

**Overseas investors, OICCI survey concerned at some areas of doing business**

ISLAMABAD: Overseas Investors Chamber of Commerce and Industry (OICCI) has announced the results of the biannual "Perception and Investment Survey 2019" conducted during last quarter of calendar year 2019 amongst the leading foreign investors of the country according to which they have shown concerns on some areas of doing business in Pakistan including withdrawal of incentives for overseas investors.

OICCI President, Shazad Dada stated that "survey shows that on a number of business climate parameters foreign investors remain positive, and are upbeat on the performance of their respective business entities in Pakistan, with 75 percent amongst the leading foreign investors indicating willingness to recommend new FDI in Pakistan to their parent companies."

He added that "whilst foreign investors participating in the survey have shown concerns with some areas of doing business, the case for business growth potential and opportunities in Pakistan is supported by over seven out of 10 survey respondents indicating their plans to invest more or similar amounts over the next 1 to 5 years, as compared to the previous corresponding period. This view may appear conservative since in the past two years OICCI members have reinvested \$ 2.5-3 billion annually in new capital expenditure".

OICCI members have indicated that compared to the previous 2017 survey, the federal government is better engaged with stakeholders on Policy issues and its senior functionaries appear to have better understanding, and commitment to resolve investors issues.

A number of economic disciplinary measures announced by the government last year, like the partial withdrawal of incentives on new investments, also affected OICCI members. The strong resistance, especially from a large segment of the market players in the informal economy, towards many bold measures to document the economy has had negative impact on the business operation of many of OICCI members. Delayed action on some other key concerns, like inter-provincial coordination issues, matters relating the renewal of Cellular Mobile Operators licenses, extended time in processing corporate remittances, and capacity issues in some of the regulatory bodies have been raised as concerns for many businesses. Furthermore, nearly 30 percent devaluation of the Pak Rupee, increase in the central bank's discount rate from 6.5 percent in July 2018 to 13.25 percent in Q3 2019, led to an increase in the cost of doing business. Two key issues of concern to foreign investors, the overdue tax refunds, around Rs 80 billion, and the energy sector's circular debt remained largely unresolved. This challenging business environment is duly reflected in the feedback as the foreign investor's perspective of

doing business has seen a major decline in the 2019 survey as compared to the last 2017 survey.

More than 70 percent of the foreign investors/OICCI members are partially satisfied with "policy framework" relating to business but have concerns on the implementation of policies. More than half of the respondents are concerned on the consistency and predictability of monetary and fiscal policies. When asked to name top five key pain points to their business, the CEOs of OICCI membership identified, in order of priority: (i) Rupee devaluation, (ii) Gap between policies and their effective implementation; (iii) increasing tax burden; (iv) cost of doing business; and (v) increase in borrowing cost/interest rates.

According to the survey, a number of companies belonging to the FMCG, Food and Healthcare sectors have identified counterfeiting, illegal imports, and dumping of cheaper imported products as major risks to their businesses. Commenting on the key pain points OICCI President said "a noteworthy feedback from the 2019 survey is the deletion of security as one of the top five challenges. This is remarkable as security has been one of the top five concerns in all previous three surveys."

The foreign investors have expressed concern on lengthy timeline in contract enforcement with over two third respondents sharing that it takes around five years in resolving commercial dispute. Majority of the respondents support the 'CPEC' projects, and have also identified key sectors where new foreign direct investment could be attracted with the right policies and improved perception about Pakistan, as almost three quarters of the respondents indicate that their parent companies are influenced by negative image of Pakistan in the foreign media or other sources.

OICCI members who collectively pay about one-third of the total annual tax revenues collected in Pakistan are positive about the opportunities and potential of the country and foresee expansion of the country's economy. This is a welcome sign for all stakeholders, including the young people entering the job market, with nearly 35 percent of the OICCI Survey respondents indicating that they will add manpower going forward. Moreover, two thirds of the respondents forecast increased sales while higher profits are forecast by half of the respondents.

"Foreign investors are cautiously optimistic of the future growth potential and are looking forward to improved level of public private partnership to deliver on the true economic potential of the country," the report notes.