improve Economic stability
- VII. Better law enforcement
- VIII. Free interest/loan facilities
- IX. Provide funds/investment/money
- X. Skilled profession/man power
- XI. Decrease Import duties
- XII. Control corruption
- XIII. Improve infrastructure

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Survey results

**Motivations of
Investing in
Punjab**

**Entry (obstacles
and processes)**

**Feedback on
Linkages / DVA**

**Protection and
confidence**

**Incentives,
Grievances**

Sample Profile

Motivations for investing in Punjab

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Motivations for investing In Punjab

Important Factors why the investor choose to invest in Punjab:

Quality of local Infrastructure in PUNJAB, Ease of obtaining licenses and permits, Economic stability, Access to land, Physical security, Ease of Establishing Business in PUNJAB, Political stability in PUNJAB, Availability of skilled labour as compared to other provinces, Registration of business in the country, Availability of local suppliers as compared to other provinces, Existing local investor's experiences

Improving Factors: Quality of local infrastructure, economic stability, political stability.

Others Provinces considered: Sindh and KPK seem to the other most considered provinces. Sindh; because it has a seaport, largest city in Pakistan (hence bigger local market), KPK; because of growing economy, more investor friendly policies and taxation.

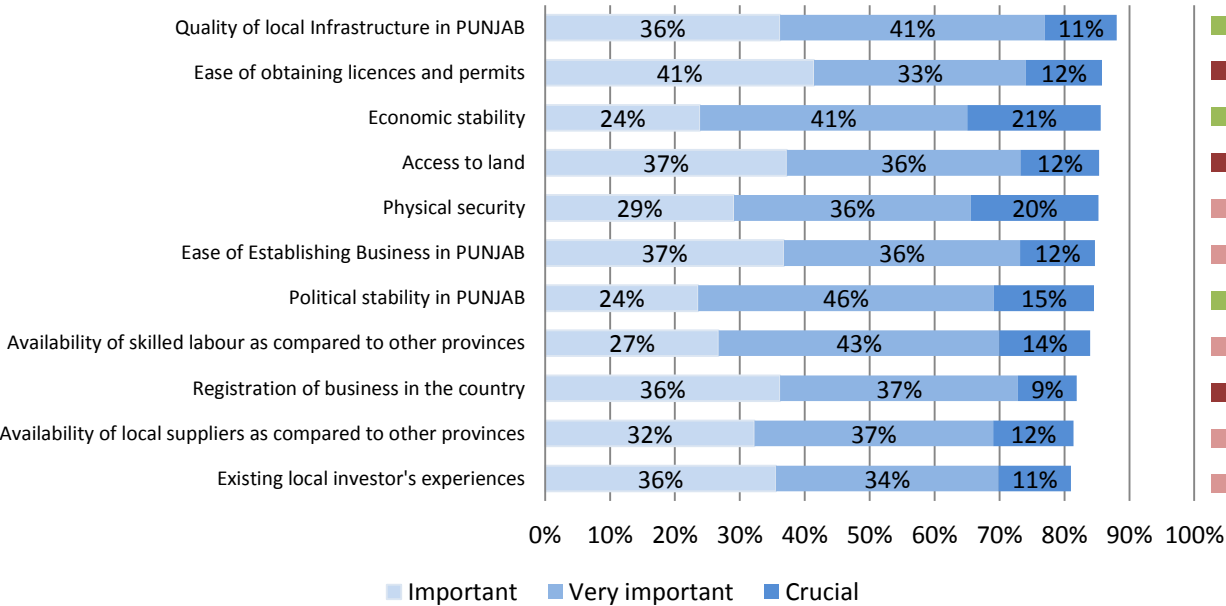
Reasons for considering Punjab was availability of better business opportunities, better security, comparatively better political, economic and law and order situation as well as better infrastructure

Investors learned about investment opportunities in punjab from existing customers, word of mouth, suppliers in Punjab, existing investors and internet sources amongst others.

36% of the companies contacted ministry of finance when setting up their business, Foreign investments also contacted BOI, local development agency, Chief ministers office as well.

Motivation for investing in Punjab

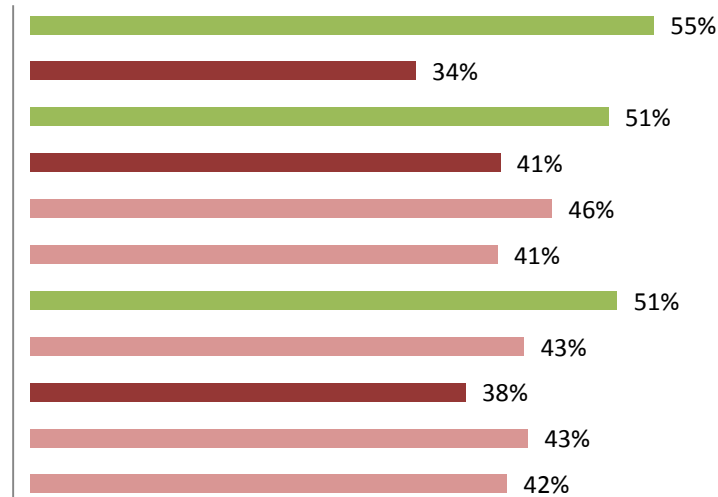
Top factors for motivation for investment include



Respondents who answered not important / not important at all are not shown

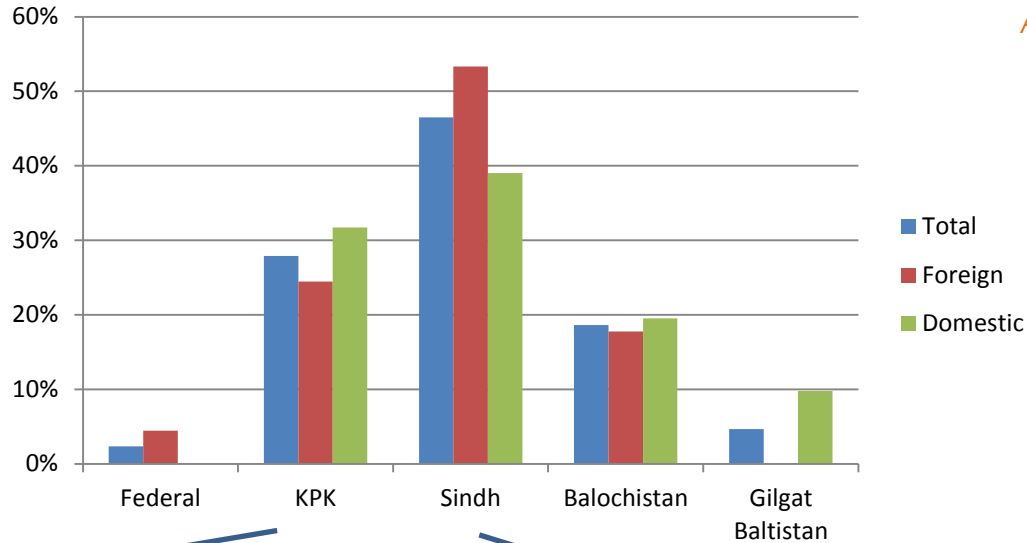
Threshold for top factors → cumulative percentage for important, very important and crucial is >= 80%

Are these Factors Improving over the past 3 years?

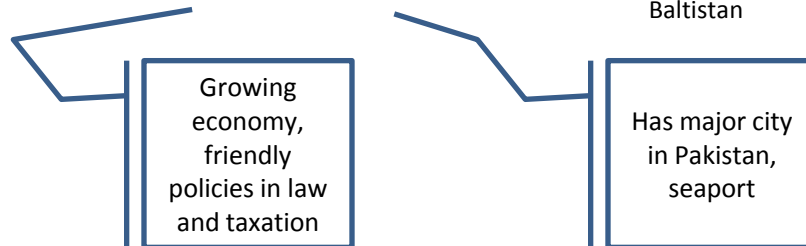


Respondents who answered 'factors' are the same / getting worse are not shown

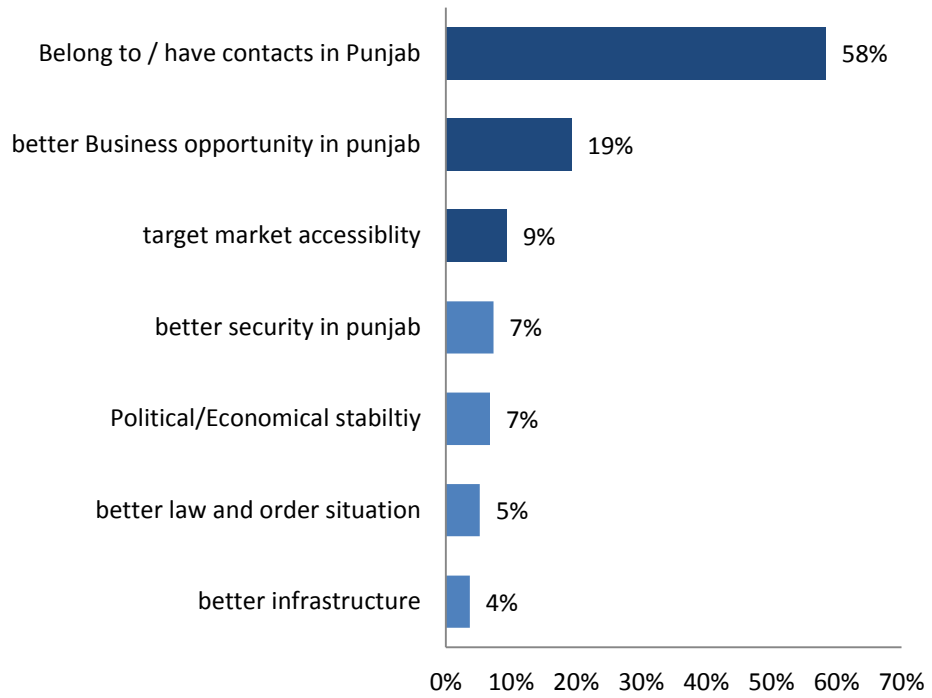
Other provinces considered for investment



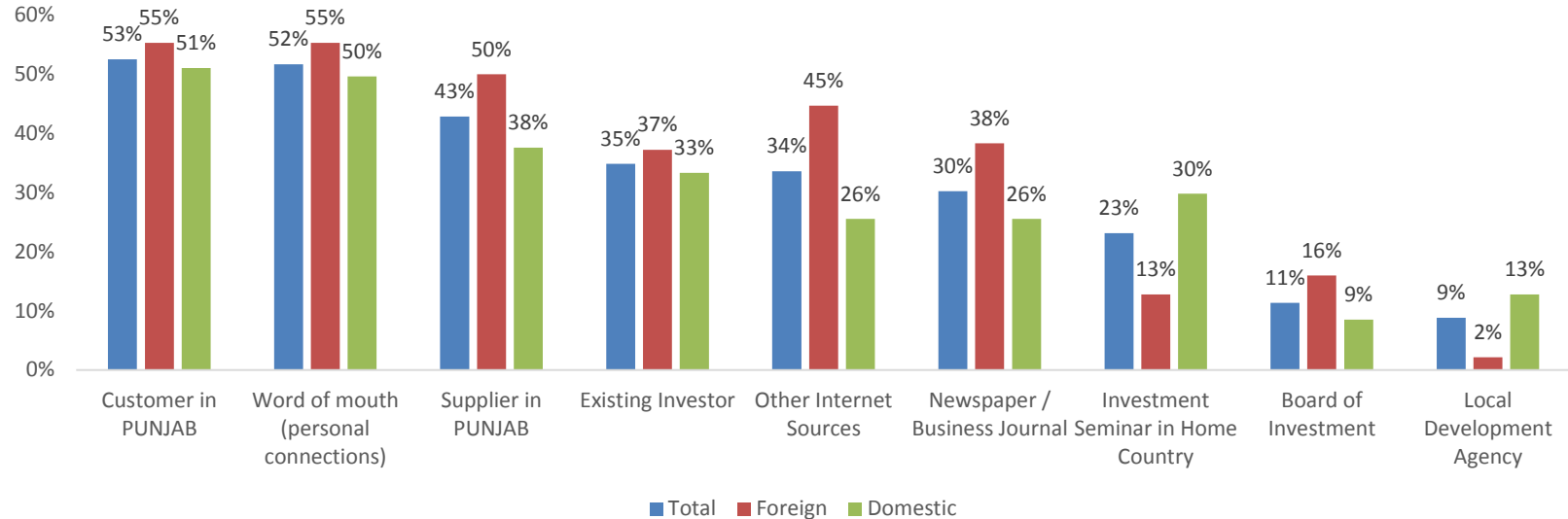
A few of the companies are already operating in other provinces of Pakistan



Reason for selecting Punjab

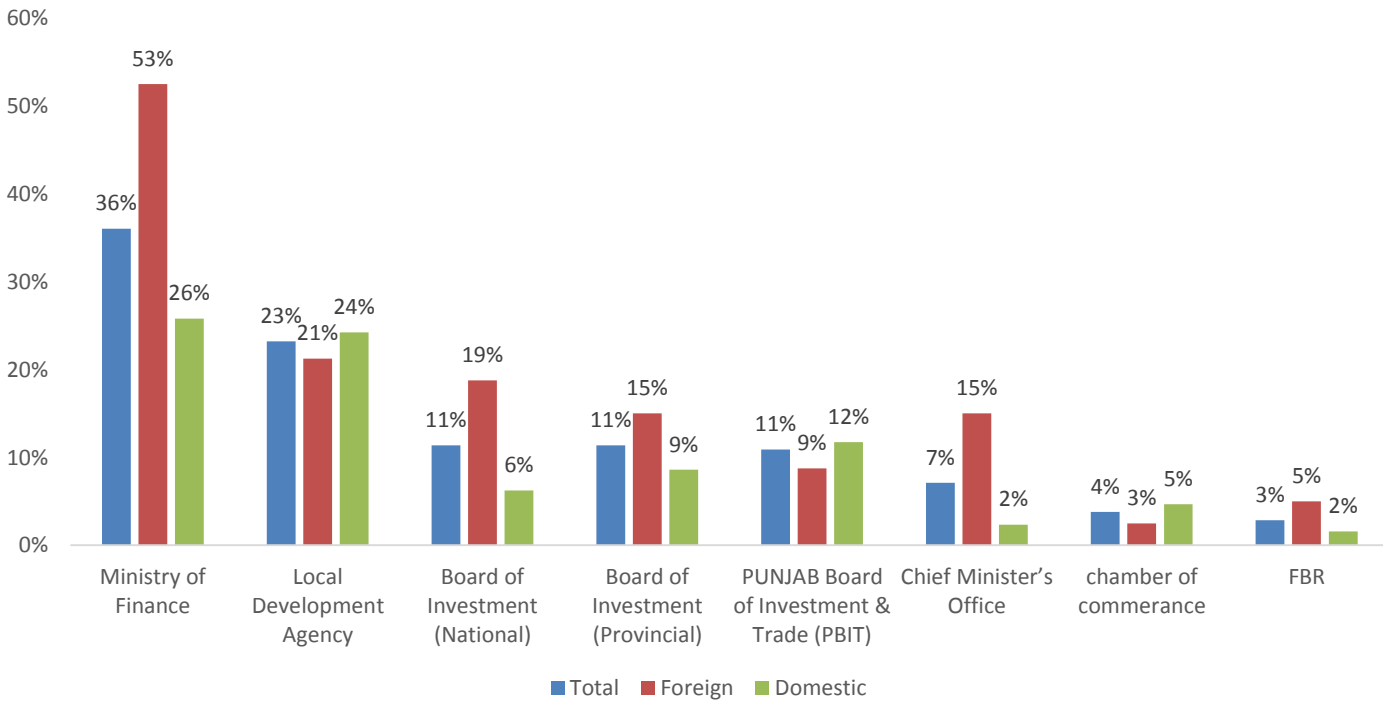


How did you learn about investment opportunities in Punjab



Multiple responses possible

Who did you contact when setting up business



Multiple responses possible

Entry

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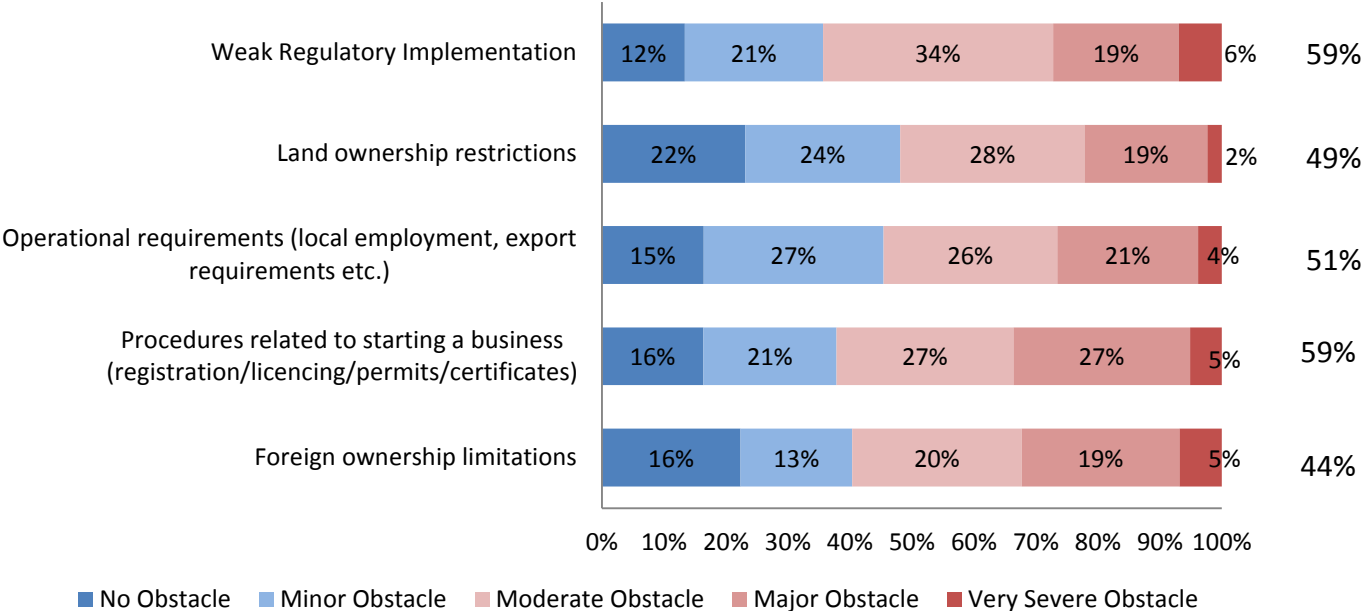
Entry

Top2 Obstacles: The top 2 major entry obstacles are perceived to be weak regulatory implementation (59%) as well as procedures related to starting a business. (59%)

Majority of the companies (82%) got the company registered in upto 90 days and 87% of the companies had to deal with upto 3 department / ministries. 53% of the companies took upto 90 days to establish a business. Again 87% of the companies had to deal with upto 3 departments / ministries

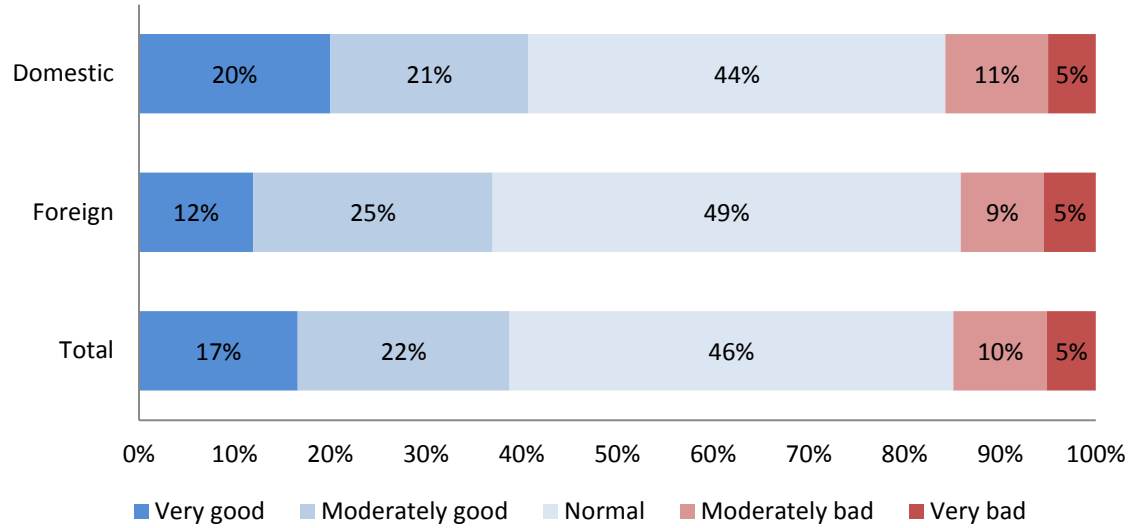
The clarity of guidelines for registering and establishing are considered to be moderately / very bad by 15% of the companies

Entry obstacles



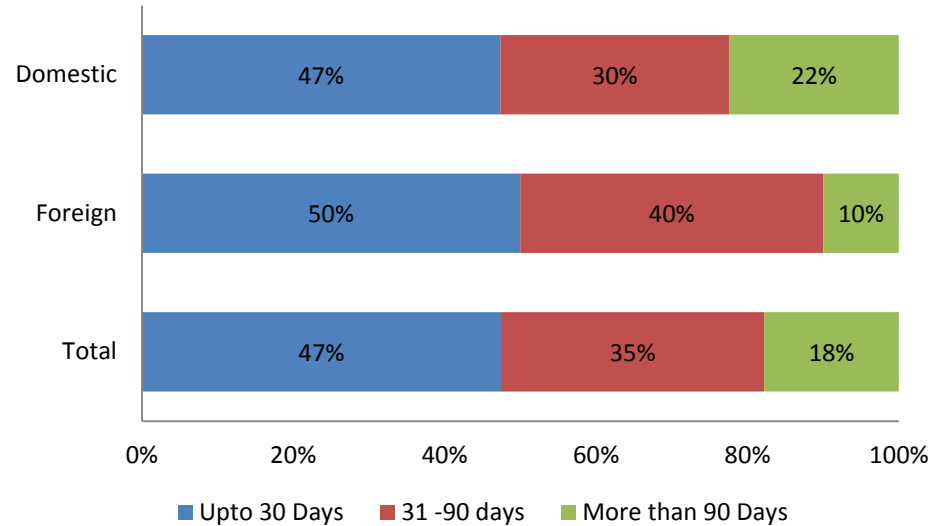
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Clarity of guidelines



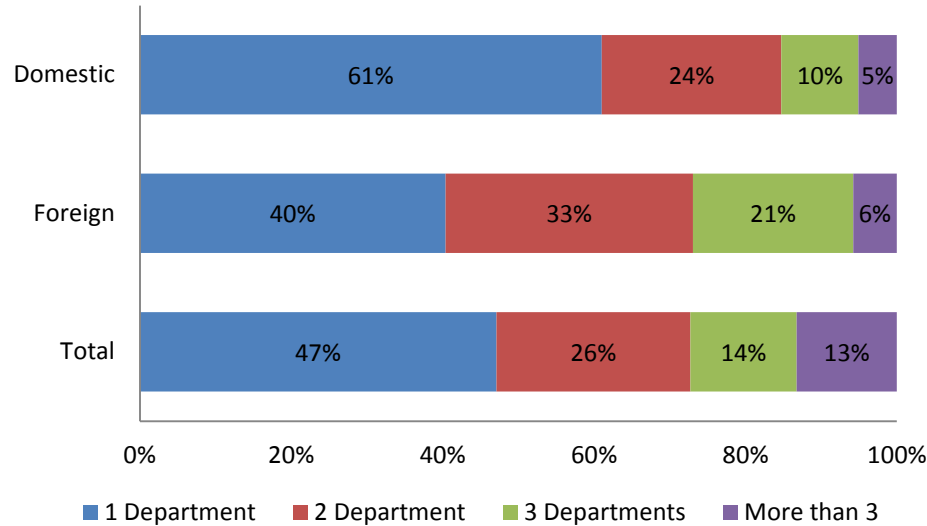
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Time taken to register business



Figures may not sum to 100%, because of rounding

How many departments did you have to deal with while registering business



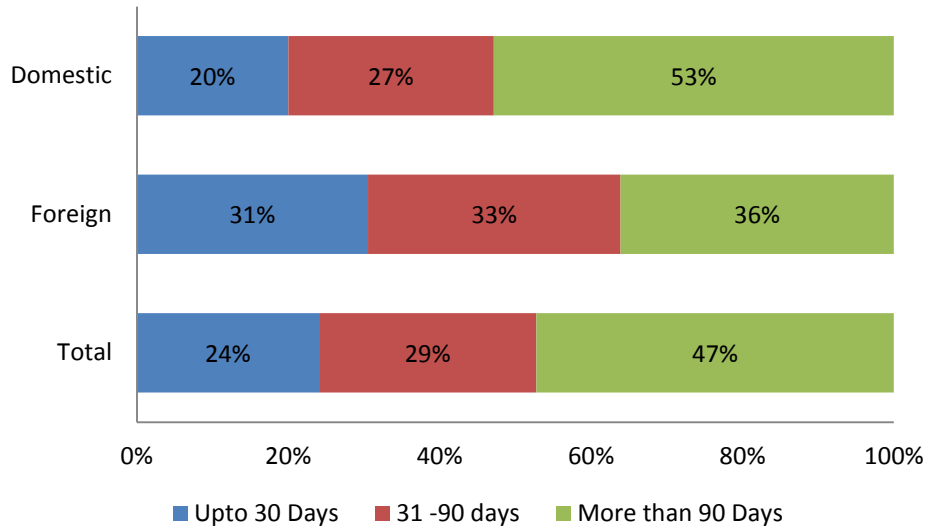
Slowest departments / ministries included PRA, FBR, SECP etc

Most Difficult: FBR, PRA, development authority etc

Reasons: non-Cooperative Behavior, slow work, lack of accountability etc

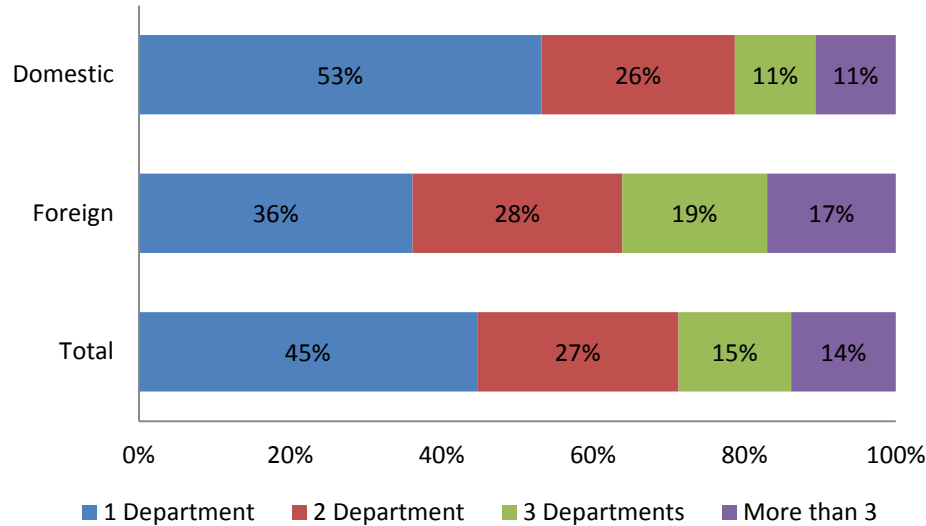
Figures may not sum to 100%, because of rounding

Time taken to establish business



Figures may not sum to 100%, because of rounding

How many departments did you have to deal with while establishing business



Slowest departments / ministries included PRA, FBR, SECP etc

Most Difficult: FBR, PRA, development authority etc

Reasons: non-Cooperative Behavior, slow work, lack of accountability etc

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Linkages

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Linkages

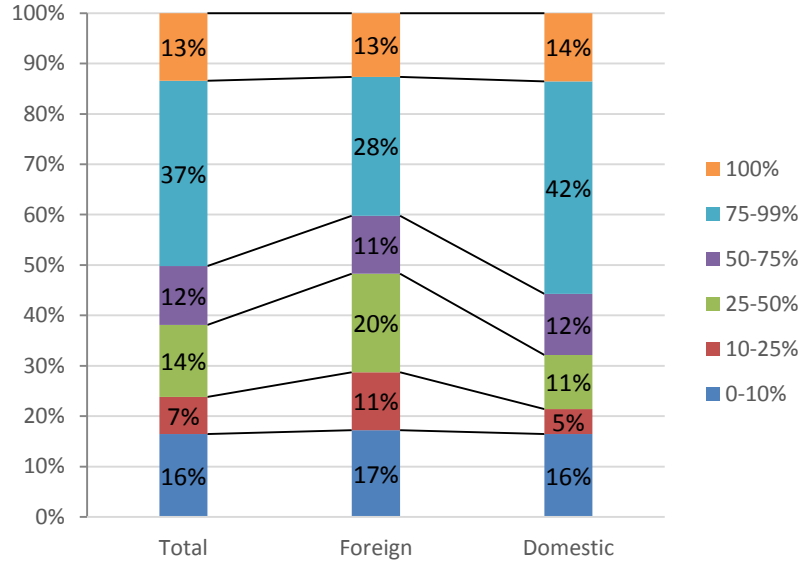
63% the firms seem to be importing more than 50 percent material goods while ~47% of the firms seem to be importing more than 50% non-material inputs.

A couple of major reasons for importing material / non - material inputs seems to be the standards of local goods / services (79%, 75%) as well as the availability of goods / services required for day to day operations. (81%, 74%)

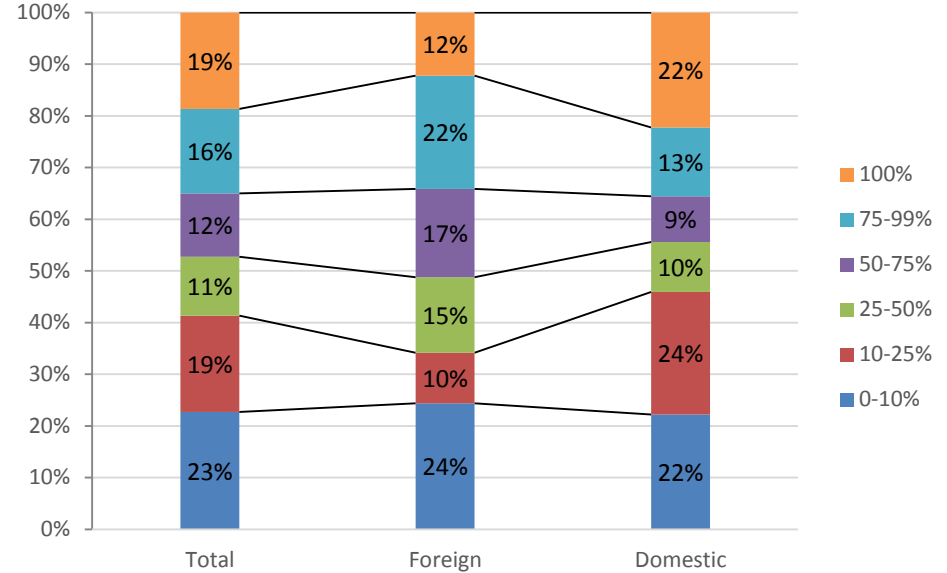
90% of companies perceivably want to purchase more goods locally and 93% want the government to stimulate local suppliers to meet international standards

25% disagree that the 'government is working on measures that would allow them to buy more goods and services locally'. Such measures may include tax rebates on locally produced goods, standards on goods, training of manpower as well as a better justice system to protect against violations

Sourcing of material and non-material inputs from Punjab

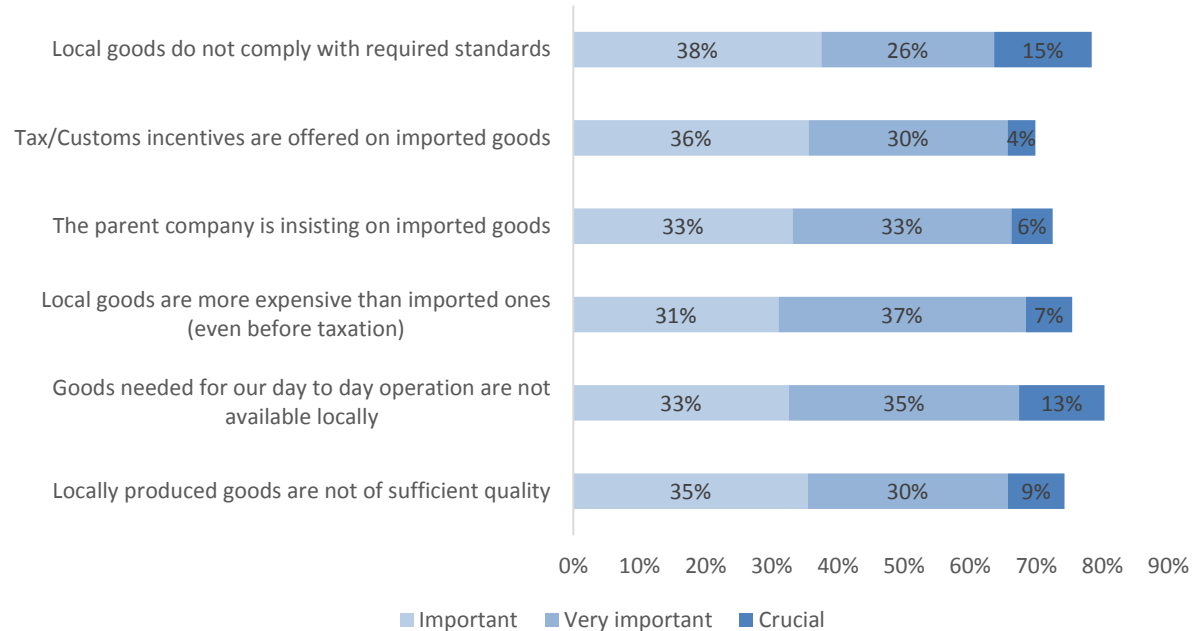


Material Inputs



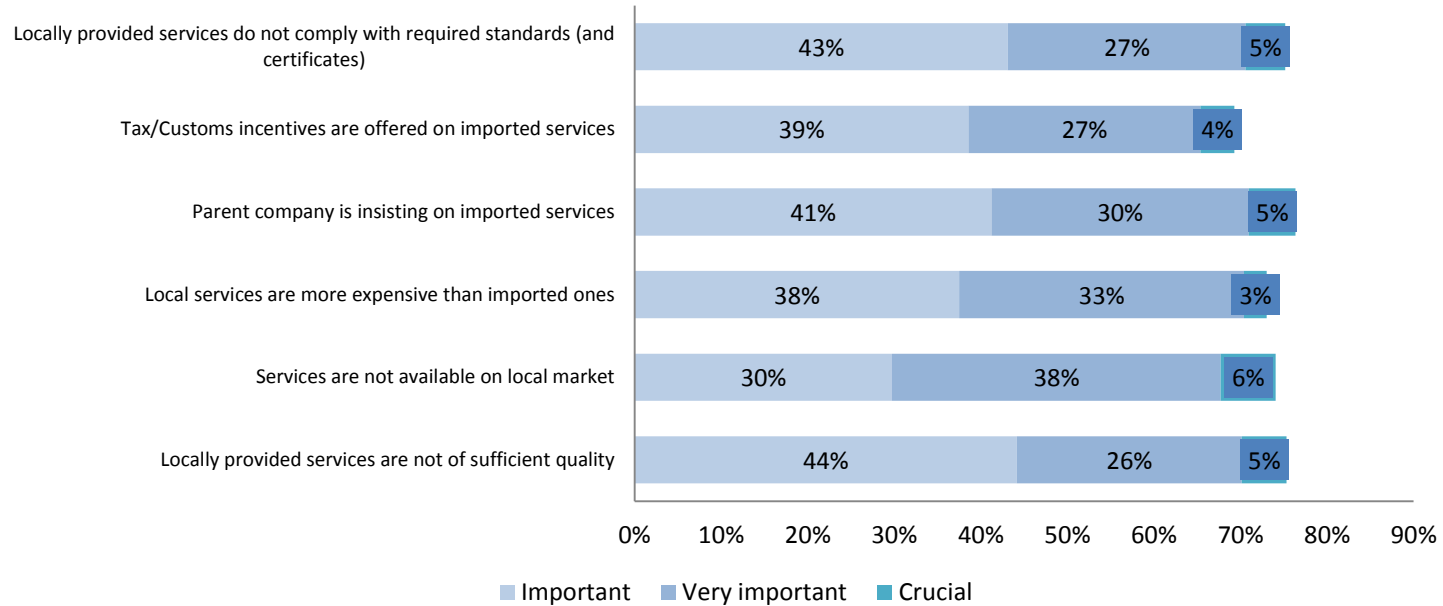
Non- material Inputs

Important reasons for importing material goods



Respondents who answered not important / not important at all are not shown

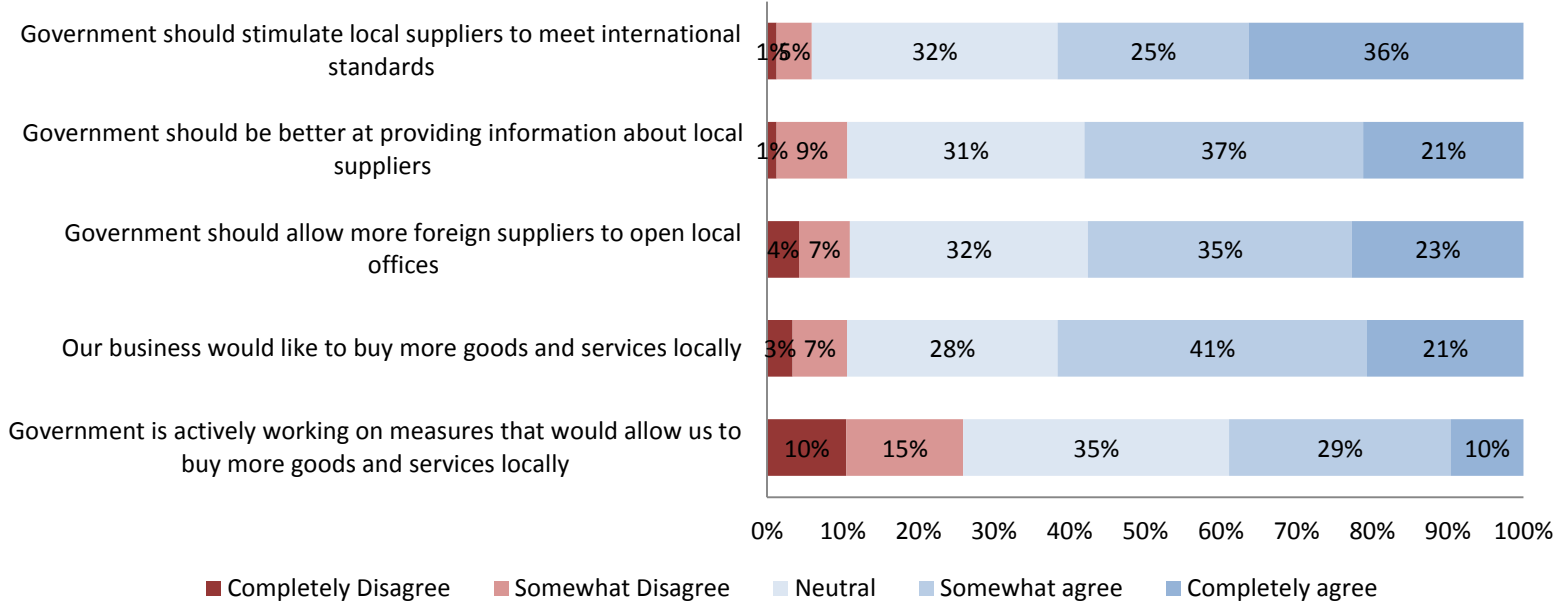
Important reasons for importing non-material inputs



Respondents who answered not important / not important at all are not shown

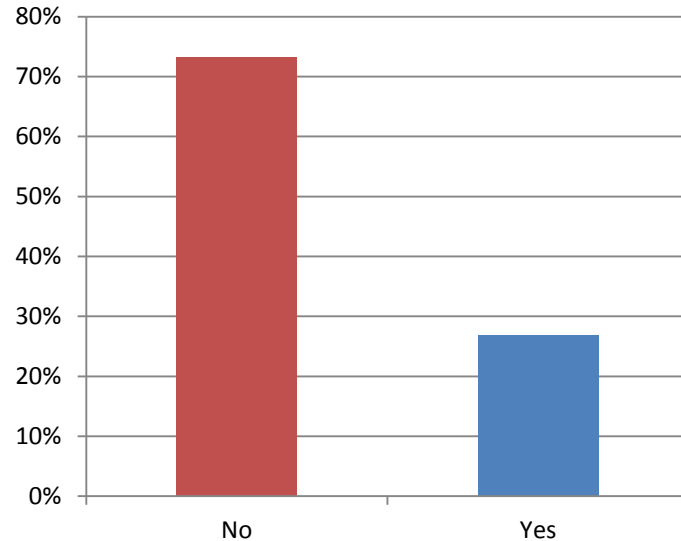
Government performance on developing linkages

60% of the companies disagree / are neutral that the government is working on measures that allow to buy more goods and services locally



Figures may not sum to 100%, because of rounding

Government policy that could stimulate purchase of local goods



Figures may not sum to 100%, because of rounding

Government policy that could stimulate purchase of local goods

Policy Parameters	
Taxation	Tax rebates on local produced good, Sales tax reduction, Tax compliance by suppliers
Training of labor	Training of labor, improve technical manpower
Quality of Goods	Price and quality control, access to goods in local market, minimum standards of goods,
Misc	Better justice system to protect against violations, register and certify local vendors

Protection and confidence

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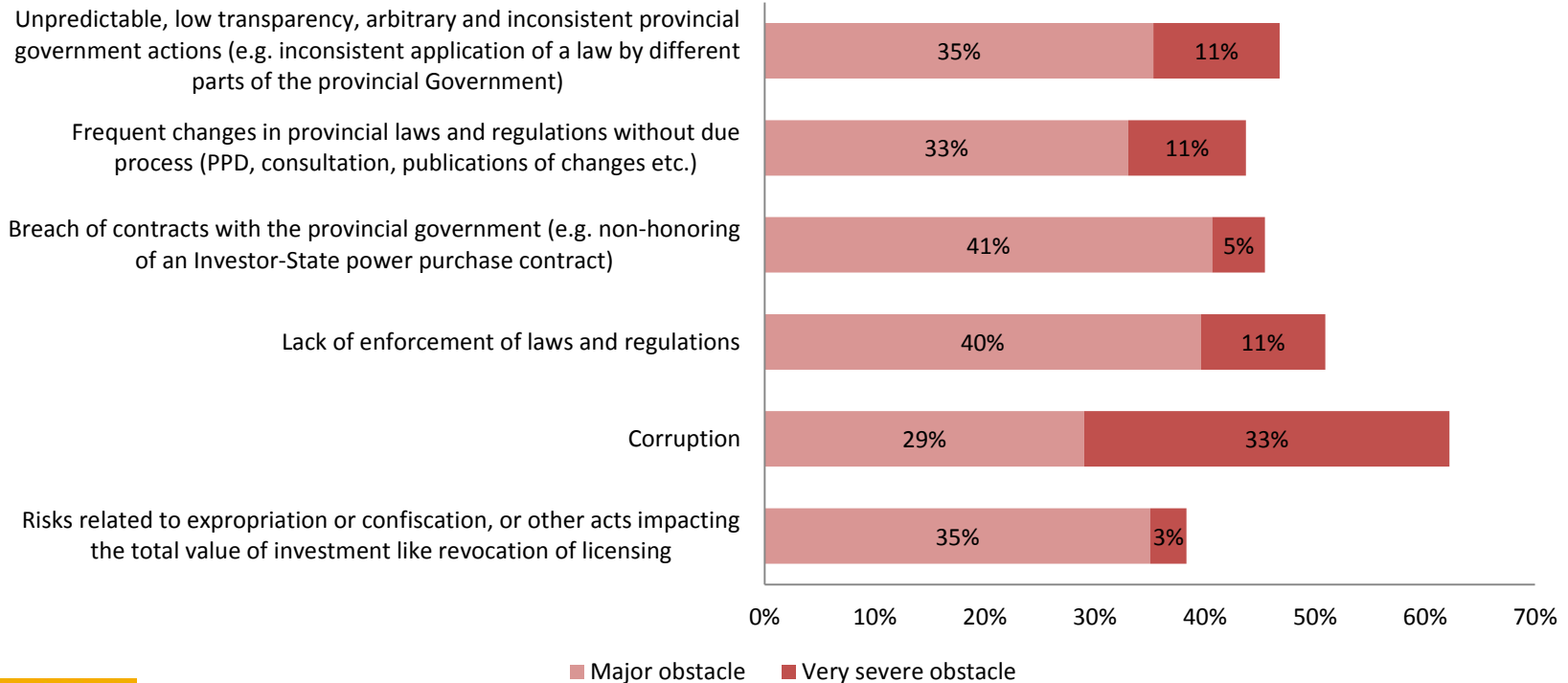
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Protection and confidence

Corruption (62%)

seems to be the highest rated obstacles (major, very severe obstacle) effecting business operations

Obstacles in business operations



Respondents who answered no obstacle, minor obstacle, moderate obstacle are not shown

Incentives

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Incentives

Only 15% of the companies availed any incentives (these largely included fiscal incentives such as tax rebates / custom incentives, export rebates and were received from FBR, custom, IT ministry etc.

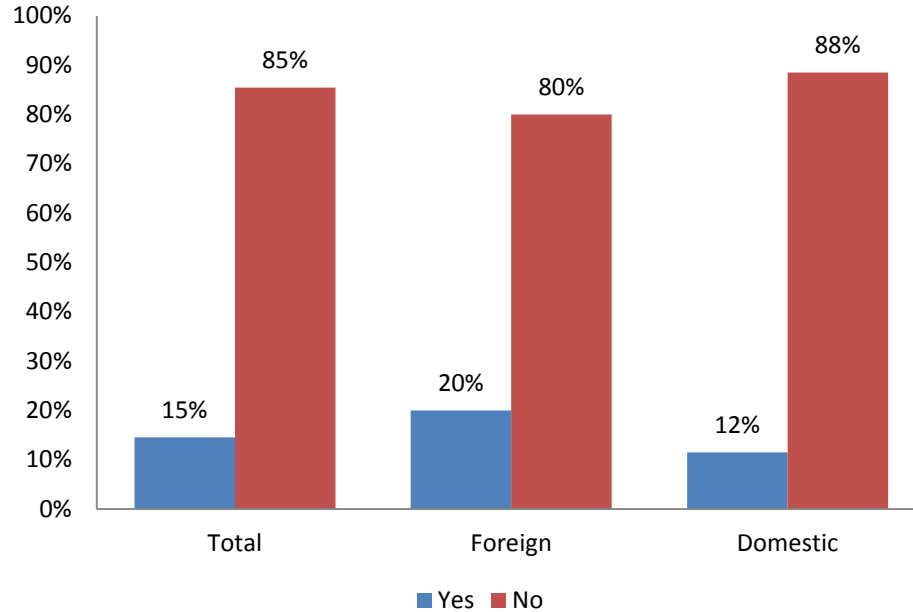
Top reasons for not availing incentives were lack of information, and lack of confidence over the government

For those who availed incentives it had an impact on the 'extent of investment in research development and innovation, level of production as well as size of investment.

Incentives were generally received within one year.

65% of the companies found it difficult to find information on incentives

Did the company receive any incentives



Top reasons for not receiving incentives included no information on incentives, difficult procedures, no fruitful outcome/s, lack of confidence on the government to deliver.

What incentives were received

Types of Incentives
Tax related
Custom Duty
Cost Incentive
Energy Related
Export Rebates



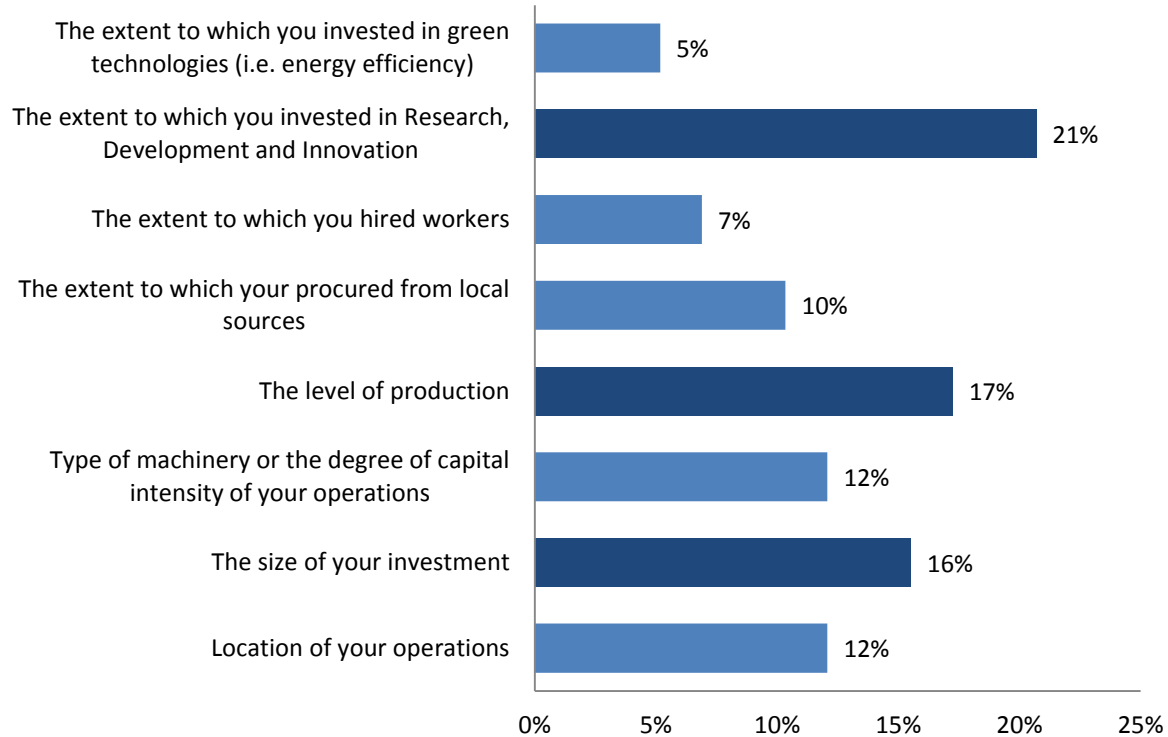
Incentive By
FBR
Customs
IT ministry



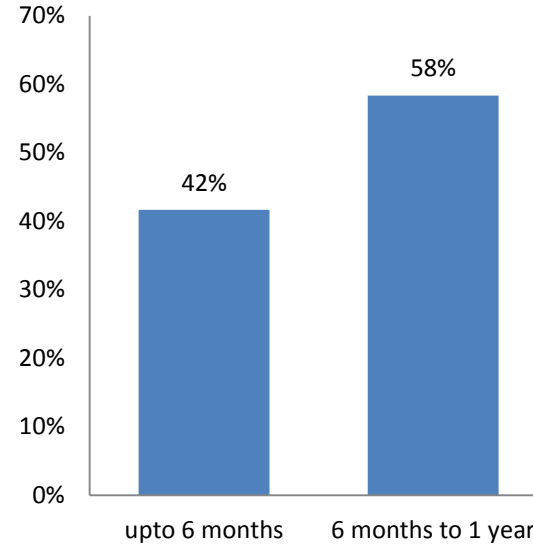
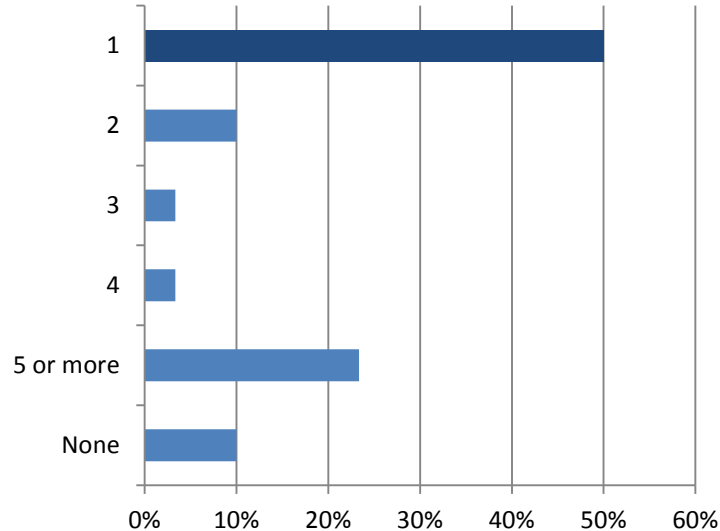
In year
2011,
2015, 2016

Most of the incentives received were upto \$100k;
Majority of the companies said that they would have
invested even without the incentive

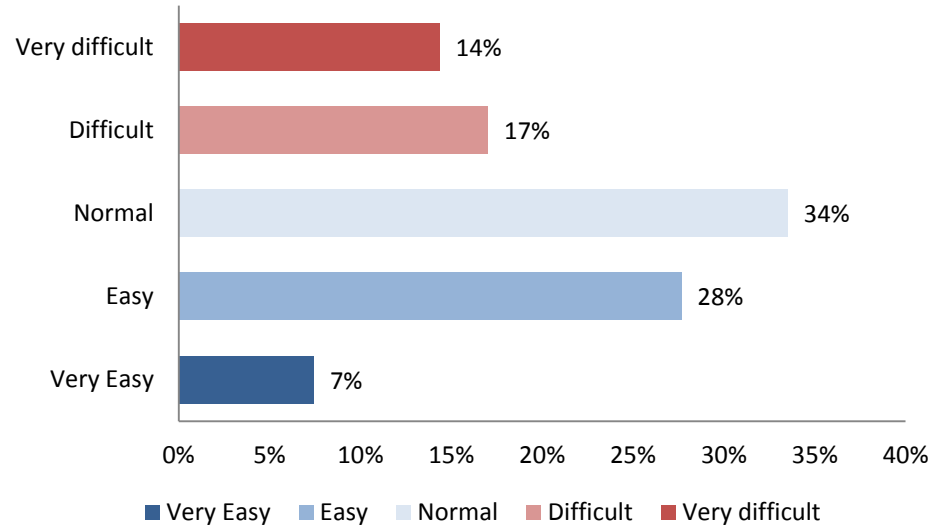
How did the incentives affect investment



How many agencies you had to deal with and how much time did it take to receive incentive



Information on incentives



Figures may not sum to 100%, because of rounding

Grievances

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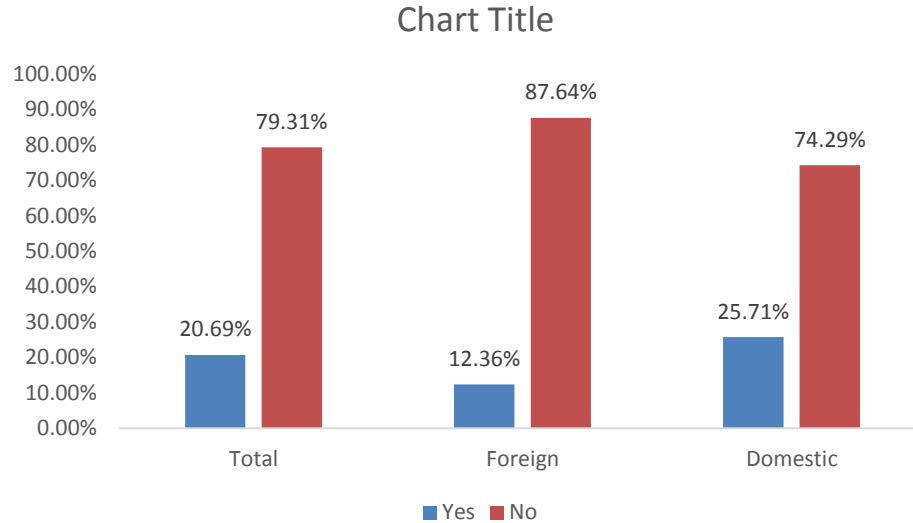
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Grievances

21% of the companies had experienced any grievance . These grievances included bribery, politically motivated price controls, weak contract enforcements etc.

Top approaches to resolve the grievances included 'formal written grievance to the government' and ' case in domestic court'

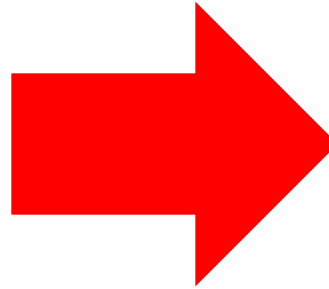
Did the company experience any grievances



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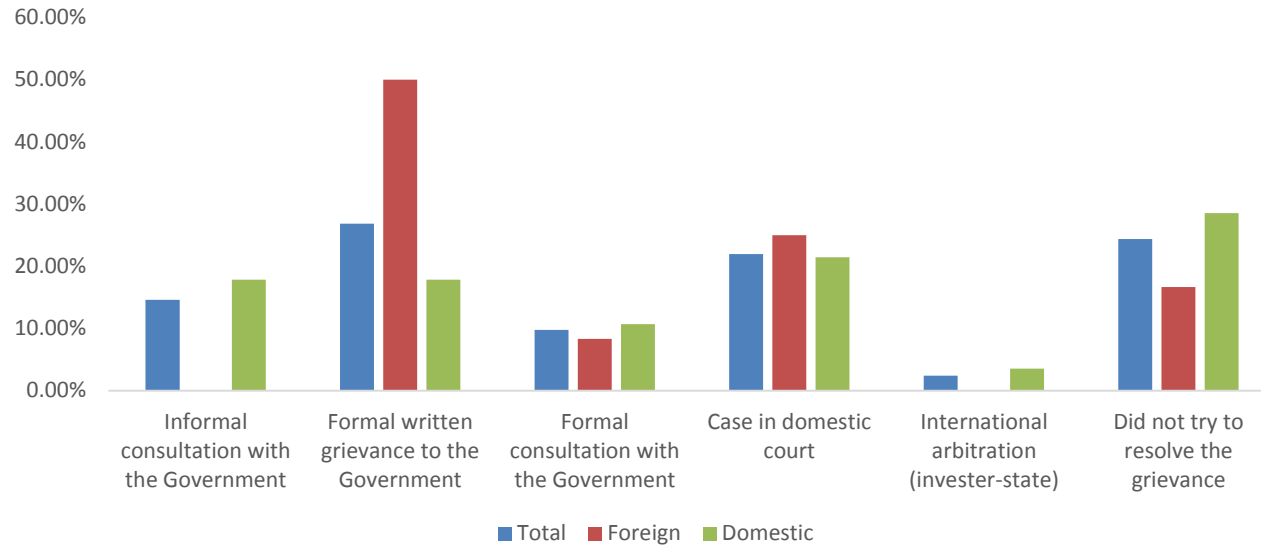
Nature of grievance

Grievances included bribery, politically motivated price controls, weak contract enforcement, taxation as well as approval issues



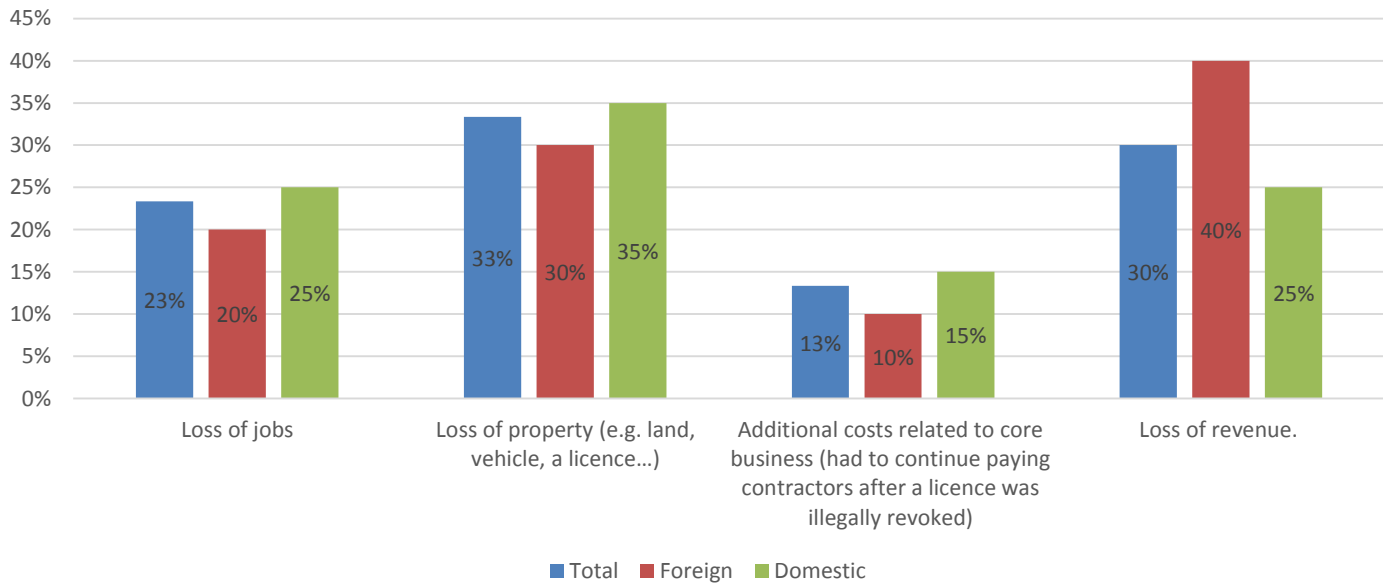
Against Departments such as FBR, Wapda, LDA, Excise

Approach to resolve grievance



Economic impact of grievance

Economic impact for most of the companies who faced any grievance was up to \$100k



Multiple responses possible

Special economic zones, industrial zones, and one-stop window

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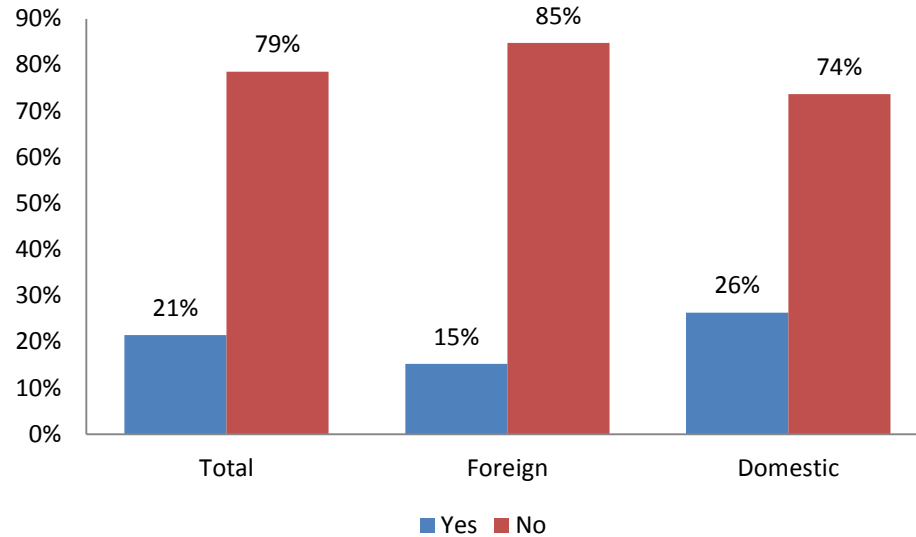
Special economic zones, industrial zones, and one-stop window

21% of the companies are operating in SEZs/ IZs in Punjab.

Some of the suggested improvements in SEZs/ Izs included SEZ support services, tax reduction and rebates, uninterrupted utilities, no corruption and low cost of infrastructure.

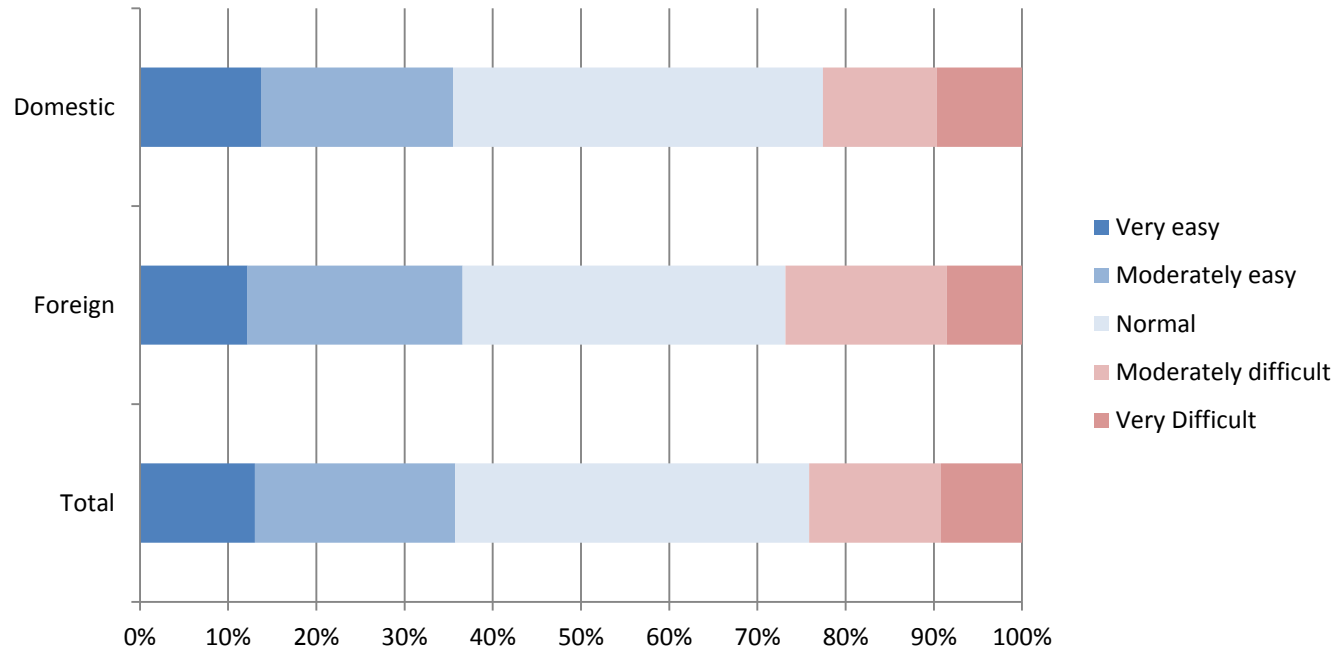
95% of all investors considered a one-stop-window to be useful (somewhat or very) facility.

Operating in SEZ / IZ



Figures may not sum to 100%, because of rounding

Ease of obtaining information on SEZs /IZs



Figures may not sum to 100%, because of rounding

How to improve SEZs / IZs

Uninterrupted Utilities

Tax Reduction / rebates

Free / Subsidized Utilities

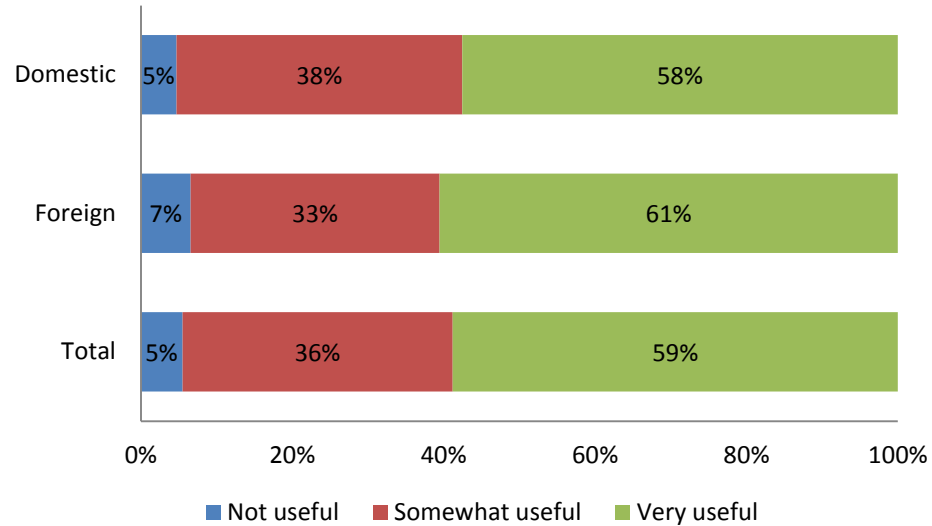
Easy process of Registration in IZs

Export Rebates

Support Services

No corruption or Favoritism

Usefulness of one-stop window



Figures may not sum to 100%, because of rounding

Profile of business and its investment

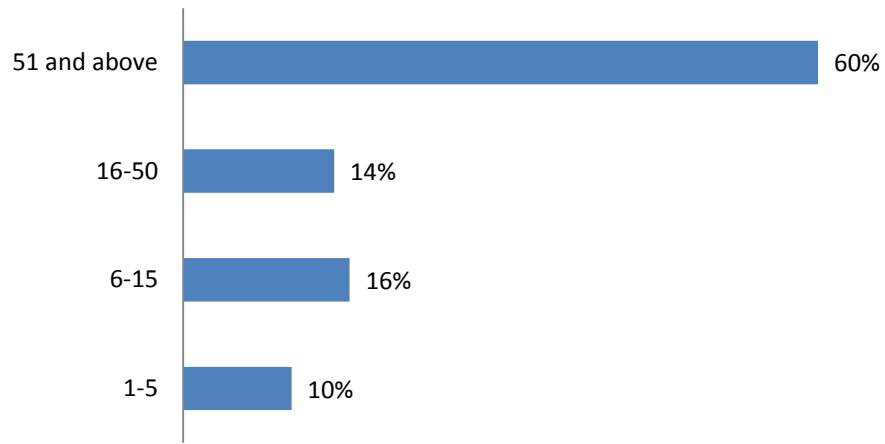
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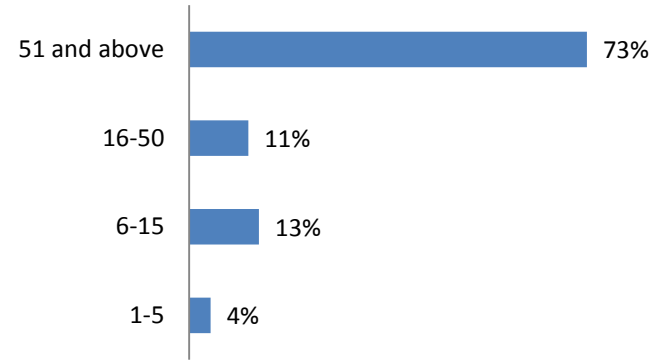
Total employees

Total

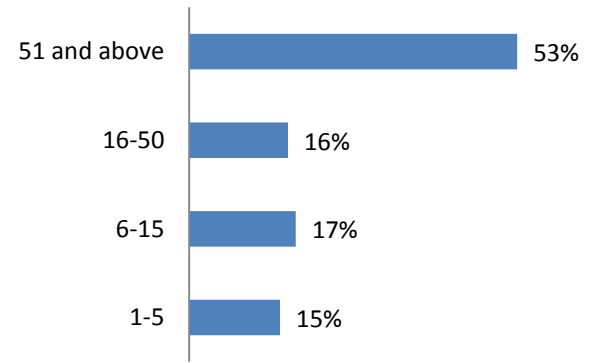


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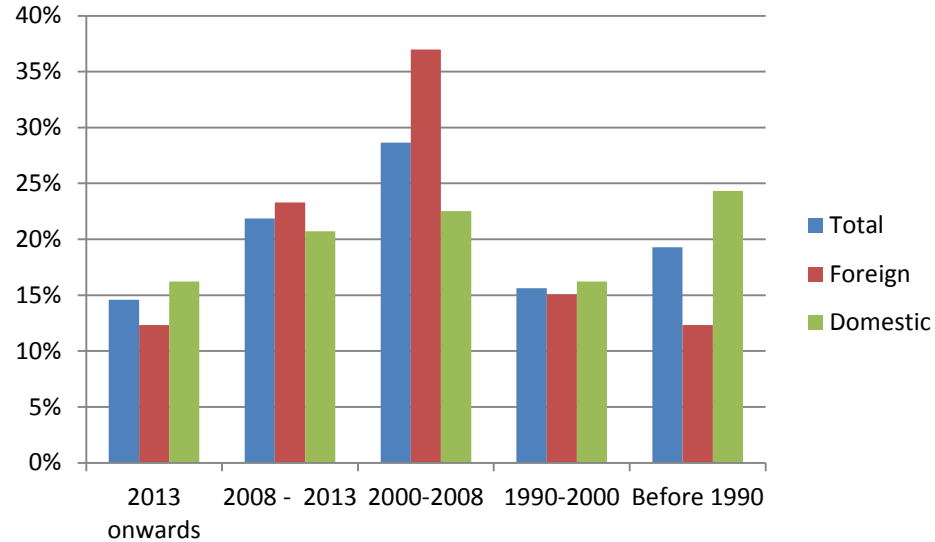
Foreign



Domestic

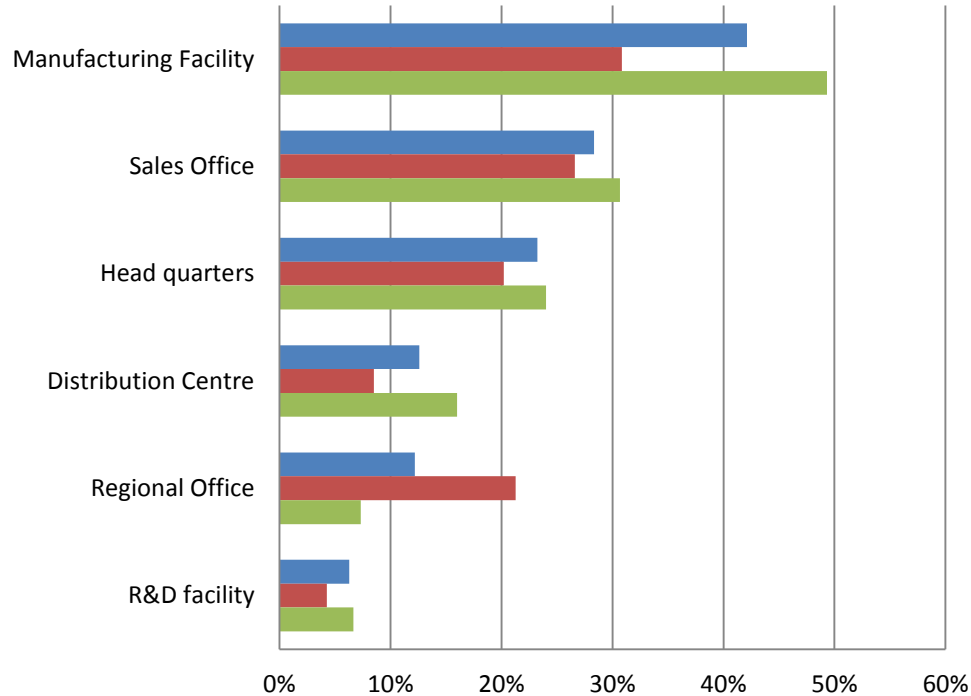


Year of establishment



Most of the companies were established 2000 onwards

Business activity of the company

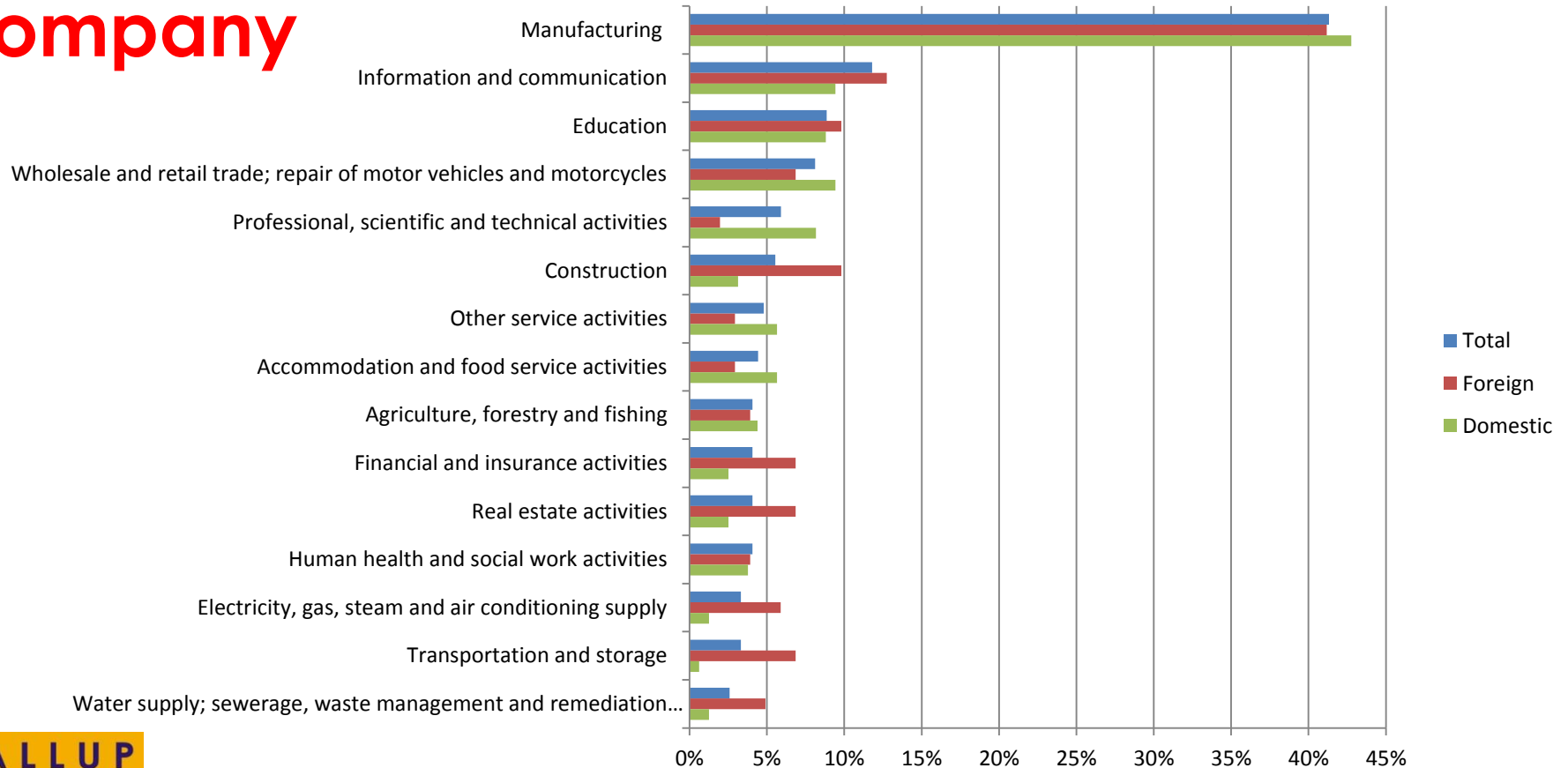


Other business activities included technical center, consultancy, call center, waste management service etc

■ Total
■ Foreign
■ Domestic

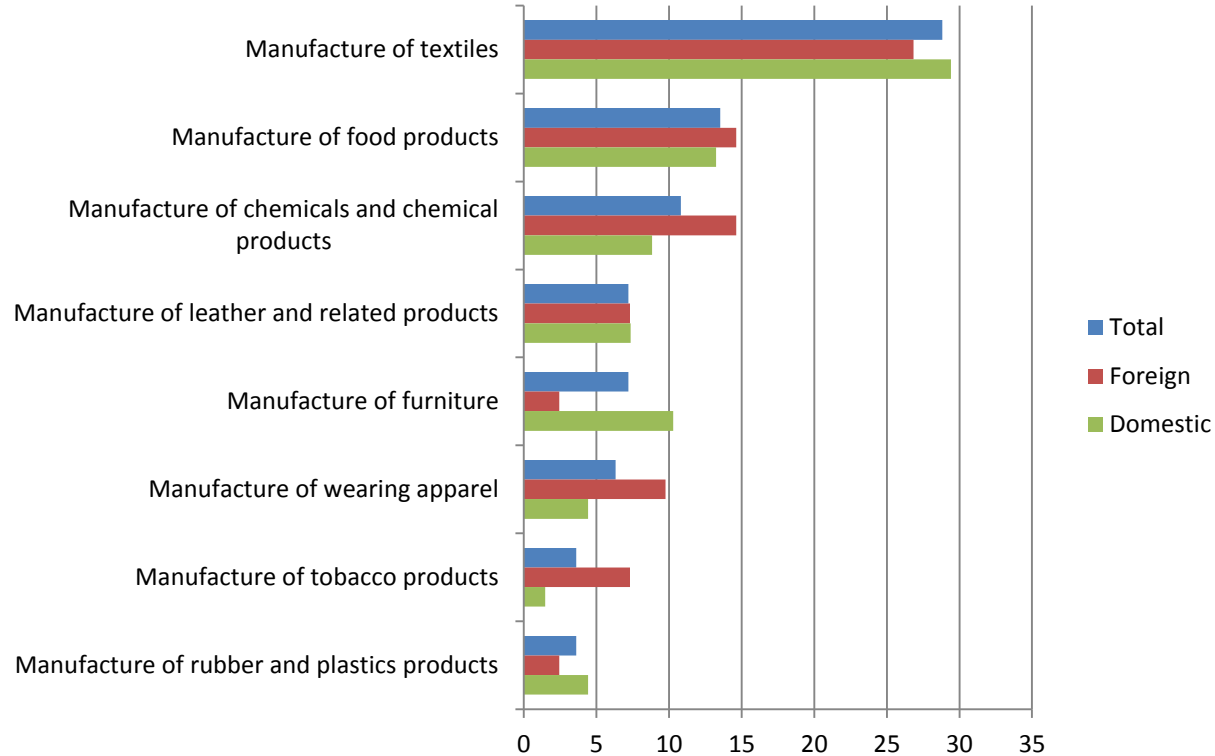
Multiple responses possible

Sector of the company



Multiple responses possible

Sector of the company – subsector manufacturing

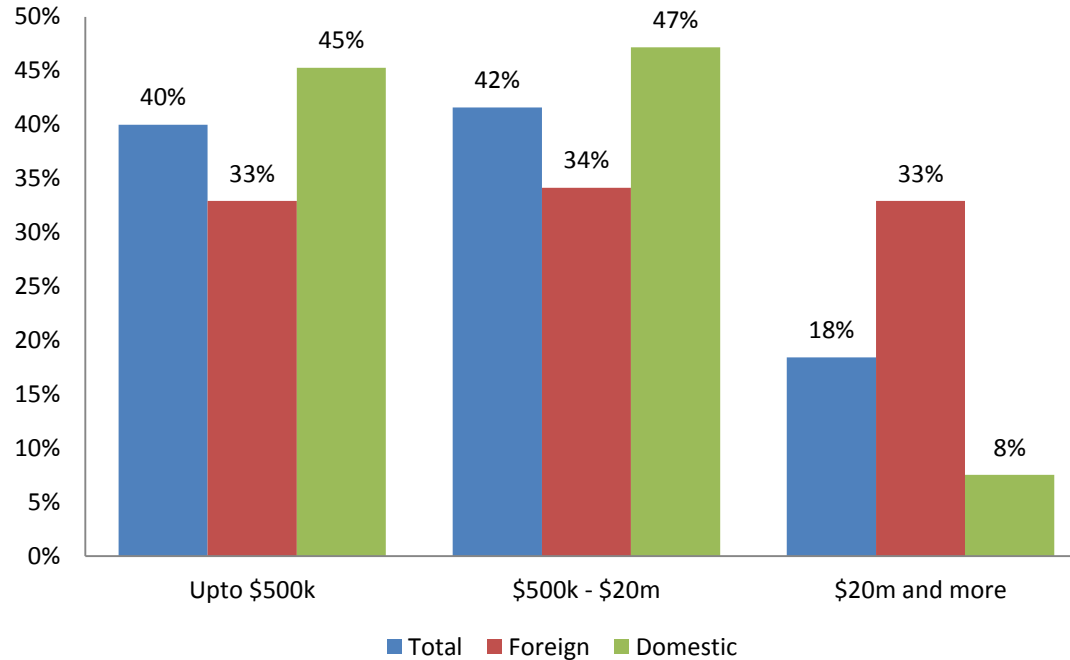


Figures may not sum to 100%, because low percent sectors are not included in the graph

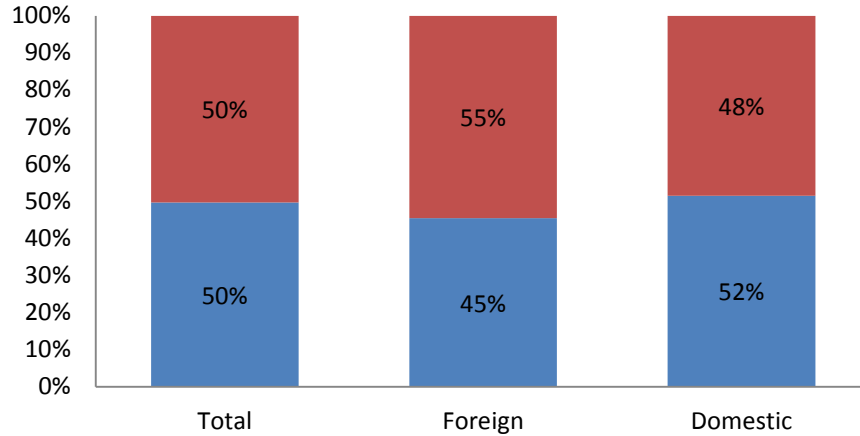
Percentage of Manufacturing sector

Current investment in Punjab

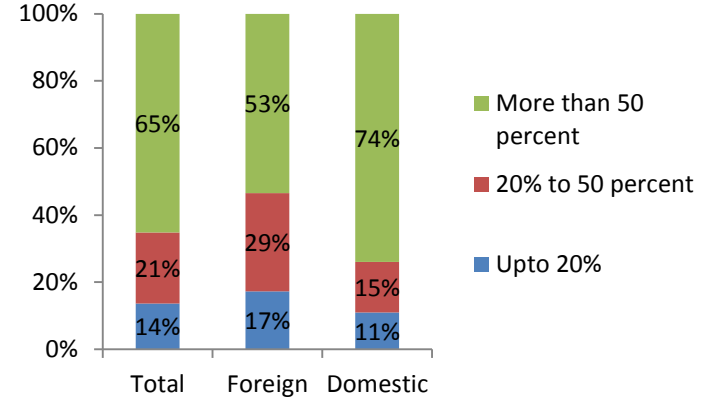
Only 13% of the companies had plans for new / more investment while 87% were still undecided / had no plans / didn't know if they wanted to invest.



Annual sales revenue



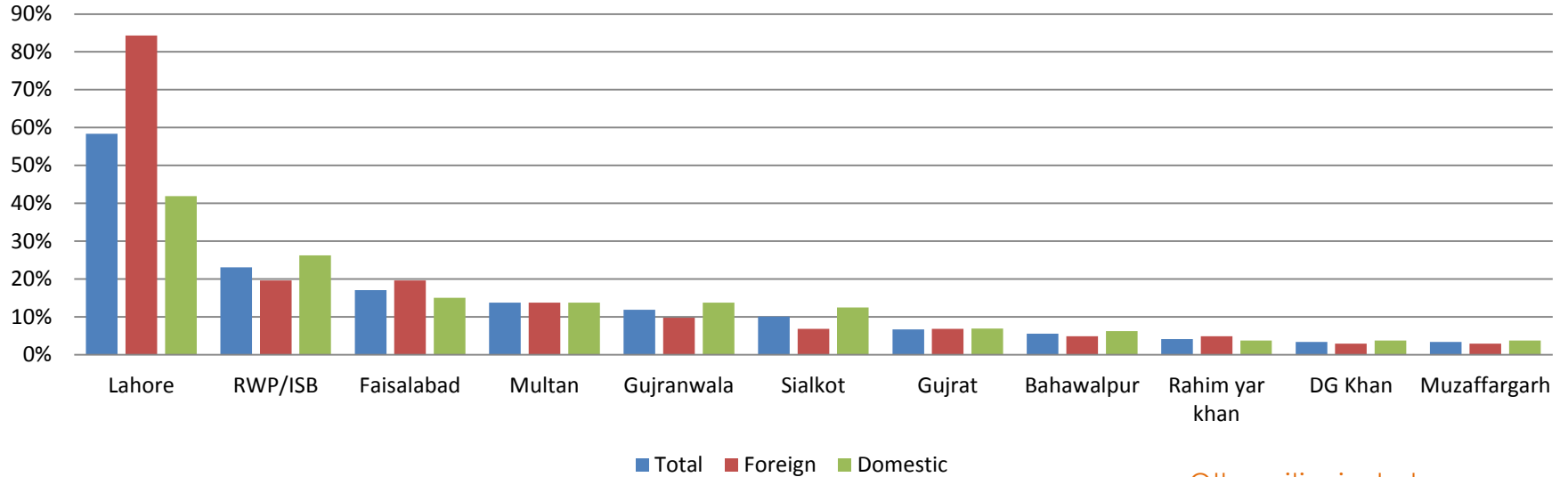
- Medium / Large Companies (more than \$1 million annual revenue)
- Small Companies (upto \$1million dollar annual revenue)



Percentage of annual revenue from Punjab

Location of company within Punjab

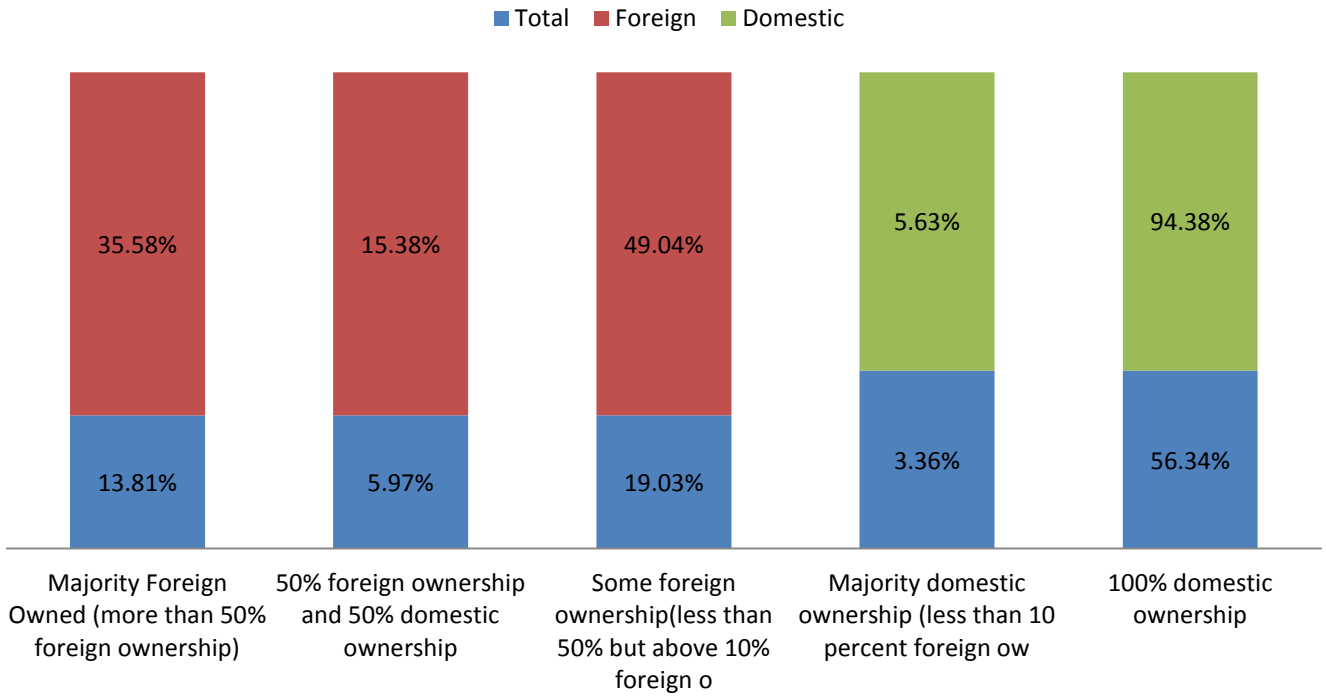
Foreign companies / investors were based out of the US, China, Turkey, UAE, Canada, Malaysia, UK, Saudi Arabia, and others



Other cities include Kasur, Sheikhpura, Sargodha, Sahiwal and Chakwal

Multiple responses possible

Company ownership

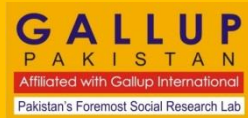


For more information / queries, please contact

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