

Govt likely to offer incentives for SEZs' success

ISLAMABAD: The government is expected to offer a series of incentives to ensure the success of Special Economic Zones (SEZs) and mobilise overseas Pakistanis to invest in Pakistan.

A meeting of the Economic Coordination Committee (ECC) of the cabinet has been summoned on Monday (today) to discuss a two-point agenda: challenges faced by the existing SEZs and those proposed under the China-Pakistan Economic Corridor (CPEC); and a strategy to enhance job opportunities abroad for Pakistanis and increase their earnings.

Informed sources said members of the Board of Investment (BOI) would brief the ECC on the challenges faced by the existing SEZs and how to address them to “transform failures into success”, and how those planned under the CPEC could be started.

The sources said the ministry of overseas Pakistanis would present a plan for securing job opportunities for Pakistanis abroad, and how their lowly-paid jobs could be transformed into well-paid employments. They added it would also discuss how Pakistanis could be equipped with skills that are in high demand abroad. The plan would also include measures that could address concerns of Pakistanis working abroad regarding investment opportunities in Pakistan.

ECC to discuss challenges faced by economic zones today

The sources said the BOI would explain to ECC that a lot of confusion persisted about the existing SEZs because of overlapping responsibilities or lack of cooperation between the federal and provincial governments.

For example, they added, a mechanism needed to be put in place to enable the federal and provincial governments to work together to ensure provision of all utilities, infrastructure and other facilities without any hassle to the investors.

Also, the prices of land in SEZs in different provinces varied greatly, which was viewed by investors as a major burden on the cost of doing business and a source of discouragement, the sources said.

They added the success of even the CPEC-related SEZs was hampered by contradictory roles and jurisdictions of the federal and provincial governments. And the deadlines for their launching or groundbreaking were being missed again and again even though they had been given top priority, the sources said.

The meeting is also likely to discuss an Asian Development Bank (ADB) study, which has noted that over 70 per cent of the SEZs in China and other industrialised regions met with failure until they were linked to the economic/industrial policy of the state.

The main message is that “SEZs cannot succeed as standalone transactions” unless Pakistan links them to a long-term industrial policy, which currently is non-existent.

For the plans to succeed, the government has to carefully select the location of the SEZs after taking into account the needs of the export and domestic markets, and ensure that all the utilities required, a secure environment and financing needed is provided.

More importantly, the BOI suggested that the government should identify four to five sectors that could be prioritised under the SEZs plan after considering the comparative advantage the country enjoyed and then focussing on them on medium- to long-term basis, i.e. for the next five years and up to 30 years.

It also advised the government to consider phasing out facilitations and subsidies given to the conventional sectors that might have turned into white elephants over the years.

The BOI suggested that the SEZs should be considered for grant of support on the basis of their local competitive advantages and their internal and external linkages. For example, gems and precious mineral resources should be considered for maximum support in Balochistan, and agro-based value additions and storages in Punjab.

The sources said the provincial governments had a significant role to play in the success of SEZs. They said the Faisalabad SEZ on M3 had already progressed to a level where it did not require a developer and was ready to take off with minimum effort.

Similarly, they said, the Khyber Pakhtunkhwa government had identified Chinese developers for the Rashakai SEZ but negotiations were in progress on how to proceed forward. On the contrary, the Sindh government had not been able so far to generate interest for SEZs around Karachi, they added.

The Chinese and Pakistani governments had earmarked M3 Faisalabad, Rashakai in Khyber Pakhtunkhwa and Dhabeji near Karachi for the first phase of SEZs and said they should take off during the current year.

Prime Minister Imran Khan had also directed the authorities to ensure groundbreaking of these three zones in the first half of the year.

However, all the SEZs still lack a governance model even though tax exemptions are sufficiently identified and available under the SEZ Act.

The ADB had advised that the SEZs should be promoted as incubators of good practice, supported by good infrastructure. For example, it suggested that the government could use private firms to develop and manage the SEZs, but the state must be an active player in improving transport, electricity, water, telecommunication, waste disposal, and other infrastructure to link the SEZs to the global economy. It had also found that successful SEZs were those that operated on the basis of local advantages, like low wage or semiskilled labour, to become globally competitive because global or regional competitiveness really mattered.

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