

KHYBER PAKHTUNKHWA
BOARD OF INVESTMENT & TRADE

INVESTMENT PROMOTION STRATEGY

2021-2025



LAND OF
GROWING
OPPORTUNITIES



KHYBER PAKHTUNKHWA
**BOARD OF INVESTMENT
& TRADE**



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Creating Markets, Creating Opportunities



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KHYBER PAKHTUNKHWA
**BOARD OF INVESTMENT
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Khyber Pakhtunkhwa

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Acronyms

CRM	Client relationship management
CPEC	China-Pakistan Economic Corridor
DDI	Domestic direct investment
EODB	Ease of Doing Business
EU	European Union
FATA	Federally Administered Tribal Areas
FDI	foreign direct investment
GDP	gross domestic product
ICT	information and communication technology
IPA	investment promotion agency
IT	information technology
KP	Khyber Pakhtunkhwa
KP-BOIT	Khyber Pakhtunkhwa Board of Investment and Trade
KPEZDMC	Khyber Pakhtunkhwa Economic Zones Development and Management Company
KPI	key performance indicator
M&E	monitoring and evaluation
MoUs	memoranda of understanding
P&D	Planning and Development Department
PESCO	Peshawar Electric Supply Company
PPP	public private partnership
R&D	research and development
SEZ	special economic zone
SIDB	Small Industries Development Board
SME	small or medium enterprise
SMEDA	Small and Medium Enterprises Development Authority
TBD	to be determined
TDAP	Trade Development Authority of Pakistan
TOR	Terms of Reference
TVET	technical and vocational education and training
U.S.	United States of America
WBG	World Bank Group
WSSC	Water and Sanitation Services Company



EXECUTIVE SUMMARY

KPBOIT's key task as KP's investment attraction agency and focal point for the Ease of Doing Business initiative is to recommend policies that will create a business-enabling environment for local and foreign investment. This is as a priority of the Government of Khyber Pakhtunkhwa. However, achieving maximum benefits of investment is not automatic and has to be strategized through well-framed investment policies in a way that supports employment generation and reinforces economic growth. Investors choose locations from among potentially many which offer the markets, natural resources, or productive efficiencies they seek. Thus, KP competes for investment with other provinces and countries. KP-BOIT, therefore, needs a careful and detailed approach that addresses the specific circumstances of the host country: geography, targeted sectors and stage of development. It must be capable of persuading investors of KP's relative advantages, validate investors' selection of KP with good investment facilitation, and guide the government to further strengthen the province's competitiveness.

The policy context for investment promotion in KP

In KP, KP-BOIT has to be at the forefront of business attraction and trade facilitation and needs to be ready to react quickly to all challenges. Through this strategy, KP-BOIT intends to harmonize and provide operational detail to three drivers of investment promotion in KP, as illustrated in **Figure 1**.

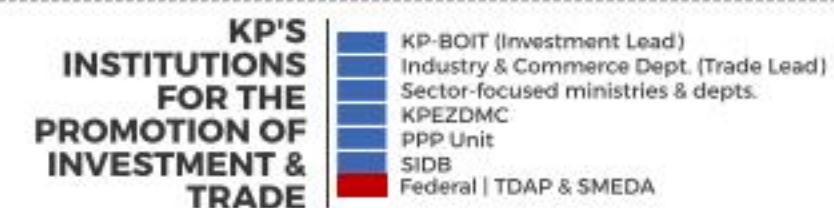
Figure 1. Three drivers for a KP-BOIT investment promotion strategy



Institutional context

Investment promotion is not the sole work of one agency. It is a whole-of-government endeavor, requiring a full suite of institutions, each specialized in policy-setting, investor services, sector development, business regulation, and public resource management, among others. As KP strategizes to outcompete other investment locations, it begins with the benefit of a fuller institutional framework than many, as depicted in **Figure 2**, but a strategic division of labor, broad capacity-building, and good coordination across these institutions will be essential to successful investment promotion for the province.

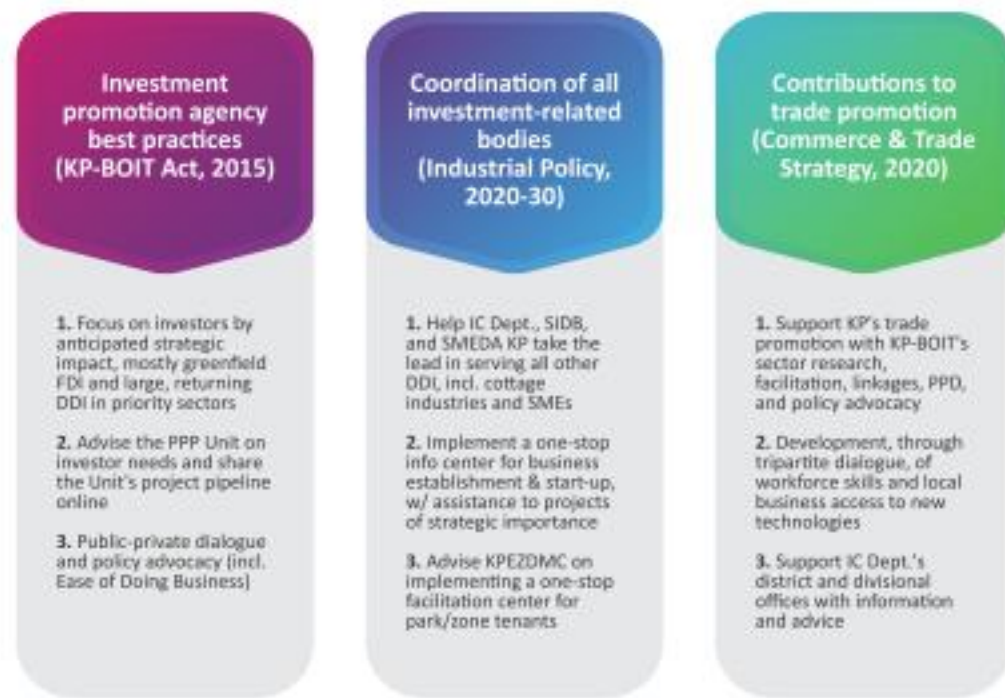
Figure 2. KP's institutional landscape for the promotion of investment and trade



A specialized, high-capacity, and well-coordinated KP-BOIT

The biggest challenges in deploying this institutional framework are unclear divisions of labor, the lack of correspondingly tailored capacities, and effective coordination. As KP's lead institution for investment promotion, KP-BOIT must be clear in setting the scope of its own work and build the appropriate technical capacities. As such, **Figure 3** summarizes KP-BOIT's strategic approach to fulfilling its mandate (as set by KP-BOIT Act, 2015) and the government's wishes for KP-BOIT's role in Industrial Policy, 2020-2030, and Commerce and Trade Strategy, 2020. Further detail is provided in Annex II.

Figure 3. KP-BOIT's strategically selective focus



KP-BOIT will deliver on its strategy by building key intelligence, systems, and staff, as shown in **Figure 4**.

Figure 4. KP-BOIT capacities to be built



Principles underlying the strategy

KP-BOIT recognizes that the one characteristic most closely associated with weak or mediocre investment promotion, on the one hand, and excellent investment promotion, on the other, is the degree to which an IPA's work is proactive. That is to say that the IPAs which generate the most FDI and development benefits attributable to their own interventions are those focused on the proactive and persistent conversion of a pipeline of received and self-generated leads into operational investment projects and, then, nurturing their long-term success. As such, this strategy represents KP-BOIT's commitment internally to implementing best-practice investment promotion and externally to guiding the government toward a best-practice institutional framework for investment.

Best-practice investment promotion strategies are characterized by:

1. An impact orientation
2. Recognition of the fact that many institutions are involved in investment promotion and, therefore, a clear division of labor and areas for coordination with other government insitutions working to attract, facilitate, and regulate investments
3. A basis in sectoral competitiveness and a focus of time and effort on the projects and activities most likely to yield the impacts targeted
4. A project management-style approach to landing and operationalizing investors' projects
5. The expectation of systematic implementation through internal systems, tools, and standard operating procedures, as well as close working partnerships with public and private stakeholders

Priority sectors

As a first step toward this impact-oriented, sector-based strategy, KP-BOIT will undertake, either internally or through a consultancy, a sector assessment to determine the most internationally competitive and developmentally impactful sectors in which KP-BOIT's promotional work can have the highest marginal impact on the province's FDI results. These priority sectors will be reviewed annually in light of results and changing economic circumstances. In the interim, KP-BOIT will take its priority sectors from the government's stated priorities, excluding those sectors in which there is little investment flow domestically or globally and those for which there are more appropriate institutional leads in the provincial government. These sectors are presented in **Table 1**.

Table 1. Sector priorities of KP-BOIT's strategy

Sectors to be proactively promoted by KP-BOIT	Sectors to be promoted by other institutions with advice and support from KP-BOIT
<ul style="list-style-type: none"> • Agribusiness, including food and beverage manufacturing and distribution of inputs and support services • Quarrying and processing of non-metallic minerals for construction materials (e.g., marble, limestone, sandstone) • Information technology and IT-enabled services • Oil and gas processing (e.g., refining, petrochemical production) and support services (e.g., drilling, engineering services) • Electrical and electronic components (e.g., electric turbines) • Tourism (esp. international hotel brands) • Hydroelectric power generation (in collaboration with Energy and Power Dept.) 	<ul style="list-style-type: none"> • Primary agriculture production (Agriculture Dept.) • Oil and gas exploration and extraction (Energy and Power Dept.) • Mining of metallic minerals and emeralds (Minerals Development Dept.) • Tourism, other (Sports and Tourism Dept.) • Housing development and management (Housing Dept.) • Hydroelectric power generation (Energy and Power Dept.) • SEZ development and management (KPEZDMC)

Vision and strategic objectives

KP's sectoral strengths and developmental priorities lead KP-BOIT to the 5-year vision, and strategic objectives presented in Figure 5.

Figure 5. KP-BOIT's vision and strategic objectives

5-year vision

Investment projects serving both domestic and export markets will inject KP's private sector with world-class know-how, technology, and global market connectivity, particularly in manufacturing, logistics and IT-enabled services. Investment will also play a major role in building up the economic infrastructure which will enable the realization of KP's vision for regional economic

Strategic objectives

KP-BOIT will realize this vision for investment through four parallel economic paths:

1 Establishing highly industrialized, agro-processing hubs to rival those of Punjab, Sindh, and regional competitors such as Bangladesh and to retain maximum value addition for KP

2 Diversify manufacturing into multiple sectors aimed at both domestic and export markets

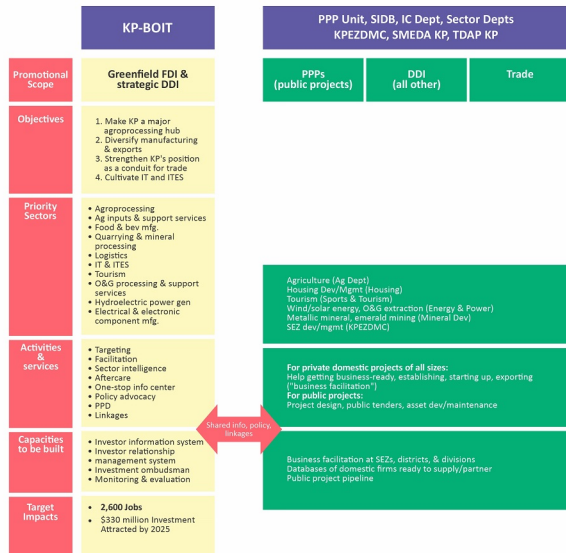
3 Strengthening KP's position as a conduit for trade infrastructure, and logistics with Gwadar, inland China, the country's north, and Afghanistan

4 Cultivating a nascent community of modest IT companies to establish KP as a player in this sector of the future, including in e-commerce and other ICT-enabled services

The COVID-19 factor

KP's sectoral competitiveness was examined in light of the pandemic's disruptions on global supply and demand as well as projected drop in FDI. For KP-BOIT's investment promotion strategy, the most immediate, short-term implication is the need to help established investor's confidence, minimize business losses, and thereby minimize developmental setbacks. The longer-term objectives of the present strategy will also be reviewed and adapted frequently for changes in competitiveness which may arise from the pandemic.

Figure 6. At a glance: KP-BOIT's investment promotion strategy & coordination

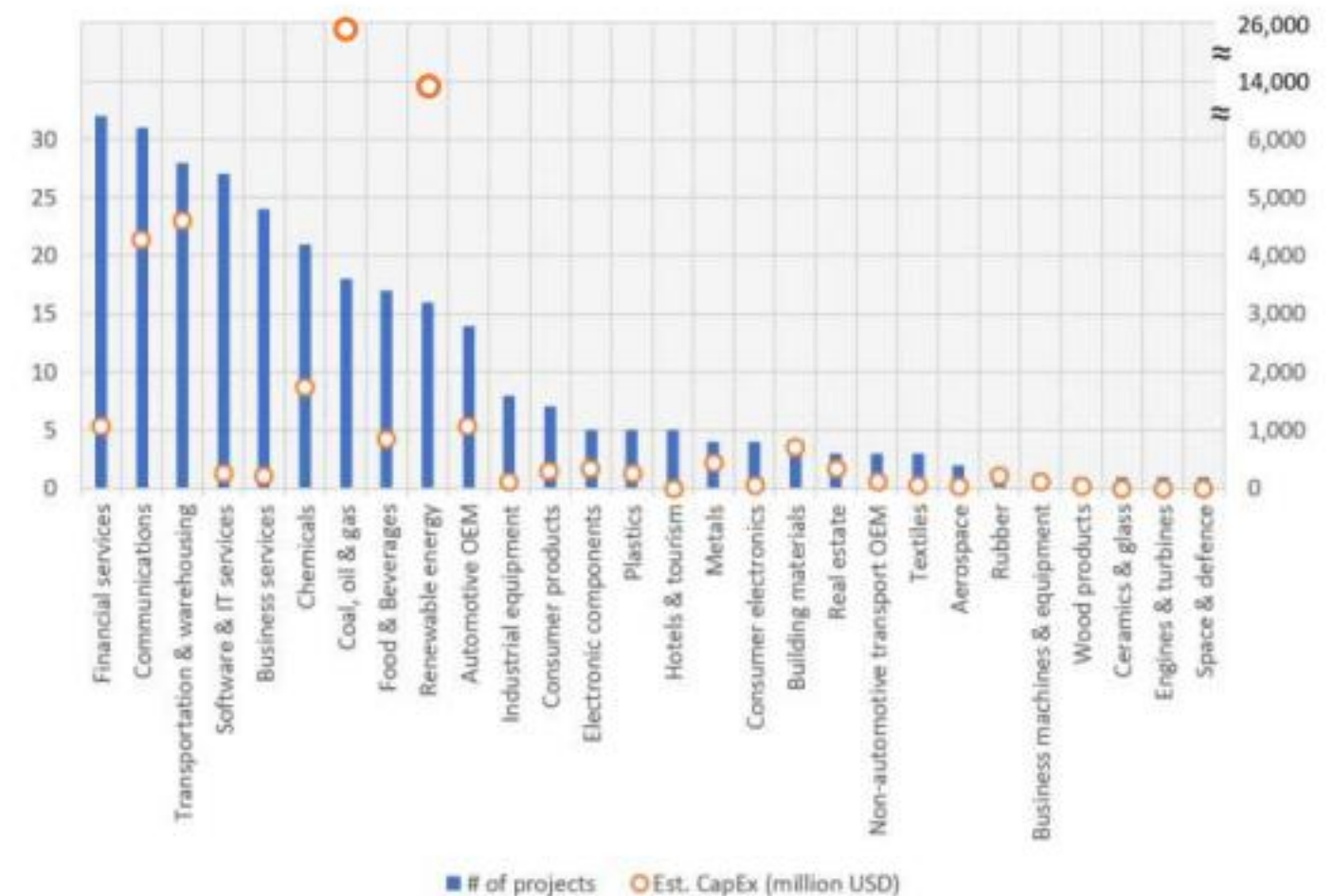


THE FDI CONTEXT FOR KP'S INVESTMENT PROMOTION STRATEGY

The Khyber Pakhtunkhwa Board of Investment and Trade (KP-BOIT) investment promotion strategy aims to proactively attract investments and create jobs. This strategy focuses on targeting competitive sectors, which can attract investors based on market-based business cases. For this reason, KP-BOIT's strategy-setting begins with an analysis of investment inflows.

According to the Financial Times' fDi Markets database, between January 2011 and November 2020, Pakistan won 286 project announcements worth an estimated US\$57 billion and 58,000 jobs. This came from 227 foreign investors in 28 sectors. **Figure 7** presents the number of projects in each sector along with the total estimated FDI value. Infrastructure accounted for 73 percent of FDI value, although it accounted for only 11 percent of jobs. Electricity generation alone accounted for more than six-tenths of the total with 10 fossil fuel-based projects (\$21 billion) and 16 in renewable energy (\$14 billion). ICT and internet infrastructure accounted for \$4 billion, and two natural gas pipelines another \$3 billion.

Figure 7. Pakistan's announced FDI inflows, by capital expenditure and number of projects per sector (2011-2020)



Source: Financial Times Ltd, fDi Markets (www.fdimarkets.com) for announced greenfield projects

However, infrastructure FDI, which enjoys public financing and the use of public assets, is not necessarily a good indicator of competitiveness for market-driven projects. Excluding infrastructure from the data, Pakistan attracted only \$16 billion of FDI announcements over the last decade. Beyond project value and employment, a project's business activity also has great significance for its development impact on a location. Manufacturing, for example, is typically associated with higher skills, technologies, and wages than retail.

Table 2. Pakistan's non-infrastructure FDI by business activity, 2011-2020

Business activity	Number of projects	Total capital expenditure (million USD)
Manufacturing	77	9,543
Sales, marketing, & support	76	1,307
Business services	50	1,140
Research & development	13	276
Logistics, distribution, & transportation	11	2,461
Education & training	6	80
Headquarters	4	135
Customer contact center	3	12
Extraction	2	222
Maintenance & servicing	2	13
Construction	1	323
Shared services center	1	54
Total	246	15,564

Source: Financial Times Ltd, FDI Markets (www.fdimarkets.com) for announced greenfield projects

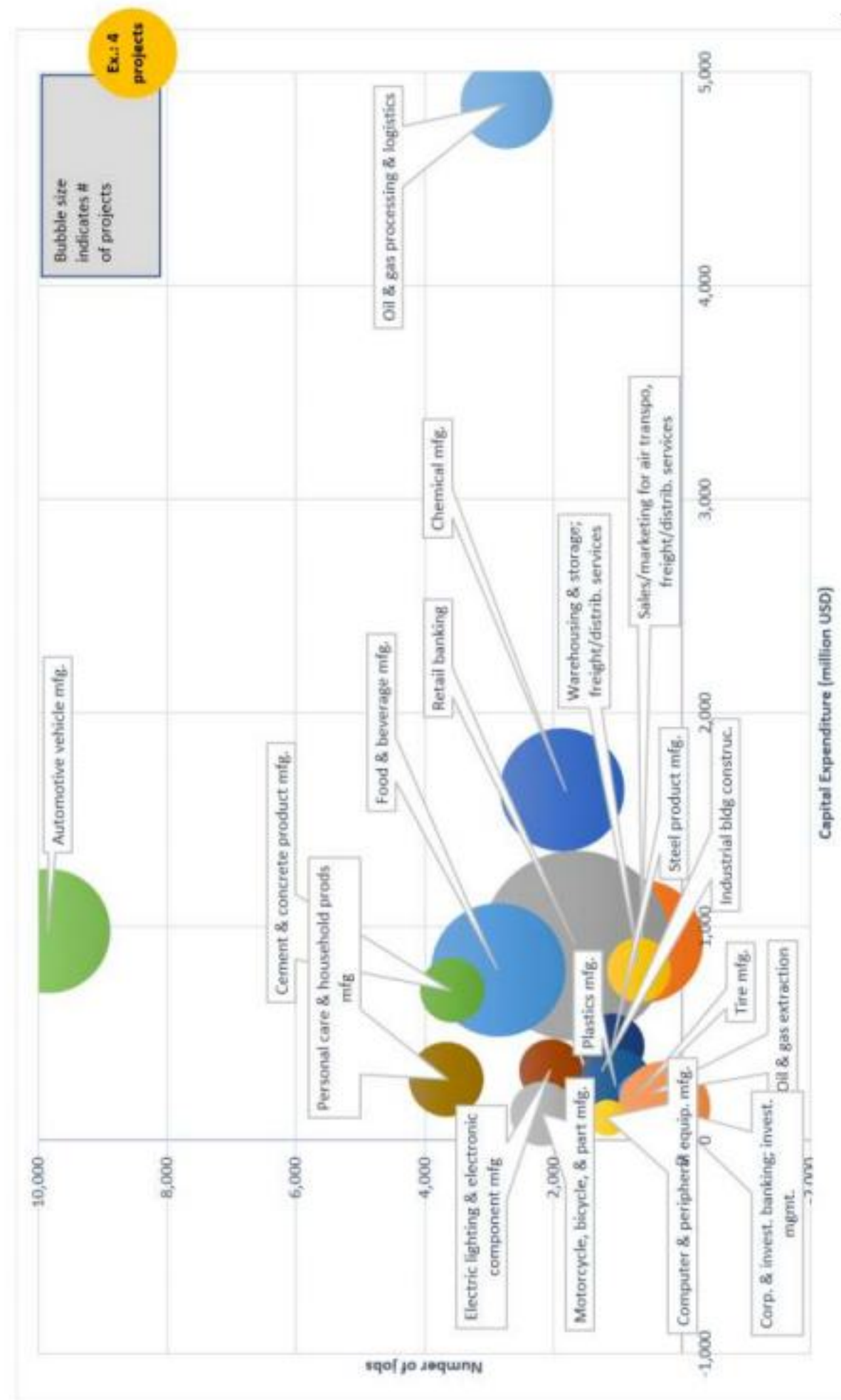
Manufacturing and sales projects each account for 31 percent of projects by number, with business services accounting for 20 percent and no other activity exceeding 5 percent. However, by value 61 percent came from manufacturing and 16 percent from logistics, distribution, and transportation. Sales and business services follow with 8 percent and 7 percent, respectively. No other activity exceeds 2 percent.

During the last decade, just 18 subsector-business activity combinations have attracted \$100 million or more, collectively representing 90 percent of Pakistan's non-infrastructure FDI inflows. These 18 are presented in Figure 2. Nearly \$5 billion and more than 2,700 jobs are estimated to be associated with petroleum refining, natural gas liquification and compression, and the logistics of these products. Manufacturing of industrial inputs, such as chemicals, cement and concrete products, steel products, and electronic components, represent more than \$3 billion and 8,500 jobs.

Manufacturing aimed at consumer markets has attracted the most FDI in automobiles and motorcycles, food and beverages, personal care and household products, and computers and peripheral equipment, totaling about \$2.3 billion and 19,700 jobs. Business services and sales and marketing relating to non-petroleum logistics and transportation account for \$1.7 billion and 1,300 jobs. Banking services approximately represented another \$1.1 billion and 1,900 jobs, with nearly all of that in retail banking. Six hotel construction projects accounted for \$915 million and 1,300 jobs.

Two subsector-business activity combinations which are priorities for KP-BOIT but which Pakistan received less FDI in are ICT R&D and training (\$94 million) and non-metallic mineral mining and processing (\$0).

Figure 8. Pakistan's most attractive subsector-business activity combinations for FDI, by capital expenditure, jobs, and number of projects



Pakistan's FDI announcements in the last decade have come from 38 economies, but nine account for two-thirds of the total number of projects and just seven account for two-thirds of the total value. These countries are highlighted in green in Table 3. Five countries are among the top sources by both measures: China, UAE, Rep. of Korea, Turkey, and UK.

Table 3. Pakistan's largest FDI source economies, by project number and capital expenditure

Source economy	Number of projects	Capital expenditure (million USD)	Leading sectors
China	45	15,263	Fossil fuel-based electricity generation (\$8.3 bn), renewable electricity generation (\$3.5 bn), wireless communications infrastructure (\$1.5 bn)
United States	29	1,895	Data processing, hosting, & related services (\$864 mn), food & beverage mfg (\$378 mn), chemical mfg (\$275 mn), sales/marketing for transportation/warehousing (\$103 mn)
United Arab Emirates	28	7,819	Fossil fuel-based electricity generation (\$5 bn), petroleum refining (\$2.2 bn), retail banking (\$238 mn), sales & marketing for air transportation (\$103 mn)
United Kingdom	26	2,546	Fossil fuel-based electricity generation (\$1.8 bn), personal care & household products (\$202 mn), financial services (\$171 mn), cement & concrete product mfg (\$103 mn), sales/marketing for water transportation (\$103 mn)
Japan	18	1,045	Automotive mfg (\$480 mn), basic chemical mfg (\$138 mn), steel product mfg (\$120 mn), motorcycle mfg (\$100 mn)
Korea, Republic of	15	3,820	Renewable electricity generation (\$2.8 bn), basic chemical mfg (\$400 mn), automotive mfg (\$270 mn), steel product mfg (\$200 mn), electronic component mfg (\$96 mn)
Turkey	12	2,746	Fossil fuel-based electricity generation (\$1.8 bn), renewable electricity generation (\$653 mn), beverage mfg (\$139 mn)
Switzerland	11	530	Paint, coating, additive & adhesive mfg (\$430 mn), food & beverage mfg (\$58 mn), R&D for computer system design services (\$20 mn)
Bahrain	11	466	Sales & marketing for air transportation (\$258 mn), retail banking (\$208 mn)
Hong Kong SAR, China	6	3,813	Renewable electricity generation (\$3 bn), industrial building construction (\$323 mn), warehousing & storage (\$318 mn), sales/marketing for freight/distribution services (\$103 mn)
Russia	4	2,574	Natural gas pipeline (\$2.5 bn), financial services (\$68 mn)

Source: Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects

Of the 286 project announcements tracked by fDi Markets during this period, the Pakistani provinces meant to host them were known in 218 cases. Among these, Sindh stands out as the most attractive, drawing nearly half of the country's FDI both by value and project number.

Figure 9. FDI locations, by number of projects

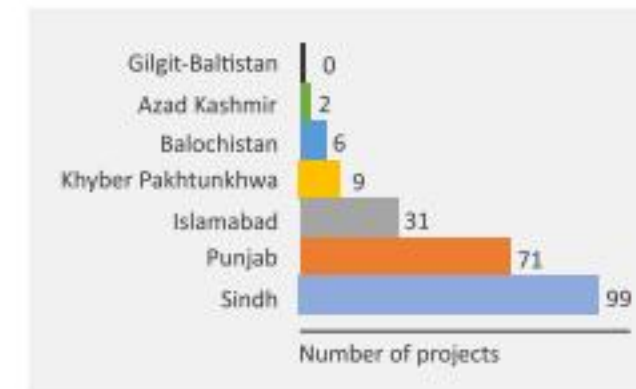
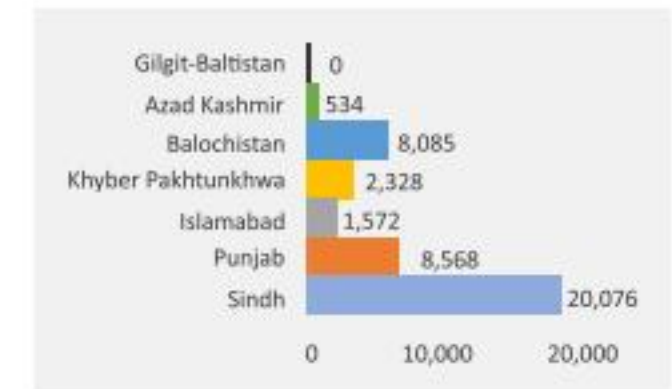


Figure 10. FDI locations, by value (USD '000)



Source: Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects

KP's nine announced FDI projects are worth an estimated \$1.9 billion. Excluding one large hydroelectric investment, the remaining eight projects were worth \$426 million. They include four in manufacturing and two in business services. The manufacturing projects comprise two for beverages, one for cement and concrete products, and one in steel manufacturing. KP's projects are presented in Table 4.

Table 4. KP's announced FDI projects, 2011-2020

Project date	Investing company	Source country	Destination city	Sub-sector	Activity	Est. jobs created	Est. CapEx
Apr 2018	Caykur	Turkey	Mansehra	Coffee & tea	Manufacturing	263	69.5
Mar 2018	Chinese Academy of Sciences	China	Peshawar	Professional, scientific & technical services	Business Services	103	8.2
Nov 2017	SK Engineering & Construction	Korea, Rep. of	Dasu	Hydroelectric power	Electricity	73	1440
Mar 2017	Bestway Cement	UK	Farooqia	Cement & concrete products	Manufacturing	166	102.9
Aug 2015	Gulf Air	Bahrain	Peshawar	Air transportation	Sales, Marketing & Support	35	51.6
Nov 2012	Emirates Airline	UAE	Peshawar	Air transportation	Sales, Marketing & Support	35	51.6
Jan 2011	Faysal Bank	Bahrain	Not Specified	Retail banking	Business Services	64	34.8
Jan 2020	Al Haj Asia Star Steel Company Pvt.Ltd.	China - Pakistan	Swabi	Steel	Manufacturing	700	37.5
Nov 2020	Coca-Cola Icecek	Turkey	Not Specified	Soft drinks & ice	Manufacturing	263	69.5

Source: Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced Greenfield projects

KP's FDI announcements paint a picture of further attractive potential when viewed together with KP's established domestic industries and with similar FDI projects which have come to Pakistan but are located outside of KP. **Table 5** presents this broader sectoral picture.

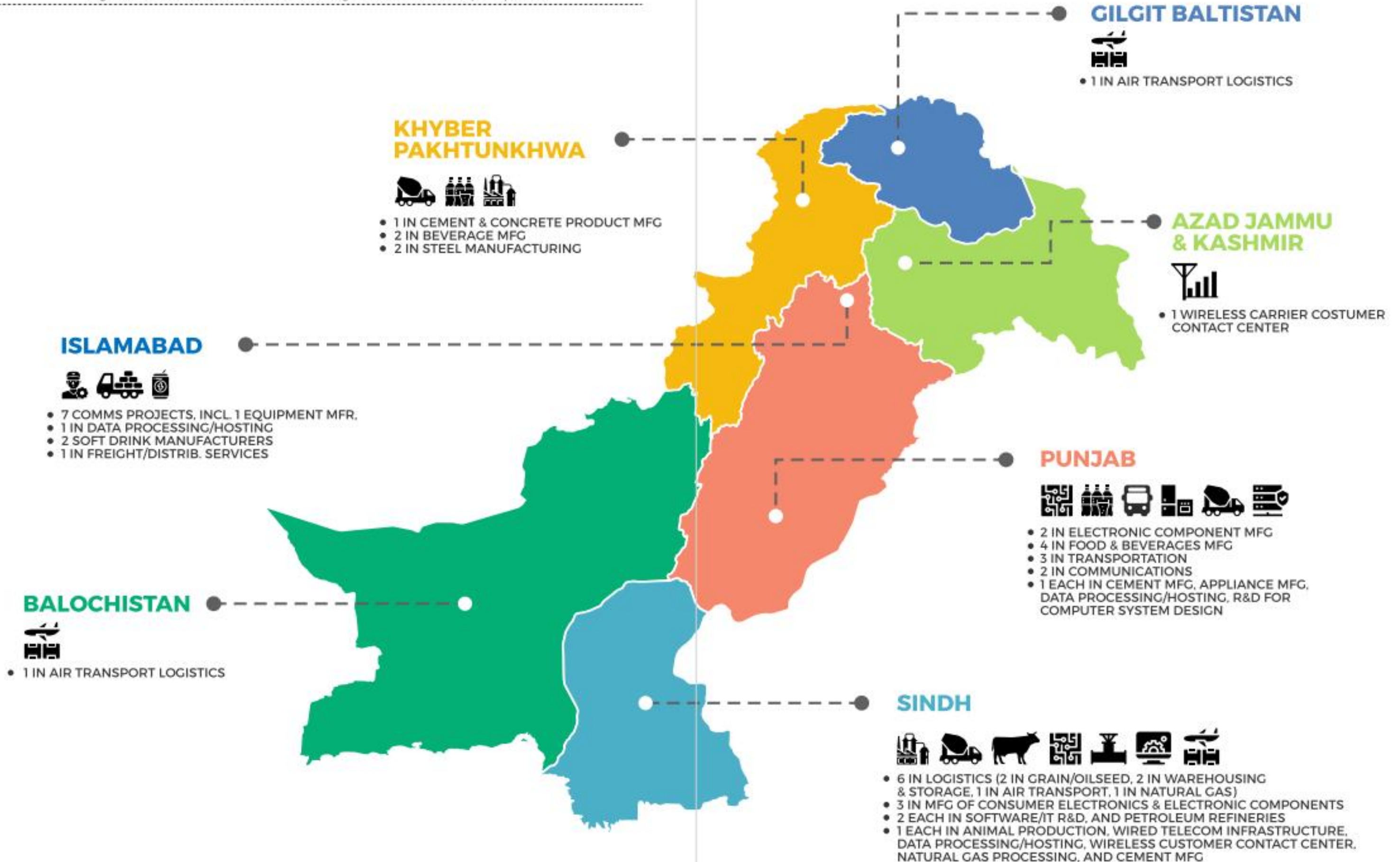
Table 5. Established investments in KP-BOIT's priority sectors, in KP and elsewhere in Pakistan

Sectors to be proactively promoted by KP-BOIT	KP's domestic industrial base	KP's announced FDI projects, 2011-2020	Pakistan's announced FDI projects, 2011-20 (excl. KP's)
Agribusiness; food and beverage manufacturing	<ul style="list-style-type: none"> 5 sugar mfg. units 26 edible oil and ghee mfg. units 	<ul style="list-style-type: none"> 2 beverage mfg projects from Turkey worth \$139 million 	<ul style="list-style-type: none"> 15 projects worth \$697 million
Quarrying and processing of minerals	<ul style="list-style-type: none"> 7 cement mfg. units \$43 million of cement exported in 2020, mainly to Afghanistan 774 marble and granite processing units 5.5 million tons of marble produced in 2020 	<ul style="list-style-type: none"> 1 cement and concrete product mfg project from UK worth \$103 million 	<ul style="list-style-type: none"> 2 projects worth \$600 million
Information technology and IT-enabled services	<ul style="list-style-type: none"> \$330 million of IT service exports in 2020, mainly to North America, Europe, and Middle East 		<ul style="list-style-type: none"> 59 projects in communications and software & IT services worth \$8.8 billion
Oil and gas processing and support services			<ul style="list-style-type: none"> 2 petroleum refineries, 1 natural gas processing facility, 2 projects in natural gas logistics
Textile and apparel manufacturing	<ul style="list-style-type: none"> 78 textile mfg. units 		<ul style="list-style-type: none"> 2 mfg. projects worth \$61 million
Electrical and electronic components			<ul style="list-style-type: none"> 3 mfg projects worth \$325 million

Source: IFC estimates, based on information from KP-BOIT and the Financial Times Ltd, IFC Markets (www.ifcmarkets.com) for announced greenfield projects.

Counting Pakistan's projects with known locations outside of KP, there were 46 projects by 39 companies in KP-BOIT's priority sectors between 2011 and 2020. These investments represent potential leads for KP, as the companies established in other provinces which could be persuaded to expand from their current bases into KP, especially for companies that already have multiple offices across Pakistan, such as CloudFlare, which offers data processing, hosting, and/or related services from its offices in Karachi, Lahore, and Islamabad. **Figure 11** shows where these FDI expansion leads for KP-BOIT's priority sectors are located within Pakistan.

Figure 11. Location of Pakistan's announced foreign investors in KP-BOIT's priority sectors



Source: IFC estimates, based on information from KP-BOIT and the Financial Times Ltd, IFC Markets (www.ifcmarkets.com) for announced Greenfield projects.

Investors planning to invest abroad are motivated by the search for markets, natural resources, or productive efficiencies. They may find these in a large number of locations, so they undertake a site selection process that compares the advantages and disadvantages of each. This makes investment promotion a competitive endeavor. Effective investment promotion by KP-BOIT will be built not only on the presentation of its absolute strengths and opportunities but on persuading investors of its relative advantages over other likely location options. Table 5 presents the number of projects going to Pakistan and its likeliest competitor countries in developing Asia. Rather than present the number of projects within a given period, Table 6 presents the number of FDI projects going to each country out of the last 500 projects in the Asia-Pacific region. The sum of the numbers shown is less than 500, as infrequent competitors, such as the highest income countries and Pacific Islands, are excluded.

KP's competitors will vary by sector and include both the other Pakistani regions shown in Figure 5 and foreign countries. A review of the fDi Markets database shows which investment locations have attracted the most FDI projects in KP-BOIT's priority sectors and business activities. For example, a large majority of the countries shown have attracted some agribusiness FDI, most in agro-processing (i.e., food and beverage manufacturing) but also some in the manufacturing of agrochemicals and agricultural equipment, with the leading countries in each being different. On the other hand, the non-metallic mineral sector has been dominated in recent years by well-established developed countries, such as Australia. While very few processing projects have gone to China (2), Iran (1), and Uzbekistan (1), none of the last 500 projects in this sector have been extraction projects in developing countries.

Table 6. Relative attractiveness of competitor countries for KP-BOIT's priority sectors (# of projects out of last 500 per sector in Asia-Pacific)

	Alghanistan	Bangladesh	Cambodia	China	India	Indonesia	Iran	Kazakhstan	Kyrgyzstan	Laos	Malaysia	Myanmar	Pakistan	Philippines	Sri Lanka	Tajikistan	Thailand	Turkmenistan	Uzbekistan	Vietnam
Oil & gas	R&D			7	3						1									
	Business services, HQ, shared service center, or education/training			7	4	2		1			1	1				1				
	Logistics		5	5	9	2					2	3	2	4	1					3
	Processing		3	12	6	7		6			3	1	3	3	4	1	1	1	4	6
Electronic components	R&D, HQ, logistics, maintenance/ servicing, or customer contact center			6	2						2			1			1			3
	Manufacturing		1	33	13	3				1	3	2		3			6		2	11
Textiles	R&D, HQ, logistics, maintenance/ servicing, or customer contact center			6	3	1					1									1
	Manufacturing		1	4	6	6	9	4			4						4		2	28
Logistics (non-petroleum)	Air/water/passenger transportation			8	1	1					2			1			2			1
	Business services, HQ, maintenance/ servicing, technical contact center, customer contact center, or other		1	5	3						3				1		2			1
	Warehousing & storage			7	7	3				1	2	2	1				4		1	4
	Freight/distribution services		1	2	18	23	7		1	1	1	16	7		5	5	1	11	1	15
Software & IT services	R&D			16	100	3					7		1	4	3	1				8
	Infrastructure				3															
	Bus. services, HQ, shared services, technical support center, customer contact center, or education/training			6	44						13	1		8	1	3			1	8
Metals	R&D or HQ			3	3	2		1			1						1			
	Logistics			2				1												
	Processing			34	25	5		6			6	6		6			7		1	17
	Extraction					1		1	2											
Minerals	R&D			1	1															
	Logistics										1									
	Processing			2			1												1	
	Extraction																			
Agribusiness	Agricultural equipment			9	20	3		3			1			1		1			2	3
	Agrochemical manufacturing			2	7	2		2			2	5	1		1				3	1
	Food & beverage manufacturing		8	57	29	10		14		1	14	11	7	6	1		12		7	27

BACKGROUND TO THE STRATEGY

The need for investment promotion

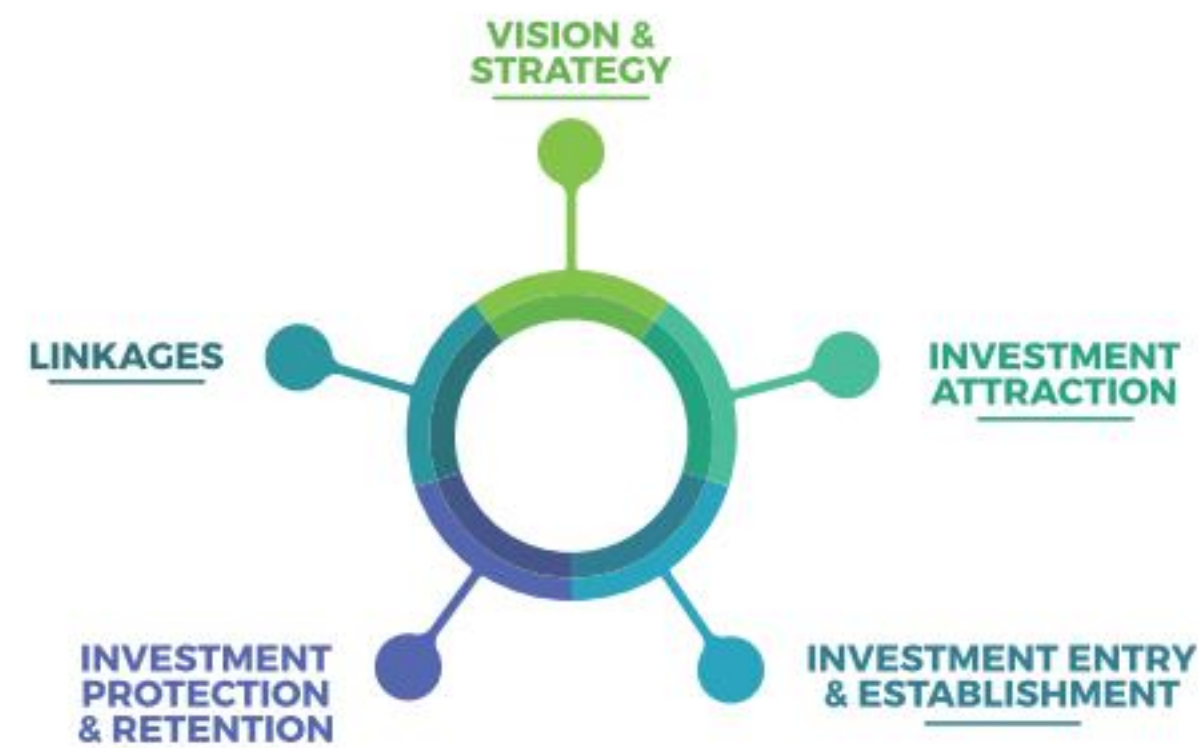
Transformative economic development in the 21st Century is driven by the private sector, including FDI, which collectively represents all the sectors, activities, markets, technologies, skills, and distribution channels which a country does not have but may aspire to. Since 2008, developing Asia has attracted more FDI than any other region in the world. Yet Pakistan, which is centrally and strategically located in this region, has not enjoyed the kind of FDI inflows that transformed others in Asia such as China, India, Indonesia, Viet Nam, Thailand, Malaysia, and Philippines. Pakistan's annual FDI inflows have fluctuated within a narrow band averaging \$1.8 billion in the decade to 2019, a level comparable to that of Bangladesh.

Within Pakistan, Khyber Pakhtunkhwa Province has lagged behind the larger provinces of Punjab and Sindh. If investment, and FDI in particular, is to have a transformative effect, its growth rate, sectoral composition, and geographic distribution within KP must greatly improve. The KP-BOIT investment promotion strategy aligns with its core mandate, and plan for supporting the provincial government's Industrial Policy 2020, Economic Recovery Plan 2020-2023, and Commerce and Trade Strategy 2020, as well as the national investment promotion strategy.

Government intervention along the investment life cycle

Government policies, institutions, and activities which help to mold an investment climate should reflect the needs of investors across the investment life cycle as illustrated in **Figure 12**.

Table 12. The investment life cycle



The policy context for investment promotion in KP

Through this strategy, KP-BOIT intends to harmonize and provide operational detail to three drivers of investment promotion in KP, as illustrated in **Figure 13**. Further analysis of these drivers, their challenges, and KP-BOIT's approaches to implementation are provided in Annex II.

Figure 13. Three drivers for a KP-BOIT investment promotion strategy



The institutional context

Investment and trade promotion is an entire government endeavor, requiring a full suite of institutions specialized in economic policy-setting, investor services, sector development, business regulation, and public resource management. KP's strategy benefits from having a full institutional framework as depicted in **Figure 14**.

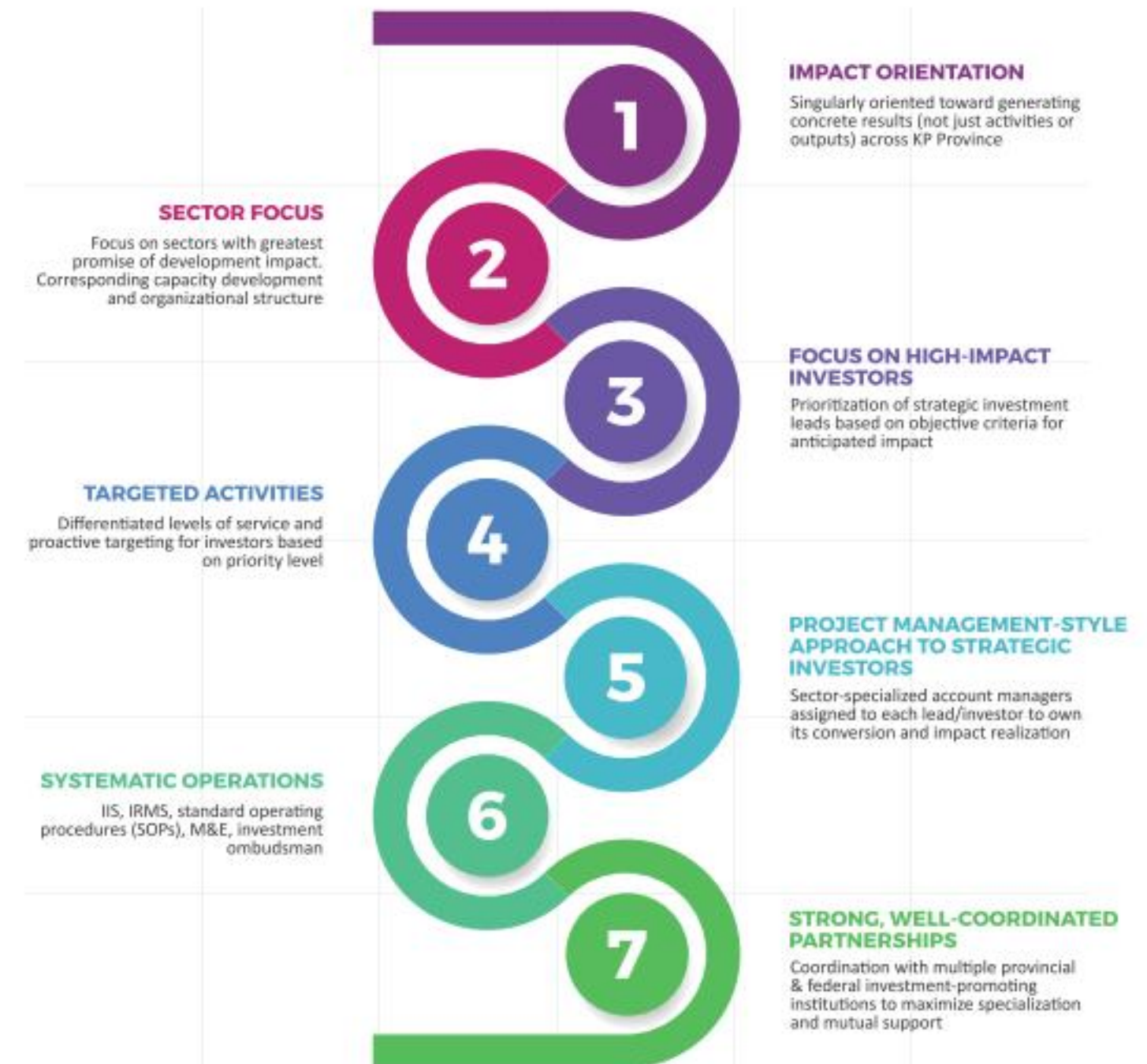
Figure 14. KP's institutional landscape for the promotion of investment and trade



Principles underlying this strategy

KP-BOIT recognizes the principle that attracting investment requires a proactive approach where results are attributable to KP-BOIT's own interventions focused on proactively converting received and self-generated leads into operational investment projects and, then, nurturing their long-term success. As such, this strategy represents KP-BOIT's commitment to implementing best-practice investment promotion. These principles are presented in **Figure 15**.

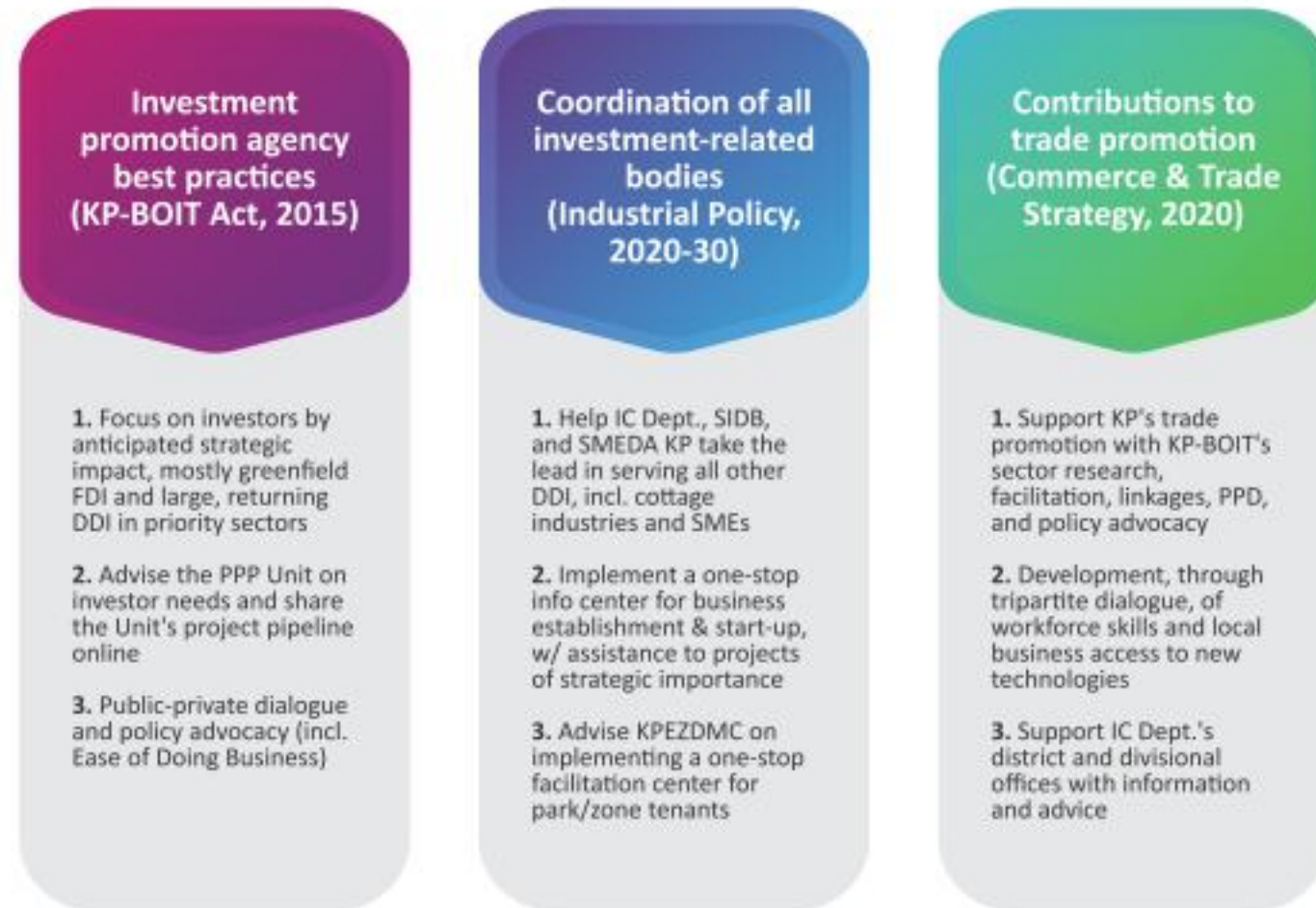
Figure 15. Principles Underlying this Strategy



The need for a specialized and well-coordinated KP-BOIT

As per KP's vision, the lead institution for investment promotion, KP-BOIT needs to have a clear strategy in setting the scope of its own work and build the appropriate technical capacities. As such, in Figure 16 KP-BOIT summarizes its strategic approach to fulfilling its mandate (as set by KP-BOIT Act, 2015) and the government's wishes for KP-BOIT's role in Industrial Policy 2020 and Commerce and Trade Strategy 2020. Further discussion of KP-BOIT's strategic approach to its mandated tasks is provided in Annex II.

Figure 16. KP-BOIT Strategically Selective Focus



KP-BOIT capacity for strategy implementation

KP-BOIT will build the capacity to deliver on its strategy by developing crucial intelligence, systems, and staff, as outlined in Figure 17.

Figure 17. KP-BOIT Capacities to be built



SECTORAL FOCUS OF THE STRATEGY

Accounting for the COVID-19 pandemic

With an economic growth rate which has exceeded that of Pakistan's other provinces and a relatively improved security situation in KP's industrial areas, KP is poised to grow its industrial base and reverse an earlier exodus of investment. New value propositions for higher levels of processing and domestic value addition may have begun to emerge. The present strategy accounts for the immediate consequences and longer-term uncertainties arising from the COVID-19 pandemic. Whatever the circumstances of the moment, any good investment promotion strategy for KP-BOIT is based on immediate and long-term competitiveness factors. However, with the advent of the COVID-19 pandemic, the sectoral competitiveness, value propositions, and potential investors of these sectors require reexamination in light of global supply and demand disruptions.

With respect to KP-BOIT's investment promotion strategy specifically, the most immediate, short-term implication is the need to help established investors minimize business losses, lay-offs, divestments, and their attendant developmental setbacks. In the long-term, the main implication for the present five-year strategy is the need to frequently review and adapt it for the changes in competitiveness which may arise from fluid, pandemic-related circumstances.

Short-term implications for KP-BOIT's strategy

The recent focus of the KP government's investment promotion has been two-fold: the revival of closed firms and the attraction of new investors to economic and social infrastructure and natural resource development. KP-BOIT's strategy now increases its emphasis on managing relationships with investors in order to support their operations during the COVID recovery period to avoid potential disinvestment and associated losses in employment and other adverse effects. KP-BOIT may do this by directly contacting the province's most important and at-risk investors to understand their current status and issues, and possible remedial government actions. KP-BOIT will coordinate with public and private partners to take concrete remedial actions and to manage the government's relationships with investors.

Annex III presents a plan for the formation of a pandemic quick-response task force to call priority existing investors, identify actions needed to prevent closures and mitigate operational problems, and to brainstorm and advocate remedial actions within the government.

Priority sectors

KP's priority sectors for investment promotion have, until recently, been focused on re-attracting departed investors; expanding primary production of agriculture, livestock, and minerals; improving infrastructure and logistical services; nurturing cottage industries; upgrading quality levels, technology, and skills of KP's manufacturers; and growing the tourism industry. While this policy-setting has responded to the immediate needs and opportunities, KP-BOIT is also taking a long-term approach to serve the planning of the KP government, to transform the economy, and to put the province on a trajectory for greatly improved value generation. This starts with a prioritization of sectors based on their demonstrated international competitiveness for investment attraction and on their anticipated development benefits.

³Average of 5.1% in KP during 2013 to 2017 versus 4.5% in the rest of the country, according to Asian Development Bank

As a first step toward this impact-oriented, sector-based strategy, KP-BOIT will undertake a sector assessment to determine the most internationally competitive and developmentally impactful sectors in which KP-BOIT's promotional work can have the highest marginal impact. These priority sectors will be reviewed annually in light of results and changing economic circumstances, for example status of the pandemic recovery.

Until this profiling exercise is completed, KP-BOIT will take its priority sectors from the government's stated priorities, Industrial Policy 2020, and Commerce and Trade Strategy 2020. These sectors are presented in **Table 7**.

Table 7. Sector priorities of KP-BOIT's strategy

SECTORS TO BE PROACTIVELY PROMOTED BY KP-BOIT	RATIONALE FOR THE SECTOR'S PRIORITIZATION
Agribusiness, including basic processing of agricultural output and livestock and manufacturing and distribution of inputs and support services	Incentivizes and enables good agricultural practices (GAP), larger-scale production, and output of higher quality and consistency. Supports rural employment.
Food and beverage manufacturing	Adds value locally to domestic agricultural output. Offers consumers local alternatives to goods imported from other provinces or countries. Developmental entry point to greater industrialization
Quarrying and processing of non-metallic minerals for construction materials, including cement (e.g., marble, limestone, sandstone)	Increases local retention of natural wealth. Provides local availability of high-quality construction materials which would otherwise be very costly to import.
Information technology and IT-enabled services	A higher-wage, higher-tech sector. Facilitates enabling services and infrastructure. Supports diversification of economy from primary sector.
Oil and gas processing (e.g., refining, petrochemical production) and support services (e.g., drilling, engineering services)	Increases local retention of natural wealth. Uses the sector as a catalyst for development of heavy manufacturing.
Electrical and electronic components (e.g., electric turbines)	Higher-wage, higher-tech, higher-skill manufacturing sector. Greater stimulant for industrial innovation, professional services, and more advanced manufacturing.
SECTORS TO BE PROMOTED BY OTHER INSTITUTIONS WITH ADVICE AND SUPPORT FROM KP-BOIT	
<ul style="list-style-type: none"> • Primary agriculture production (Agriculture Dept.) • Oil and gas exploration and extraction (Energy and Power Dept.) • SEZ development and management (KPEZDMC) • Mining of metallic minerals and gemstones (Minerals Development Dept.) • Tourism (Sports and Tourism Dept.) • Housing development and management (Housing Dept.) • Hydroelectric power generation (Energy and Power Dept.) 	

Analysis of investment potential of KP's sectors

FOOD PROCESSING

Food and agribusiness offer the best opportunities for investment attraction but require government handholding intervention. Food has perhaps the most stable demand of any good during the pandemic. With the growth of Pakistan's middle class and agricultural output, KP offers good growth potential to foreign investors with projects in agro-processing. This is likely to be further boosted as transportation infrastructure and logistics services are strengthened under CPEC and especially if KP maintains its best-in-country growth trajectory.



KP sits on the periphery of the CPEC corridors with minimal direct participation for non-petroleum infrastructure at Rashakai and Dera Ismail Khan, so it may have difficulty attracting many processing projects for agriculture grown outside of KP and to be sold outside of KP. However, provincial stakeholders may, at a minimum, strive to ensure that maximum value is added to KP-produced agriculture before leaving the province. Peshawar, Rashakai, and KP's border crossings with Afghanistan have potential to become hubs for warehousing, processing, packaging, and trading of goods leaving and arriving to the Newly Merged Districts and Afghanistan. Modern logistics terminals will be supported by the government of KP to promote cross-border trade and establish a strong food supply chain.





LOGISTICS

With growth in industry and agriculture, comes higher demand for logistics services in which private investment would likely play a leading role for services such as cold chain logistics, port and dry port operation, warehouse services, freight forwarding, and trucking. The apparel sector, in particular, is considered a bellwether for growth in logistics.



GEMSTONE PROCESSING, JEWELLERY MANUFACTURING, AND INDUSTRIAL MINERALS

As home to the Hindukush, Karakoram, and Himalaya mountain ranges, KP is Pakistan's largest source of gems and minerals, including a wide variety. KP has estimated reserves of 70 million carats of emeralds, which in 2017. For the most part, these were minimally processed, leaving ample investment opportunity for higher level processing, such as modern high-quality cutting and polishing, jewellery production, and manufacturing of industrial-grade minerals.



An industry rule-of-thumb is that gem miners receive only around 10 percent of the final jewellery sale price, with the rest going to traders, processors, jewellers, and retailers in other countries with established value chains, such as India, China, and Thailand. Capturing a larger share of value addition to mineral resources would create jobs, career paths to increased wealth, and development for people working in the mines or surrounding areas, while at the same time improving government revenue. Together with appropriate structural and institutional adjustments, private investment could play a role in helping generate technical expertise and machinery and move to a more formal and socially responsible mining sector.



CONSTRUCTION MATERIALS

KP's cement manufacturing is well established with several firms leveraging KP's abundance of limestone, and creating opportunity to produce ready-made concrete products, such as roofs. As a province with significant forestry resources, wooden construction materials and particle board are another area of significant potential which, if developed further, would help to diversify and strengthen KP's position as a manufacturing hub for construction materials. Other products identified as having significant potential include ceramics, tiles, paints, and materials for prefabricated structures.



ELECTRICAL & ELECTRONIC COMPONENTS, INCLUDING FIBRE-OPTIC CABLE AND OTHER ICT EQUIPMENT

KP's early experiences with electric turbine manufacturing have been successful enough to win the sector status as a priority cottage industry within Industrial Policy 2020. There is also interest in KP as a location for assembly of consumer electronics, such as phones and computers. Pakistan's ICT sector is projected to outpace general economic growth during the pandemic, creating a quickly growing domestic demand. KP's low wages and proximity to domestic and regional infrastructure projects give it a basis for competition in this sector.



KP-BOIT's INVESTMENT PROMOTION STRATEGY, 2021-2025

Vision and strategic objectives

KP's sectoral strengths and developmental priorities lead KP-BOIT to the 5-year vision, and strategic objectives presented in **Figure 18**.

Figure 18. KP-BOIT's vision and strategic objectives

5-year vision

Investment projects serving both domestic and export markets will inject KP's private sector with world-class know-how, technology, and global market connectivity, particularly in manufacturing, logistics and IT-enabled services. Investment will also play a major role in building up the economic infrastructure which will enable the realization of KP's vision for regional economic

Strategic objectives

KP-BOIT will realize this vision for investment through four parallel economic paths:

1

Establishing highly industrialized, agro-processing hubs to rival those of Punjab, Sindh, and regional competitors such as Bangladesh and to retain maximum value addition for KP

2

Diversify manufacturing into multiple sectors aimed at both domestic and export markets

3

Strengthening KP's position as a conduit for trade infrastructure, and logistics with Gwadar, inland China, the country's north, and Afghanistan

4

Cultivating a nascent community of modest IT companies to establish KP as a player in this sector of the future, including in e-commerce and other ICT-enabled services

Establishing highly industrialized, agro-processing hubs to rival those of Punjab, Sindh, and regional competitors such as Bangladesh and to retain maximum value addition for KP

Pakistan as a whole exports large amounts of agricultural, fishing, forestry, and mineral goods with minimal processing, leaving most of the value addition and commercial wealth to be reaped outside of the country. Good development practice, the Industrial Policy 2020, the Commerce and Trade Strategy 2020, and national development plans dictate that public policies at all levels of government support the building of greater domestic processing capacity, whether by domestic or foreign companies. This is meant to optimize domestic retention of natural resource wealth and, in the process, to create jobs and introduce higher skills and technologies, which in turn strengthen the general productive and innovate capacity of the region. KP-BOIT will target new investors in agroprocessing and logistics to achieve the economies of scale and time efficiencies that will allow it to compete as an agroprocessing hub.

KP-BOIT recognizes the Departments of Agriculture and of Industry and Commerce as more appropriate lead institutions for the promotion of domestic investment in primary agricultural production. KP-BOIT will seek a direct role for FDI in agro-processing, logistics services, and construction and operation of transportation infrastructure. Globally, there are very few FDI projects in primary output, at least in part because of the land-intensity of such projects and the legal and sociopolitical issues around them. Land issues are similarly challenging in Pakistan generally, and this will not be a focus of KP-BOIT's proactive investment promotion efforts. FDI will also be sought from suppliers of agricultural inputs, such as seeds, agrochemicals, equipment, and machinery, and as service providers, such as those providing machinery leasing and warehouse services.

Agro-processors engaging domestic producers in contract farming arrangements are particularly valued in this strategy, as they are an important means of achieving a transfer of good agricultural practices (GAP), high-quality inputs, and modern agricultural technologies to KP's farmers.

Long-term strategic objectives include (i) maximizing domestic agroprocessing for greater food self-sufficiency and for greater diversity of products, end uses, and export markets, (ii) fuller adoption of post-harvest best practices and equipment, allowing for longer storage periods of agricultural products to ride out periods of market or distribution shutdowns, and (iii) development of a modern logistics sector, including warehousing, cold storage, and increased palletization and containerization.

Accordingly, KPBOIT will have to tailor efforts to develop (i) a stronger emphasis on establishment of foreign-domestic linkages, such as through contract farming, and (ii) a strong validation of KP-BOIT's focus on food processing and logistics-related infrastructure, which would be prioritized above export-oriented textiles and apparel, which is arguably the most pandemic-constrained, for near-term investor-targeting.

Diversify manufacturing into multiple sectors aimed at both domestic and export markets

With a population of 36 million, Khyber Pakhtunkhwa has considerably more people than high-income, industrialized countries such as Australia (26 million) and Taiwan (24 million), however KP's population is more dispersed with relatively few urban areas able to offer a workforce that can sustain multiple major industries. Whereas Australia has 8 cities of more than 400,000 people and Taiwan has 15, KP has only 1: Peshawar. With this limited urban workforce, individual desirable industries which KP could competitively host may be lost to other parts of the country as individual companies go elsewhere and begin to form natural clusters. Developing multiple industrial clusters across KP will require geographic specialization with 1-2 major industries dominating per city. This specialization is consistent with KP's push to establish SEZs around the province, which may be designed to specialize in this way.

To achieve a greater share of FDI projects, KP-BOIT will undertake sector-specific policy advocacy, provide investors with world-class project facilitation, perform investor-targeting, and help build the capacity of public institutions to do these things. Creating a conducive business environment consists of reviewing and streamlining government regulations and procedures on paper, as well as creating shared productive assets to facilitate business, such as sector- or product-specialized industrial parks and SEZs. Project facilitation for KP-BOIT consists of (i) intervening with government partners to ensure that those regulations and procedures are applied properly, promptly, predictably, transparently, and with government accountability, and (ii) directly providing excellent customer service and project management to ensure that a project proceeds from inquiry to announcement to start-up successfully.

Long-term strategic options within this sector include the diversification of export markets, the attraction of input manufacturing from China to KP, the attraction of investors who would bring greater product diversity and higher value-addition as a hedge against market disruptions in narrower market segments.

Strengthening KP's position as a conduit for trade infrastructure and logistics with Gawadar, inland China, the country's north, and Afghanistan

At US\$2 billion and \$1.2 billion in 2019, China is Pakistan's 2nd largest export market and Afghanistan is its 5th. KP competes for a share of this trade with Balochistan for Afghanistan and loses out on most of the Chinese trade with Pakistan's seaports. However, both national governments anticipate increased border trade as CPEC and the various development plans of Pakistan and KP's governments are implemented. As the geographic gateway to China, KP is well positioned to benefit from any increased overland trade with China and aims to handle trading, grading and sorting, repackaging, processing, and other export-related activities for agricultural and mineral goods leaving the country by land.

Long-term strategic options include diversification of the sources and modes of infrastructure investment, including by advocating for higher capacity among KP-BOIT's public partners responsible for designing, promoting, and administering PPPs.

Cultivating a nascent community of modest IT companies to establish KP as a player in this sector of the future, including in call centers, software development, e-commerce and other IT-enabled services

FY 2019-20 was a record year for Pakistan's IT exports, which reached \$1.2 billion. This is led by more than a dozen firms with sales in the tens of millions of dollars and dealing in a wide variety of services, such as finance, internet infrastructure, Big Data and Internet of Things, healthcare management, cloud-based services, payment systems, and software services. Although such projects, and those in other globally emerging IT subsectors such as artificial intelligence and robotics, may have high skill requirements, they typically have lower land and infrastructure requirements than many manufacturing industries. KP-BOIT will work with the KP Information Technology Board and technical universities to target this sector to ensure that KP's investment promotion is sectorally balanced and includes high-skill jobs of the future.

The large majority of these FDI projects and domestic start-ups have been located elsewhere in Pakistan, but KP has seen a share, produces graduates with the appropriate IT skills, has a budding electronics and electrical component sector to support hardware manufacturing and servicing, and may be able to draw projects away from other provinces in Pakistan on the basis of lower operating costs without suffering from the increased distance to ports.

By advocating the development of targeted skills and infrastructure, KP-BOIT aims to stimulate a budding IT ecosystem and achieve the critical mass needed to compete for investment projects in software development, business process outsourcing, e-commerce, and e-government. This will involve public-private dialogue and partnerships among government, global IT firms, local entrepreneurs, and TVET institutions for development of the ICT sector.

While the health sector is generally viewed as a sector of opportunity for investors during the pandemic, these opportunities are largely limited to the manufacturing of personal protective equipment, diagnostic tests, therapeutics and vaccines, and related medical equipment. This is a narrow basket of products within the larger health sector, which more generally has been stressed by postponement of non-urgent services and delays in research and development. IT and IT-enabled services, however, have seen strong demand growth globally and have become an even more essential enabling factor for many sectors as shopping and many services have moved from in-person to online during the pandemic. Even in the health sector, “e-health” consultations have become a growing alternative to in-person consultations during government-mandated shutdowns.

Impact targets and indicators

KP-BOIT will contribute to the achievement of the development goals set out in Industrial Policy 2020 and Commerce and Trade Strategy 2020 through the major institution-level impacts presented in Table 2. These were selected both for their concrete development benefits and for the feasibility of accurately tracking the relevant indicators. Specific targets for each indicator will be agreed with KP-BOIT’s board of directors and in consultation with public and private sector stakeholders. The indicators for these impact indicators are given in Table 8.

Table 8. KP-BOIT’s impact indicators for 2021 and beyond

Impact Indicator	2021 Target	Cumulative 2021-2025
Value of capital investment (Mobilized)	\$100 million	1275 million (approx) FY22: \$150 FY23: \$225 FY24: \$350 FY25: \$450

PROMOTIONAL ACTIVITIES AND SERVICES TO DELIVER ON THE STRATEGY

To achieve its impact targets, KP-BOIT will adopt best-practice services and activities, as well as periodic fine-tuning of the strategy through ongoing monitoring and evaluation of performance and results. Investment promotion can be understood from KP-BOIT’s perspective, in terms of “activities” along the investment policy and promotion life cycle, and from the investor’s perspective, in terms of specific “services” provided to them.

These investment promotion activities and services will also produce information, resources, and networks which may also be leveraged for the benefit of trade promotion. These synergies are expected in five areas:

1. Facilitation of business start-up, including obtaining of NOCs, licenses, permits, etc.
2. Research on the business opportunities and obstacles in priority sectors, markets, and products
3. Public-private dialogue for regulatory simplification and sector development
4. Policy advocacy for regulatory simplification and sector development
5. Work to establish linkages between foreign investors, on the one hand, and domestic investors as their suppliers, service providers, strategic partners, and/or joint venture partners, on the other hand

Investment promotion activities

The IPA activities deployed to attract investors and to help them establish, expand, and link to the local economy are widely known as:

1. **Investor targeting** (a.k.a., investor outreach and proactive promotion) is proactively targeting investors identified as being desirable and likely to invest, in order to present them with tailored business cases for selecting a given location.
2. **Site selection facilitation** attempts to convert investor interest into a decision to invest, through the provision of information and assistance during the site selection process.
3. **Start-up and operational facilitation** then helps convert that decision into an operational project.
4. Even after a company becomes operational, it remains a potential source for new investment, often called “reinvestment” when it comes from an existing investor. Identifying potential for reinvestment and facilitating its realization is a dimension of **investor aftercare**.
5. As IPAs are not generally policymakers, their investment climate reform efforts fall into the category of **policy advocacy**, whereby they identify obstacles to competitiveness and support relevant decision-makers and stakeholders with the formulation and implementation of solutions.

A strong operational foundation for investment facilitation and policy advocacy

KP-BOIT’s leadership role and interagency mechanisms for systematic and proactive facilitation and policy advocacy have already been organized in the form of KP-BOIT’s new Business Facilitation Cell and its collaboration with BOI and WBG in the Ease of Doing Business regulatory reform initiative. The procedural streamlining and digitization resulting from these initiatives have led to the KP Official Business Platform, which will provide investors with direct access to provincial and federal authorities in one place.

KP-BOIT’s capacity to facilitate investment will be further enabled by the KP government’s aim of operationalizing 10 new special economic zones and 19 new industrial estates around the province.

RASHAKAI

Prioritized Special Economic Zone under China Pakistan Economic Corridor (CPEC)

KEY FEATURES

-  Exclusive One Window Service
-  Duty Free Import
-  Tax Holiday For 10 Years
-  24 / 7 Security
-  Telecom & IT Infrastructure
-  Emergency Services
-  Uninterrupted Supply of Electricity & Gas

-  **Area:**
1000 Acres
-  **Employment Generation:**
200,000
-  **Expected Investment:**
USD 1.124 Billion
-  **Project Cost:**
USD 128 Million

Industrial Clusters

- Garments & Textile Products
- Home Building Materials
- Electronics and Electrical Appliances
- Automobile & Mechanical Equipment
- General Merchandise and Sports Goods

Figure 19. KP's existing and planned SEZs & industrial estates

Planned SEZs/EZs

- 1 Rashakai
- 2 Jalozai
- 3 Nowshera Extension
- 4 Chitral
- 5 Mohmand
- 6 Ghazi
- 7 Daraband DI Khan
- 8 Swat
- 9 Buner
- 10 Shakas

Planned small industrial estates

- | | |
|----------------------------|--------------------|
| 1 Peshawar-II | 11 Karak Extension |
| 2 Abbottabad-II | 12 Hangu |
| 3 Dara Adamkhel | 13 Kohistan |
| 4 Bajaur | 14 Dir Lower |
| 5 Shahkas, Khyber | 15 Mansehra-II |
| 6 Wana, South Waziristan | 16 Swat |
| 7 Nourak, North Waziristan | 17 Swabi |
| 8 Orakzai | 18 Mardan-IV |
| 9 Kurram | 19 Shangla |
| 10 Bannu-II | |

EXISTING INDUSTRIAL ESTATES (5)
 EXISTING EXPORT PROCESSING ZONES (1)
 EXISTING SPECIAL ECONOMIC ZONES (1)



Investment promotion services

The distinction between services and timing-specific functions is an important one for KP-BOIT and its stakeholders. For example, aftercare is known to be of vital importance to getting all the development benefits possible out of investment. Under the classical notion of investment promotion, an IPA can claim to provide aftercare simply by retaining some contact with investors after they start operations, regardless of the extent, quality, or impact of that contact. However, aftercare is really a bundle of services provided to a diverse set of investors, which should be continuously monitored and refined for greater impact.

Following the World Bank Group (WBG) framework for investment promotion, KP-BOIT recognizes 24 distinct services commonly provided by IPAs and valued by investors, as detailed in Annex IV. On the supply side, not all services are provided by all IPAs, and where a service is provided, it is not always done with the same level of tailoring and effort. On the demand side, not all services are equally demanded by all investors, and not all investors requesting a service are equally deserving of an IPA's time and resources (e.g. market-seeking investors requesting market research). IPAs, like a business, need to show a return on their expenditures to justify continued funding and support, and so they should be strategic in their service delivery. Understanding what it takes to effectively deliver the right bundle of services to the right investors is critical to IPA effectiveness.

The 24 services can be divided into the four categories below (in bold):

- **Marketing** their location's most competitive sectors to investors
- Providing investors with the **information** and **assistance** needed to confidently:
 - a. Select the location over other possible investment locations
 - b. Start operations
 - c. Operate sustainably, expand, and establish progressively stronger linkages local with companies and stakeholders to extract maximum development benefit
- **Advocating** investment climate reforms conducive to business investment

These categories capture shared characteristics, in terms of the skills, inputs, resources, and access needed for effective delivery of the services. Each service has a role to play at every stage of the investment life cycle, with the exception of marketing services during the entry and establishment phase. A 2017 global survey of IPAs by WBG found that most IPAs tend to over-focus on the attraction stage and neglect opportunities for reinvestment and linkages. KP-BOIT intends to avoid this pitfall and ensure the robust pursuit of investment and its development benefits throughout the full life cycle by planning and equipping itself to deliver the full suite of services at every stage of the life cycle, as outlined in Annex IV.

Strategic differentiation of service levels

Not all services are equally demanded by all investors, and not all services demanded by a given investor are of equal importance to the investor's location decision. Similarly, not all investment projects offer the same returns on the IPA's use of its time and resources. As such, KP-BOIT will offer its services selectively to investors based on their level of potential strategic value to KP. Dubbed "strategic," "priority," and "valued" investors, **Figure 19** illustrates corresponding levels of service for each priority level.

KP-BOIT will determine which level of priority to assign by evaluating and scoring each new lead against project criteria at intake.

Figure 19. KP-BOIT's differentiated levels of service, by investor priority level

STRATEGIC 10% OF CLIENTS

Proactive, tailored, A-to-Z facilitation & aftercare
 Quarterly visits to investor by account manager
 Inclusion in high-level PPD
 Tailored linkage events
 PLUS, all services offered to Priority and Valued Investors

PRIORITY 20% OF CLIENTS

Sector-specialized account manager assigned
 Reactive, tailored facilitation and aftercare
 Monthly phone call to investor by account manager
 Inclusion in sector-specific seminars & networking events
 PLUS, all services offered to Valued Investors

VALUED 70% OF CLIENTS

General and self-service facilitation through one-stop info center and web site
 Tracked in CRM
 Inclusion in mass information services

Collaboration with and support to other investment-promoting institutions

The best-practice institutional division of labor for investment promotion draws lines by sector and mode of investment, as these demand different technical skills and forms of government participation, which are generally across a range of specialized government institutions. In KP, these institutional lines lead to specializations in:

- Domestic investment
- FDI for government-conceived projects, by sector
- Foreign financial and direct investment for under-resourced domestic investors
- FDI driven by its own market purposes

KP-BOIT is the natural lead to promote FDI driven by its own market purposes, and it will focus on this area as the one where it can have the biggest marginal impact for the province. However, KP-BOIT will also collaborate with and support the other provincial and federal institutions promoting investment in FDI for government-conceived projects, such as the Department of Agriculture for crop cultivation and animal husbandry, the Department of Mineral Development for marble, gems, and minerals, the Department of Energy and Power for hydroelectric power, and KPEZDMC for SEZ development and operation.

KP-BOIT will offer support to these partners in the forms of (i) advice on how to select projects which are genuinely marketable (not simply a government wish list) and prepare project profiles that can satisfy investor information needs and pique interest, and (ii) present a searchable database of the partner's projects on KP-BOIT's online business facilitation portal.

STRATEGY IMPLEMENTATION

KP-BOIT's implementation of the present strategy will require adoption of three internal systems: an investor relationship management system (IRMS), an investor information system (IIS), and a system for monitoring and evaluation (M&E).

Investor relationship management system

KP-BOIT will adopt a client relationship management (CRM) software which will serve as its internal database for managing leads, issues, and relationships and for tracking development impact of projects. Together with the necessary hardware, user protocols, and management oversight, the CRM will constitute KP-BOIT's investor relationship management system (IRMS), as illustrated in **Figure 20**.

KP-BOIT's investor relationship management will involve assigning each investor a single point of contact, an "account manager," to promote personalization, good customer service, and deeper institutional memory.

Figure 20. Elements of an investor relationship management system



LAND OF **GROWING** OPPORTUNITIES



KHYBER PAKHTUNKHWA
BOARD OF INVESTMENT & TRADE

INVESTABLE OPPORTUNITIES

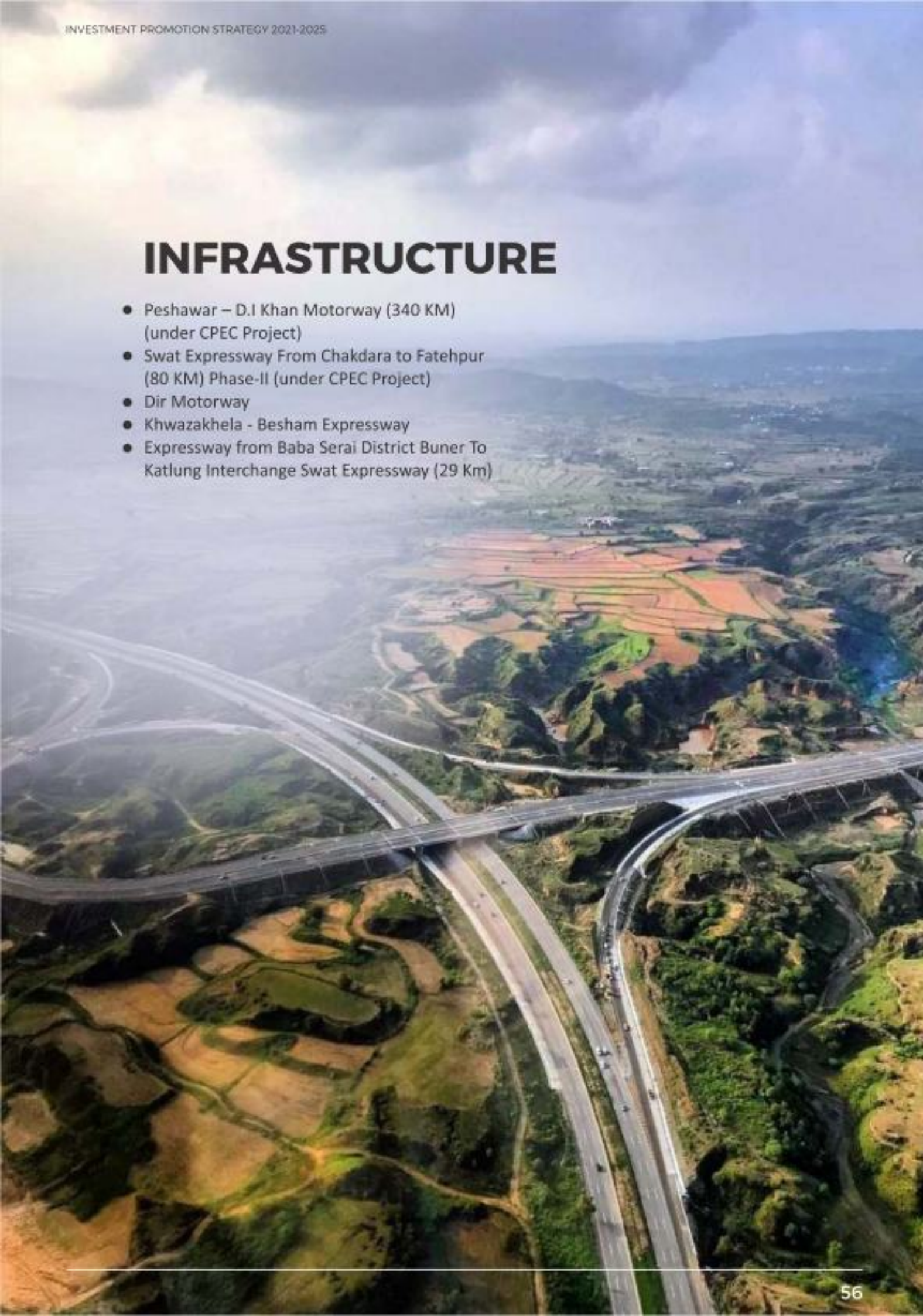
AGRICULTURE & LIVESTOCK

- Agro Based SEZ (Agro food processing, Agro Non-Food processing, Light Engineering)
- Large Scale Dairy Farms & Milk Processing
- Large scale slaughterhouses
- Mega Food Processing Park
- Quality Fruit Plant Nursery Production
- Disease Free Zone for Meat Export
- Veterinary Vaccine development and production against prevalent Disease



INFRASTRUCTURE

- Peshawar – D.I Khan Motorway (340 KM) (under CPEC Project)
- Swat Expressway From Chakdara to Fatehpur (80 KM) Phase-II (under CPEC Project)
- Dir Motorway
- Khwazakhela - Besham Expressway
- Expressway from Baba Serai District Buner To Katlung Interchange Swat Expressway (29 Km)



MINES & MINERALS

- Opportunities in Emerald Mines & Placer Gold, Marble Deposits
- 9 Metallic Blocks in Malakand & Hazara
- Marble Value Chain (Technology Transfer, Marketing, Trade)



TOURISM

- Tourist Recreation and Hill Resort at Bahrain, District Swat
- Tourist Recreation facilities at Thandyani
- Integrated Tourism Zones (ITZs)
- Kumrat Cable Car
- Tourists Recreational and Theme Park at Hund
- Tourism Resort at Takhtbhai Archaeological Remains



SCIENCE & TECHNOLOGY AND INFORMATION TECHNOLOGY DEPARTMENT PROJECTS

- Advance Center of Genomics
- Center for Development of Artificial Intelligence Robotics
- Data Analytics and Scientific Computing Laboratory
- Fabrication Laboratory
- Economic Development through Nano-Sciences and Technology
- Science, Technology & Innovation Parks

ENERGY & POWER

Hydro Power Generation

Sr. No	Name of Scheme	Capacity (MW)
1	Lower Palas HPP	665
2	Madian HPP	157
3	Naran HPP, Mansehra	188
4	Bata Kundi, Mansehra	96
5	Ghor band Khwar, Shangla	20.6
6	Nandihar Khwar, Batagram	12.3
7	Ghrah-Swir Lash, Chitral	370
8	Istaru Booni, Chitral	72
9	Mujgram-Shoghor, Chitral	64.26
10	Kari Mashkoor	446
	Total	2091

Transmission Network

S.No.	Name of Project / Location	Capacity
1.	225KM – EHV Transmission Line, Chitral, KP	500KV
2.	Drosh Grid Station, EHV Chitral	500KV
3.	Chakdara Grid Station, EHV	500KV
	Total	

Oil Blocks

S.No	Blocks	Area (km2)
1	Lakki	1084
2	DIK East	446
3	DIK West	300
4	Nowshera	2136
5	Miran	1064
6	Charsadda	2436
7	Khushal	417

ASSESSMENT OF KP'S INSTITUTIONAL FRAMEWORK FOR INVESTMENT PROMOTION

An increasing number of countries and sub-national regions and cities across the world have introduced capacity to proactively promote their locations for investment and to facilitate the needs of interested investors. It is estimated that there are now well over 1,000 IPAs around the world, with a proliferation of new subnational IPAs, particularly in transitioning and emerging economies. It is, therefore, critical for any location looking to attract mobile international investment to ensure that it is able to offer investors a well-coordinated approach across government.

The successful attraction of investment is never the achievement of a single body. It requires the coordination of many public and private sector stakeholders. The concept of working across many public and private stakeholders has become increasingly important in public administration and management theory and practice. Complementarity, consistency, and a good articulation between investment promotion-related bodies is crucial for Pakistan and KP Province to meet the current economic challenges through the retention and attraction of the necessary investments in sectors that optimize natural resource exploitation and build up infrastructure, but also to move beyond to the generation of high numbers of higher-skill, higher-wage jobs in new manufacturing and service subsectors linked to global value chains (GVCs) and global markets.

Any investor perception of complicated or confused institutional arrangements is often interpreted as increasing the commercial risk of operating in such environments. Conversely, higher levels of coordinated support and assistance is correlated with higher levels of investment. The attraction, set-up, and operation of investments always require coordination of many public and private stakeholders covering various economic sectors and many areas of government involvement.

Most large countries have a multitude of public and private bodies that, in one form or another, seek out private investment. In a high-functioning investment climate, these bodies would typically have little overlap and be well-coordinated, each adding value to the collective effort through specific expertise and focus. Pakistan and KP, too, have the same array of investment-related bodies, but their division of labor and coordination as investment promoters remain under-developed. **Table 11** presents the most relevant within KP and their optimal roles.

Table 11. KP's team of institutions for investment promotion

Departments and other offices	Role in an optimized institutional framework
Policy-setting	
Office of the Chief Minister	Sets highest level economic vision and objectives, including for private sector development and the role of private investment, recommends legal mandates, delegates authorities, oversees coordination, and holds institutions accountable
Planning and Development	Master planning, financing, and coordination
Industries, Commerce, and Technical Education	Setting of industrial policy, including sector development; industrial research, priority-setting, and coordination; design and delivery of industry support services, including skill development and entrepreneurship
Investor services	
KP-BOIT	Marketing to foreign investors; provision of information and assistance to facilitate establishment, start-up, and operations; policy advocacy on behalf of investors
KPEZDMC	Develops, manages and/or rehabilitates industrial estates and special economic zones either directly or through private partners for larger industries
SIDB	Develops and manages small industrial estates for SMEs and cottage industries
SMEDA KP	Provides business development services to SMEs, capacity-building to SME business associations, policy guidance to the government, and sector research to stakeholders
PESCO	Electricity provider
WSSC	Water and sanitation services provider
Public resource management	
PPP Unit (under the PPP Committee, within P&D)	Promotes and facilitates private financing of infrastructure projects through an enhanced legal and regulatory framework, policy guidance to government, an inventory of projects, capacity-building of related government institutions, and awareness-raising among stakeholders
Pakhtunkhwa Energy Development Organization	Promotes and facilitates private development of energy infrastructure projects
CPEC Cell	Manages CPEC-related MoUs, coordinates government-wide priorities and policies, including the location and sectoral focus of industrial estates, and raises awareness of CPEC and anticipated benefits
Sector development, business regulation, and public resource management	
Agriculture Department	Sector research, master planning, policy guidance, capacity-building, extension services, etc. for the primary producers which are essential to KP-BOIT's efforts to target manufacturers of food and agricultural inputs
Communication and Works Department	Promotion and facilitation of road transportation infrastructure development, sector research, and policy guidance
Energy and Power Department	Provincial policy-setting for energy and power; planning, coordination and oversight of power project construction and maintenance
Highways Authority	Sector research, master planning, land acquisition, policy guidance, and awarding of contracts for the development, construction, operation, and maintenance of highways and roads
Information Technology Board	Promotion of Information Technology, Information Technology enabled services and Information Technology enabled education for public and private sector
Livestock and Dairy Development Department	Sector research, master planning, policy guidance, capacity-building, extension services, etc. for livestock and dairy producers
Oil and Gas Company	State-owned company for the exploration and extraction of oil and gas
Provincial Housing Authority	Master planning; promoting and facilitating private housing developments and housing PPPs
Mineral Development Department	As custodian of the province's minerals, maps resources, facilitates mineral exploration, grants mining licenses, and regulates private firms
Tourism Corporation	Development and maintenance of tourism assets; sector master planning and coordination; promotion and facilitation of tourist arrivals

Drawing on the investment life cycle, a summary of some overarching bottlenecks and areas for reform are presented below. They reflect major challenges identified within the investment climate and their impacts on investment.

Vision and strategy

- The government of KP has newly articulated Industrial Policy 2020, providing vital vision and a strategic outline for the development of the province's manufacturing sector. The vision is particularly clear in identifying sick/dead and cottage industries targeted for revival and growth by domestic investors.
- The industrial policy requires subsequent elaboration of development plans for the private sector and, in particular, FDI. As the policy stands now, FDI is regarded primarily as a financial enabler of domestic firms and public infrastructure but not as a public policy objective in its own right. What government wants from foreign investment and what foreign investors can expect from government are two different things. The former is clear in KP, but the latter is not. An investment policy statement by the government of KP would fill that gap and provide fuller guidance and basis of coordination to KP-BOIT and the dozens of provincial and sub provincial authorities who aim to promote and regulate private investment.

Attraction and promotion

- KP-BOIT and its national counterpart Pakistan's Board of Investment (BOI) provide willing project facilitation on a reactive basis and meaningful leadership in investment climate reform.
- Until recently KP-BOIT and BOI lacked strategies for increasing the quantity and quality of FDI inflows through proactive targeting of investors in competitive priority sectors, persistent follow-up of leads, and policy advocacy for targeted sector development. New strategies are an important step toward filling this gap, but success still depends on building staff capacities and implementing critical tools and systems, including CRM software and rigorous monitoring and evaluation (M&E).
- As KP enters this strategy period and aspires to outcompete other investment locations, it begins with the benefit of a fuller institutional framework than many other subnational governments in the region. However, the institutional division of labor for promotion is somewhat muddled, particularly along the lines of domestic investment, foreign direct investment for government-conceived projects and joint ventures with DDI, foreign financial investment for under-resourced domestic investors, and foreign direct investment for its own market-driven purposes. Each type requires different services and support and, consequently, support and/or leadership from different institutions. This institutional division of labor needs to be clarified with corresponding coordination mechanisms put in place.

Entry and establishment

- Start-up processes, particularly for obtaining land and utilities, make it challenging to start operations on a predictable timeframe and at predictable cost.
- Pakistan as a whole rates poorly for investment climate, as indicated by its global rank of 108th for Ease of Doing Business (EODB), and within Pakistan, KP ranks below average, with Peshawar ranking 8th of 13 assessed cities. Among a number of feasible project locations, an investor selects the one that offers the best combination for them of profitability, security, and strategic advantage. KP's government has undertaken deliberate EODB reform but has yet to pursue this as assertively as possible as a means of increasing competitiveness relative to competitor locations within and without Pakistan.

Protection, retention, and expansion

- Political risk is a key impediment to investment retention and growth. Investors face challenges around changing policies and compliance requirements, as well as inadequate access to justice and investor grievance mechanisms. This increases the risk of escalation of investor grievances and of disinvestment.
- Government priority has historically been given more to attraction than to retention, and KP-BOIT lacks an investor aftercare program. This should be a strategic priority, as it is more expensive to attract a new investor than to stimulate reinvestment from an existing one, and it is very difficult to reattract an investor that has previously disinvested.
- From a security perspective, the province's history with terrorism and kidnapping present investors with something between an image problem and a genuine ongoing security threat, depending on the specific location of a project within the province. Greater, frank, systematic guidance from the provincial government—delivered to investors by a specialized office or through KP-BOIT—on security situations around the province would be a powerful tool for persuading investors that they can achieve their required level of security in KP.

Linkages

- KP lacks regular, systematic, result-oriented activities to
 - Link domestic investors to foreign investors as suppliers, service providers, strategic partners, and joint venture partners
 - Link investors to government and academia in an ongoing collaboration to produce and employ the most competitive workforce of the future

Note on trade

- Despite the inclusion of “trade” in KP-BOIT’s name, the legal act which provides KP-BOIT’s mandate, makes no mention of trade promotion. Peshawar offices of the national trade and SME development authorities do provide some of the services which might be expected of a provincial trade promotion authority, however their service offering and geographic reach within KP may be less than the provincial government would hope for.

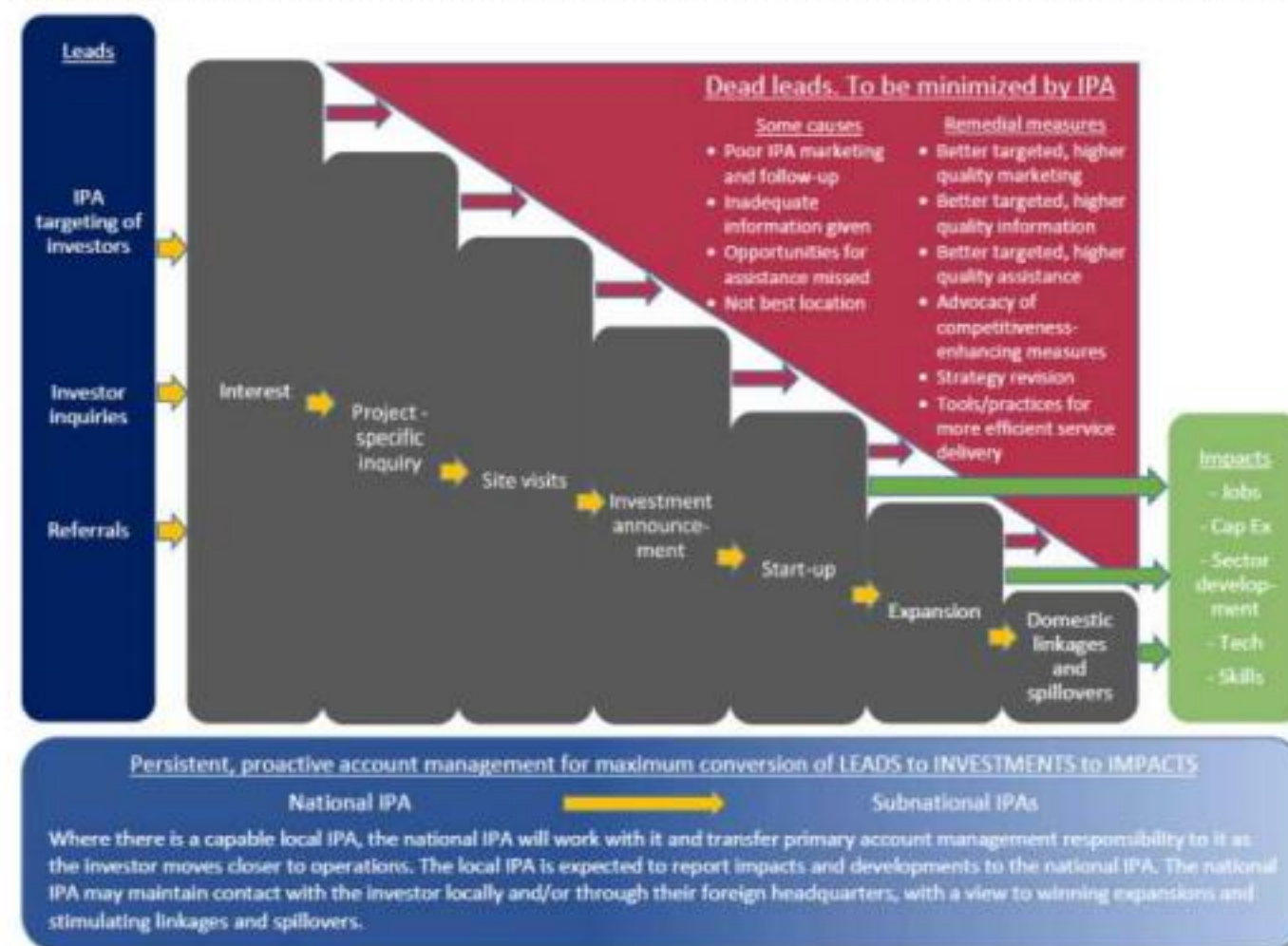
Annex II.

ASSESSMENT OF KP-BOIT'S CAPACITIES TO DELIVER ON ITS ENVISIONED ROLE

A paradigm against which to assess IPA practices

Best-practice IPAs design their strategies, services, and tools for the persistent, proactive conversion of a pipeline of received and IPA-generated leads into actual (re)investments and measurable economic impact. They may vary in their strategic emphases, for example, in seeking investment leads more from new investors in nascent sectors, more from existing investors in well-established sectors, or more from particular new investors who can strengthen emerging clusters, but they are all very much concerned with lead generation and maximum conversion of those leads into economic impact. This is illustrated in Figure 21, which presents “The Impact Pipeline,” a paradigm for understanding IPA best practices as a system for optimizing IPA impact. The IPAs vary considerably on the degree to which they track leads at the various stages of conversion (e.g., knowing the percentage of leads which led to site visits during a given period of time, by sector, lead source, etc.), but they all measure success in terms of impact and have strategies and management systems which motivate their personnel to generate more leads and maximize conversion for impact.

Figure 21. The Impact Pipeline: A paradigm for IPA best practices



Globally, best-practice IPAs have been instrumental in the creation of high value-adding and/or job-creating sectors where there were none before, for example, medical device manufacturing in Costa Rica, call centers in Ireland, and electronics R&D in Penang, Malaysia, all owe their success at least to some extent to the initiative or sustained support of national or subnational IPAs. KP-BOIT aims to do the same for KP, leading the province in the identification and proactive promotion of potentially transformational sectors, where KP already possesses some competitive advantage or where, with effective policy advocacy by KP-BOIT, KP could quickly become competitive. Along the way, it will also aim to ensure that interested investors are systematically facilitated through their site selection, due diligence, start-up, operations, and long-term success.

As the provincial IPA, KP-BOIT is better positioned than any other public institution to be a bridge to the private sector. It should use this position to ascertain where KP's best chances at economic transformation lie and to pursue investment attraction and retention for sector development in those areas. This might be in the inheritance of a decreasingly competitive Chinese textile and garment sector, in greater value addition to mineral and agricultural resources, in leveraging human resources and global telecom connectivity for IT and IT-enabled services, or elsewhere. With laser focus, KP-BOIT should then articulate the business cases for investing in these sectors, establish the operational infrastructure for facilitating such investments, proactively approach and persuade companies identified as the most likely to invest, and permanently engage with investors attracted, so as to stimulate reinvestment and extract maximum development benefits from them.

It is in this context that this chapter assesses KP-BOIT's preparedness for this challenging role. It assesses KP-BOIT's present institutional set-up, strategic orientation, and management structures and makes recommendations for KP-BOIT's institutional and operational strengthening.

Assessment of KP-BOIT's suitability to achieve this vision

Information and opinions were collected on KP-BOIT's institutional set-up, strategic orientation, and management systems, and its strengths and weaknesses were assessed against international practices across 10 categories: mandate, legal form and reporting lines, institutional partnerships, types of investment targeted, strategy, investment promotion activities, structure, internal systems, monitoring and evaluating performance, and human resources. The assessment's findings can be summarized as follows (more detailed information is contained in the main body of this report):

1. **Mandate:** Among the nine functions currently specified in KP-BOIT's mandate and the official expectations for KP-BOIT's implementation activities for Industrial Policy 2020, several have the potential to hinder KP-BOIT's promotional effectiveness, depending on interpretation of certain phrases. Most threaten to do this by shifting KP-BOIT's focus away from promotional work to the administrative work of a one-stop shop or away from sector-based promotion among foreign firms with their own projects toward the development and/or promotion of domestically conceived projects to foreign investors. Table 12 presents KP-BOIT's plans for implementing its mandate in a manner consistent with international best practices for investment promotion.

Table 12. KP-BOIT's strategic approach to its mandated tasks

Tasked activity	Challenges	Approach under this strategy
Industrial Policy 2020		
1. Support the Industries and Commerce Department in reviving sick or closed industrial enterprises, most likely by participating in a survey of the enterprises, facilitating joint ventures between foreign and local investors, and building the general image of KP as a place to do business.	Responsibility for this task is muddled across Industries and Commerce Dept., KPEZDMC, SIDB, and KP-BOIT. More fundamentally, while public policy can strengthen sectors as wholes, there is little evidence of revival of failed or failing individual firms as a cost-effective government activity with significant development benefits, particularly in light of the political and ethical challenges which attend aid targeted to individual firms.	KP-BOIT will work with its stakeholders to clarify a best-practice division of labor for investment promotion specifically, which focuses Industries and Commerce Dept., SIDB, and SMEDA KP on domestic investors and focuses KP-BOIT on foreign investors. To the extent that the government hopes for joint ventures between foreign and domestic investors, KP-BOIT will (i) receive lists of domestic firms from other institutions and make them readily available to inquiring investors as potential suppliers, service providers, and joint venture partners, and (ii) host "supplier days" and other linkage events
2. Act as an investor liaison to government departments for the obtainment of utilities within industrial estates and SEZs	While KP-BOIT can and should be an ally and resource to all investors, this removes primary responsibility from KPEZDMC for ensuring adequate services are provided in the estates and zones it administers	KP-BOIT will request that KPEZDMC be tasked with responsibility for securing utilities for tenants of its industrial estates and SEZs, while KP-BOIT provides the same facilitation only to investors outside of industrial estates and SEZs.
3. Establishment of a "one-stop shop" for facilitation of investment project establishment, start-up, and operations	One-stop shops tend to be idealized in locations with weak investment climates and seen as an easier solution than building the capacity and systems for best-practice public administration in each of the several "shops" with authority over their respective procedures. However, the stronger investment climates have a well-functioning suite of several discrete authorities, while the IPA can still provide consultancy-type information, assistance, and intervention.	KP-BOIT will aim to be a comprehensive information resource ("one-stop shop") to investors on business entry and start-up, providing tailored assistance and intervention (for example, in obtaining electricity) commensurate with each investor's strategic importance to the province. KP-BOIT will not aim to take over regulatory authorities for business entry and start-up ("regulatory one-stop shop") or set up a physical space with secondees from regulatory authorities ("physical one-stop shop"). KP will aim to be a "one-stop information center," providing quality information and assistance to investors and public sector partners.
4. Establishment of a specialized cell (along with one at SIDB) for promotion and facilitation of SMEs and cottage industries	Responsibility for this task is muddled between SIDB and KP-BOIT, however it is most clearly the mandate of SIDB. Domestic SMEs and foreign multinationals require very different services. The entrepreneurs and small firms which are supported by SIDB	KP-BOIT will work with its stakeholders to shift full responsibility for promotion and facilitation of SMEs and cottage industries to SIDB and SMEDA KP, while KP-BOIT focuses on promotion and facilitation of large multinationals.
5. Establishment of a "one-stop shop," jointly with KPEZDMC, for the facilitation of licensing, registration, and regulatory awareness and compliance of companies in SEZs	Responsibility for this task is muddled between KPEZDMC and KP-BOIT. Best-practice SEZs provide this type of one-stop shop services; best-practice IPAs do not.	KP-BOIT will work with its stakeholders to shift full responsibility for SEZ-related one-stop shops to KPEZDMC.

Tasked activity	Challenges	Approach under this strategy
KP-BOIT Act, 2015		
6. Facilitate local and foreign investors by proactively engaging and coordinating with all concerned departments	Proactive, outcome-oriented facilitation demands more attention than any IPA can provide to all investors.	KP-BOIT will provide differentiated levels of facilitation services based on objective assessments of an investor's anticipated impacts for KP. The most intensive, proactive, account management-style facilitation services will be reserved for investors deemed "strategic," and online, mass communication or self-service facilitation will be provided to the least strategic. Investment guides, sector research, and other information of use to investors will be made available to all investors, but only foreign investors will be deemed strategic for KP-BOIT's purposes. SIDB and SMEDA KP will lead on domestic investors.
7. Assist government in implementation of PPP Act, 2014 (revise 2020)	As the design, tendering, negotiation, and administration of PPPs are most effectively conducted by specialized PPP units, and not by IPAs, this vague mandate creates the possible expectation that KP-BOIT would have responsibility for many of the 17 specific functions outlined for the PPP Unit created by this act.	KP-BOIT will explicitly set out to support KP's PPP Unit with three activities: 1. Receptively maintaining an inventory of investor-ready PPP projects prepared and submitted by government departments (PPP Act, Article 6.2.d) 2. Collaborate with the PPP Unit to set and apply project prioritization criteria according to provincial development objectives and sectoral competitiveness (PPP Act, Art. 12.2) 3. Agree with the PPP Unit on criteria and procedures for receiving unsolicited PPP proposals from investors and forwarding them to the PPP unit (PPP Act, Article 31)
8. Undertake subsector studies and develop concepts, briefs, and fact sheets both internally in consultation with government departments and through outsourcing to consultants on different priority sectors...and share the same with private and institutional investors including multilateral and bilateral donors	Institutional investors, including multilateral and bilateral donors, may be appropriate targets for a PPP Unit overseeing infrastructure or extraction projects, but they are not for a best-practice IPA, which promote their location's internationally attractive sectors to investors with market-driven projects of their own conception.	KP-BOIT will develop sector profiles, investment guides, and other information to persuade investors to choose KP and start operations. However, it will do this with the aim of winning investor-conceived projects to KP's most competitive sectors.
9. Assist in identification of pre-sector-wise potential projects and pre-feasibility reports of such projects wherever possible in consultation with concerned departments	"[I]dentification of...projects and pre-feasibility reports" suggests that KP-BOIT should find projects proposed by government departments or domestic investors and work to find foreign financing for them. However, this goes against globally demonstrated best practices, which show that IPAs can have the most impact targeting	KP-BOIT will interpret the first word of this clause, "[a]ssist," to mean (i) publicly sharing sector research which can inform project development by domestic stakeholders, and (ii) including project profiles received from domestic stakeholders in a publicly available, online database managed by KP-BOIT

Tasked activity	Challenges	Approach under this strategy
	productive investors with globalizing projects of their own conception, rather than focusing on finding financial investors to back the narrower aspirations of domestic stakeholders.	
10. Do advocacy, hold conferences, seminars, roundtables, and presentations locally and internationally, to attract potential investors by creating awareness about government policies, building confidence, and exchanging practical and feasible investment ideas	Government policies should be a part of such awareness-raising, but sector-specific value propositions are the most essential information to be transmitted to potential investors.	KP-BOIT will articulate sector-specific value propositions as the foundation of its investor-targeting presentations, web site information, brochures, etc. It will shift its activities away from low-impact road shows and conferences in favor of direct, sector- or company-specific pitches, whether in person or via teleconference.
11. Engage on a regular basis with the larger business community including but not limited to business associations, forums, trade bodies, and chambers of commerce and industry, both in the province and nationally to stimulate ideas for investment in the province	None	KP-BOIT will consult the business community on their sector development needs, KP-BOIT's strategy-setting, and reform of the investment climate, including quality of the services provided by KP-BOIT and the rest of government.
12. Prescribe any fee for services rendered or facilitation extended	IPAs aiming to raise revenue from facilitation facilitate less freely and fully. Charging for services contravenes the vision of investment as a generator of public welfare, decreases investor use of services, and thereby reduces the IPA's influence over the investor.	"Any fee" gives KP-BOIT the leeway to charge or not to charge. KP-BOIT will opt not to charge.
13. Promote trade	The KP-BOIT Act names KP-BOIT the "Board of Investment and Trade." However, the text of the act makes no further mention of trade promotion or policy. Without explicit enumeration of trade promotion among KP-BOIT's legal "powers and functions," KP-BOIT's role in the province's trade promotion cannot be relied upon beyond current political and administrative circumstances.	KP-BOIT will aim to clarify, formalize, and thereafter implement its supporting role in the province's trade promotion. KP-BOIT will do this by contributing its understanding of best practices, articulating its plans to operationalize the role outlined for it in Commerce and Trade Strategy 2020, and advocating a stakeholder-consultative process of gap analysis and coordinated action planning for trade promotion services throughout the province.
Commerce and Trade Strategy (advanced draft of late 2020)		
14. Participate in implementation of Commerce and Trade Strategy 2020	This strategy clearly designates the Directorate of Industries and Commerce as the province's lead for implementation. In several passages, it makes reference to the directorate sharing responsibilities with or getting support from KP-BOIT. However, it does this without giving any indication	As the provincial lead on investment and a supporting partner on trade, KP-BOIT will continue to develop its operations guided by best-practice investment promotion. Where its operations establish activities, resources, or networks which may be leveraged for the benefit of trade

Tasked activity	Challenges	Approach under this strategy
	of the intended division of responsibilities.	promotion, it will do so. These synergies are expected in five areas: facilitation of business start-up; research on the business opportunities and obstacles in priority sectors, markets, and products; policy advocacy and public-private dialogue for regulatory simplification and sector development; and work to establish linkages between foreign investors and domestic investors as suppliers, service providers, strategic partners, and joint venture partners.
15. "Directorate of Industries & Commerce and KP-BOIT remains the main focal point in" implementing "[o]ne-window concept at the grass-roots level" as laid out in the "Reforms and Development Roadmap chapter of" Commerce and Trade Strategy 2020	The concept of "one window," which can be implemented in many ways (successfully or problematically), is not defined. The division of labor between the directorate and KP-BOIT is not given.	KP-BOIT will aim to be a comprehensive information resource ("one-stop information center") to investors on business entry and start-up, providing tailored assistance and intervention (for example, in obtaining electricity) commensurate with each investor's strategic importance to the province. KP-BOIT will not aim to take over regulatory authorities for business entry and start-up ("regulatory one-stop shop") or set up a physical space with secondees from regulatory authorities ("physical one-stop shop"). KP will aim to be a "one-stop information center."
16. Establish an "R&D Cell" at KP-BOIT..."in collaboration and linkages with Industries, Academia, Business Community, KPIT Board, Directorate of ST&IT, Directorate of Industries & Commerce, KPTEVTA, development partners / foreign experts besides other stakeholders from Public and Private sector. KPBOIT will spearhead the triple helix strategy of integration of the key pillars and hold regular interaction of all stakeholders.	This text seems to combine two distinct measures, one common for high-performing IPAs, one more novel. The trilateral dialogue among government, private sector, and academia is a best practice for aligning workforce skill demand and supply, but being a lay conduit for R&D is novel.	KP-BOIT will lead the "triple helix" initiative as described. Regarding R&D, as part of its "one-stop information center," KP-BOIT will separately liaise with PCSIR Laboratories Peshawar, Center of Excellence Geology Peshawar University, KP Agriculture University, Agriculture Research Center Tarnab farm, and KP Agriculture, Livestock and Cooperative Department, in order to: 1. Keep up to date on the latest developments and technological resources available to firms operating in KP priority sectors. 2. Link investors to these institutions and their resources to help investors innovate, design, develop new varieties, products and transfer know how to local producers and investors to produce, market and export new goods to international market.
17. Facilitate "Industries and Commerce Department...[to] establish its Commerce and Trade Offices at Provincial Headquarter and at Regional.../District level"	The meaning or intent of the word "facilitate" is unclear here. The Commerce and Trade Strategy envisions the Industries and Commerce Department opening Commerce and Trade Offices "at the divisional and	KP-BOIT shall interpret its facilitation role here to consist of: 1. Making all information collected and managed by its "one-stop information center" readily available to the department's divisional and district

Tasked activity	Challenges	Approach under this strategy
	district levels." These offices are intended to "ensure to minimize different processes involved in any business cycle i.e. certifications, permissions, administrative approvals and payment procedures related to taxes, levies and surcharges etc." KP-BOIT has no infrastructure at the divisional and district levels and does not have authority over the processes to be hosted at the local offices, so there is no obvious, direct way for KP-BOIT to facilitate this.	offices, and 2. Accepting requests from the department to collect specific information related to business entry and start-up which KP-BOIT may not already be collecting
18. "The Commerce and Trade offices at Regional & District level will also be the liaison offices of KP-BOIT in respect to promotion and facilitation of trade and investment in the Province."	Best-practice division of labor for investment promotion has commerce depts., SME promotion and trade promotion organizations focusing on domestic investors, while IPAs focus on foreign investors (including domestic linkages. Much of the work done by any of these institutions, in fact, serves both audiences, but only as a collateral benefit. Promotion and facilitation of trade and investment at the divisional and district level is squarely within the purview of the Commerce and Trade Department. If placed with KP-BOIT, the resources needed to stand up and maintain 35 district and 7 divisional offices would overwhelm KP-BOIT and strongly skew its focus away from foreign investment, leaving KP without an effective office for attracting transformational investment, jump-starting higher-value sectors, and better linking the province to global value chains.	KP-BOIT will not staff district or divisional offices but rather have its "one-stop information center" support Commerce and Trade's district and divisional offices with information and advice. When investors are referred to KP-BOIT by Commerce and Trade's district, divisional, or provincial offices, KP-BOIT will provide them with at least the basic level of investment promotion services and additional services as commensurate with the investor's strategic importance for the province.

2. **Legal form and reporting lines:** Studies by WBG and others during the last quarter century have repeatedly shown that IPAs are best positioned to perform well when they are largely autonomous, reporting to a prime minister or chief minister's office, but with a well-functioning board having primary responsibility for oversight. KP-BOIT's position outside of any other department and the Chief Minister's chairmanship of the board are a positive starting point. Going forward with this strategy, the board should serve to hold KP-BOIT accountable for its delivery on the impact targets developed for its strategy and provide guidance on how to achieve them. KP-BOIT's management should then be allowed to allocate resources and set a daily agenda according to its strategy, as opposed to, for example, being occupied by an irregular inflow of special assignments from other government offices.

3. **Institutional partnerships:** IPAs are bridges between the public and private sectors, and their public sector partners are most typically ministries/departments regulating investment, providing services to companies, or promoting specific sectors. They are at all levels of government, from federal immigration authorities to municipal water suppliers. IPAs generally need two things from other government departments: good information and the prompt and transparent facilitation of investor procedures.

For a subnational IPA, such as KP-BOIT, the need to partner effectively with the national IPA is inescapable, if the subnational IPA strives to leverage national resources and create a seamless experience for investors in site selection, start-up, and aftercare. On the private sector side, trade associations, chambers of commerce, private service providers (e.g., lawyers and accountants), IPA clients, and other individual companies in priority sectors can provide testimonials about the benefits of doing business in a location, help identify investment climate constraints to growth, and inform public policies to build clusters and better extract positive spillovers from investment. An IPA can never achieve all this information, authority, and credibility on its own. Recognizing this dependence on others, well-performing IPAs systematically include partners at every stage of their strategy.

Today, KP-BOIT, under dynamic leadership, enjoys a positive reputation and leadership position in the province's economic development. Sector-focused departments have considerable goodwill toward KP-BOIT and should be quickly engaged under the new strategy. Departments administering investment-related procedures at the federal, provincial, and municipal levels are mostly engaged on an ad hoc, often personal, basis and should have their cooperation with KP-BOIT formalized.

4. **Investment Targeted:** By definition, IPAs contribute most to economic development, when they focus on areas where they have the biggest marginal impact. This means effectively promoting sectors that are not otherwise being effectively promoted by other departments and fostering spillovers that would not otherwise occur. In practice, this means focusing on attracting and nurturing private, productive investment projects that (i) can be competitive in a location, (ii) promise targeted development benefits, and (iii) are not already promoted effectively by other bodies. More often than not, such projects are investor-conceived and market-driven, rather than conceived by the government.

However, KP-BOIT's current emphasis is on areas which should be promoted primarily by other institutions, such as the Department of Energy and Power for hydroelectric power, KPEZDMC for SEZ development and operation, the Department of Agriculture for date cultivation and sheep husbandry, and the Department of Mineral Development for marble, gems, and minerals.

5. **Investment Attraction and Retention Strategy:** A good strategy sets explicit, quantified impact objectives that relate directly to official development goals. It also sets out the specific activities through which those objectives are to be achieved and relates the two through a "logical framework" linking inputs, outputs, outcomes, and impacts.

The strategy will prioritize sectors based on an objective assessment of the location's competitiveness and typically address relevant opportunities at all stages of the investment project life cycle (e.g. existing investors, announced investors, potential investors). Considering the multi-year timelines that are typical of investment projects, the impacts of investment promotion are generally seen only in the medium- to long-term. The time horizon of an IPA strategy is, therefore, typically between around five years. Effective IPAs will review progress toward strategic objectives on an annual basis and make adjustments as needed to accommodate for shortcomings and changed circumstances, but under normal circumstances the broad strokes of a strategy tend to remain unchanged, giving good IPAs considerable consistency in priorities and activities.

KP-BOIT has not had a formal, written strategy. Consequently, it has been difficult to reach an agreed consensus across stakeholders as to what KP-BOIT's concrete impact objectives are or should be. The lack of explicitly stated objectives, impact targets, and performance indicators deprives KP-BOIT of the opportunity to more directly and meaningfully serve public development goals.

6. **Investment promotion activities:** Day-to-day investment promotion activities are the link between investors and an IPA's strategic objectives. The full set of activities undertaken by most best-practice IPAs ensures that the IPAs take ownership of investor leads, nurture them until they become announced projects, shepherd them through the start-up process, and then work with companies and local stakeholders to extract maximum benefits. The right promotional activities and tools applied at each stage, ensure that everything possible is done to get the investor to the next stage. These activities are usually categorized under five essential functions: investor-targeting, facilitation of site selection, facilitation of start-up, investor aftercare, and policy advocacy.

However, KP-BOIT's day-to-day investment promotion activities are currently limited to general marketing and policy advocacy, including EODB reform coordination. KP-BOIT has not been regularly engaged in proactive investor-targeting or aftercare, and as such has not been working systematically toward the generation and conversion of leads into actual investments for concrete impacts. It facilitates investment reactively and with little follow-up. It does not have a database of existing or potential investors. And, while policy advocacy is valued and undertaken to limited extent under the EODB umbrella, it is not conducted systematically to enhance the competitiveness of priority sectors.

7. **Organizational Structure:** Organizational structures vary considerably among best practice IPAs, reflecting differences in mandate, strategy, target sectors, and service delivery. However, there are a number of shared characteristics amongst best practice IPAs. Notably, they all allow for sector specialists, account managers, research staff, strong points of contact with partners and stakeholders, and the transfer of client accounts in a way that is seamless from the investor's perspective, for example from a "promotion unit" to an "aftercare unit." If the IPAs are responsible for both investment and trade, the two are well segregated. Almost none of these common features are found in KP-BOIT's current structure.

8. **Investment Promotion Support Systems:** Two investor-related systems can be found, in one form or another, among all top-performing IPAs: an investor information system and an investor relationship management system. Information allows an IPA to meet investors' information needs, and investor relationship management facilitates and increases the conversion of investment leads into actual investments.

KP-BOIT currently has no investor-tracking system or investor information system. Information on investors is not centrally collected. Individual staff members who have come in contact with investors may retain some personal record of it, but it is very difficult for KP-BOIT to ensure systematic follow-up with potential investors or to reach out to existing investors with such patchy information.

When an individual staff member leaves KP-BOIT, much of the information may be effectively lost since there is no central storage system.

9. **Monitoring and evaluating performance:** A successful M&E framework will have three core elements: (i) a results framework linking goals, activities, outcomes, and impacts, where possible, through rigorous measurement, (ii) plans, staff, and tools for collecting evidence of results, and reporting plans that convincingly inform critical stakeholders of the facts the IPA wants them to have and (iii) key performance indicators (KPIs) that are the basis for monitoring and measuring the IPA's progress. In this way, a good strategy provides the focus for all of an IPA's day-to-day activities and a frame of reference for determining success or failure. With strategies and results made public, an IPA's results can be valued against its results. The annual reports of well-respected IPAs, such as CINDE, IDA Ireland, and Invest in Hong Kong, can be found on their public web sites and include performance figures such as the investment promotion cost per job created. This objective assessment provides a strong rationale for their continued or expanded funding and promotes cooperation from other stakeholders who see the IPAs as effective agencies.
10. **Human resources:** The WBG study of best practices Investment Promotion Essentials found that well-performing IPAs cultivated private-sector mind-sets within their public-serving organizations. They do this by maintaining private sector standards for service delivery, adhering to KPIs, and recruiting staff with relevant experience, in marketing, account and project management, priority sectors, and government agencies. Invest Hong Kong's staff is intentionally balanced with a 2:1 ratio between people with private sector backgrounds and people with public sector backgrounds, giving the agency a more private sector feel but with strong connections to the public bodies it must partner with. KP-BOIT has not historically recruited or trained staff for these skills.

TERMS OF REFERENCE

KP-BOIT shall urgently:

1. Establishment of Directorate of Investment Promotion with 1 director and 4 staff members who are:
 - a. Comfortable conversing in English and any other languages most likely to be used by the highest priority foreign companies in KP
 - b. Comfortable interacting with top managers of foreign companies
 - c. Proactive, creative problem-solvers
 - d. Willing to work as needed to achieve concrete results quickly, including cold-calling company managers, working beyond normal business hours, lobbying stakeholders for action, and traveling when needed (and as permitted by health measures and budget)
2. Formulate a list of the province's priority foreign and local companies (see next section on criteria for company prioritization) and assign 20 to each of the 5 task force members
3. Set up a free account on a cloud-based software for managing contact databases (such as HubSpot, which is currently being deployed by BOI Pakistan) to track company characteristics (investment value, number of employees, sector or value chain it supports), task force member interactions with company managers, issues raised, help requested, status of open issues, and results achieved.
4. Use direct phone calls to the managers of investment projects to understand their continued viability and major obstacles
 - a. 5 people would each call 4 companies per day from Monday to Friday, reaching all 100 companies by the end of one week.
5. *Identify the projects most distressed or at risk of closure* and fully understand their root causes and company ideas for government support:
 - a. Staff may hear of some possible disinvestments which KP-BOIT is powerless to stop. KP-BOIT will nonetheless aim to understand the issues as best it can and identify any areas where it can make a difference. The more flexible and creative KP-BOIT can be in determining what it can do, the more likely it is to save some companies. Of course, KP-BOIT will be careful not to over-promise to companies. The main things which KP-BOIT has to offer are its connections throughout government and the domestic public sector. The most useful thing it may end up doing is bringing together parties who can help each other. And in any case, companies are always grateful when the government shows concern and an interest in helping, whether or not it leads anywhere. With all called companies that survive, KP-BOIT will have built some goodwill and relationships and have a head start on a more formal aftercare program.
6. Each day by noon, convene all members of the taskforce, and an assistant director or director of each other department likely to be involved in achieving the support to brainstorm feasible, remedial government actions
7. Set an action plan with steps to be taken, timelines, and stakeholders to be enlisted
8. With every new development or change to the action plan, keep investors up to date on the status of KP-BOIT's efforts and the chances and timing of support
9. After building 1-2 weeks of experience, expand the task force's capacity to act by:
 - a. Increasing the number of companies assigned to each task force member
 - b. Increasing the number of members of the task force
 - c. Adding staff specialized in issues, sectors, regions, or managing certain key relationships

Criteria for company prioritization

KP-BOIT shall select the companies to be included in the initial and subsequent batches of calls, by selecting three priority sectors that are at particular apparent risk of distress and closure (e.g., garments), of particular importance during the pandemic (e.g., pharmaceutical manufacturing and health care), or of high national security interest (e.g., agribusiness for food security, oil and gas for public revenue).

WBG support

WBG stands ready to support KP-BOIT in the set-up, training, and operations of this task force, including the following:

1. Remote coaching on putting together the task force: staff, partners, task force TOR
2. Remote training on aftercare principles and how to apply them
3. Guidance on quickly adopting and adapting a HubSpot-based CRM software
4. Proposal of guidelines for calls
5. Regular, remote brainstorming with KP-BOIT on "what can be done" (action plan) to assist companies and on how to engage the most relevant public and private sector partners to retain investment in KP.
6. Help KP-BOIT transition the task force into a standard aftercare program, in coordination with provincial stakeholders and BOI Pakistan, for operational support and business expansion.

Annex IV.

TIMING AND DESCRIPTIONS OF KP-BOIT'S SERVICES

Table 13. Full menu of KP-BOIT services to be delivered throughout the investment policy and promotion life cycle

	ATTRACTION	ENTRY & ESTABLISHMENT	RETENTION & EXPANSION	LINKAGES & SPILLOVERS
MARKETING	<p>A.1.1 Image building of location: campaign focused on building/reinforcing investment advantages of location</p> <p>A.1.2 Marketing priority sectors through advertising via different outlets (social media, newspapers, magazines, radio, TV)</p> <p>A.1.3 Marketing priority sectors through active participation in business events/conferences</p> <p>A.1.4 Marketing priority sectors through active participation in investment related shows</p> <p>A.1.5 Reaching out to selected & targeted investors within a priority sector, seeking face-to-face meetings to persuade about the location's benefits to the investor</p>		<p>C.1.2 Marketing expansion/diversification opportunities in priority sectors through active participation in business events/conferences that established investors attend</p> <p>C.1.3 Marketing expansion opportunities in priority sectors through active participation in investment related shows</p> <p>C.1.4 Working with established investors to pursue reinvestment opportunities (expansion/diversification) in the location</p> <p>C.1.5 Proactive outreach to HQ of established investors within a priority sector, seeking face-to-face meetings to persuade about the location's benefits for reinvestment (expansion or diversification)</p>	<p>D.1.1 Marketing linkages for priority sectors through advertising (social media, newspapers, magazines, radio, TV)</p> <p>D.1.2 Marketing linkages for priority sectors through active participation in business events/conferences</p> <p>D.1.3 Marketing linkages for priority sectors via participation in investment related shows</p> <p>D.1.4 Reaching out to researched supplier investors, seeking face-to-face meetings to persuade them to become a supplier established within the location</p>
INFORMATION	<p>A.2.1 Location's investment guide - printed or PDF online</p> <p>A.2.2 Sectoral brochures with top reasons to invest in the location</p> <p>A.2.3 Location's detailed information library for self-service or fast response with off-the-shelf documents</p> <p>A.2.4 Sector profiling: Development and/or collection of market intelligence relevant to likely investors in priority sectors</p> <p>A.2.5 Investment opportunity identification for prospective investors</p> <p>A.2.6 Guide to government regulations and procedures, related offices, investor roadmap, forms</p> <p>A.2.7 Inquiry handling: providing tailored responses and information to address needs of inquiring investors</p> <p>A.2.8 Active information updates</p>	<p>B.2.1 Location's investment guide - printed or PDF online</p> <p>B.2.2 Location's detailed information library for self-service or fast response with off-the-shelf documents necessary for investment entry and establishment</p> <p>B.2.3 Detailed guide to government regulations and procedures, related offices, investor roadmap, forms</p> <p>B.2.4 Inquiry handling: providing tailored responses and information to address needs of inquiring investors</p> <p>B.2.5 Location's detailed information on availability of skills and training programs for quick operations ramp up</p>	<p>C.2.1 Sector profiling: Development/collection of market intelligence relevant to established investors in priority sectors</p> <p>C.2.2 Investment opportunity identification for prospective re-investors</p> <p>C.2.3 Detailed guide to government regulations and procedures, related offices, investor roadmap, permits or others related with expansion/diversification of operations</p> <p>C.2.4 Inquiry handling: providing tailored responses and information to address needs of inquiring investors</p> <p>C.2.5 Location's detailed information on human capital availability and training programs availability for expansion/diversification opportunities</p> <p>C.2.6 Active information updates relevant to established investors</p>	<p>D.2.1 Sector profiling for linkages and spillovers: Development and/or collection of market intelligence relevant to anchor investors and key suppliers in priority sectors</p> <p>D.2.2 Detailed guide to government regulations and procedures, related offices, investor roadmap, forms related to linkages and spillovers</p> <p>D.2.3 Inquiry handling: providing tailored responses and information to address needs of inquiring investors</p> <p>D.2.4 Specialized market intelligence updates about linkages opportunities</p>
ASSISTANCE	<p>A.3.1 Assistance with first site visit process - agenda suggestions and agenda coordination</p> <p>A.3.2 Assistance with first site visit process - accompaniment</p> <p>A.3.3 Assistance with follow up site visits - agenda suggestions and agenda coordination</p> <p>A.3.4 Assistance with follow up site visit process - accompaniment</p>	<p>B.3.1 Assistance with site visit process at establishment phase - agenda suggestions and coordination</p> <p>B.3.2 Assistance with site visit process at establishment phase - introductions and liaison</p> <p>B.3.3 Support on business start-up, through advice and/or intervention, support on road map to ramp up, and support on initial human capital recruitment</p> <p>B.3.4 Hand holding and intervention on government procedures</p> <p>B.3.5 Project management (A-to-Z follow-up and problem solving for individual investors)</p> <p>B.3.6 Access to events relevant to establishing investors</p>	<p>C.3.1 Support on ramping up of reinvestment, through advice and/or intervention, support on road map, and support on liaisons with business service providers and academia, and human capital recruitment needs</p> <p>C.3.2 Project mgmt (A-to-Z follow-up and problem solving for individual investors) at operation and/or expansion</p> <p>C.3.3 Periodic on-site monitoring visits and interviews with established investors to monitor well-being and convey new business opportunities</p> <p>C.3.4 Reception, management, mediation, and solution of investor grievances related to government conduct</p> <p>C.3.5 Access to events relevant to expanding investors</p> <p>C.3.6 Developing cluster organizations, working groups or networks to improve established investors' productivity and competitiveness</p>	<p>D.3.1 Guidance on government procedures for linkages and spillovers, through advice and introductions</p> <p>D.3.2 Project management (A-to-Z follow-up and problem solving for individual investors) related to linkages and spillovers</p> <p>D.3.3 Creating opportunities for active liaisons between investors and local input suppliers</p> <p>D.3.4 Generating matchmaking events between market players to create network opportunities and incentive linkages</p> <p>D.3.5 Creating opportunities for active links between companies abroad and established investors</p>
ADVOCACY	<p>A.4.1 Analysis and reporting of the investment climate/ecosystem for strategic sectors</p> <p>A.4.2 Formulation and submission of investment policy and/or ecosystem improvement proposals based on feedback received from prospecting investors</p> <p>A.4.3 Advocacy and follow up for government actions to improve the investment climate/ecosystem for strategic sectors</p>	<p>B.4.1 Analysis and reporting of the investment climate/ecosystem affecting investment entry and establishment</p> <p>B.4.2 Formulation and submission of investment policy and/or ecosystem improvement proposals based on feedback received from establishing investors</p> <p>B.4.3 Advocacy and follow up for government actions to improve the investment climate/ ecosystem at entry and establishment</p>	<p>C.4.1 Analysis and reporting of the investment climate/ecosystem affecting investment operations, retention, expansion</p> <p>C.4.2 Formulation and submission of investment policy and/or ecosystem improvement proposals based on feedback received from established, disgruntled, or expanding investors</p> <p>C.4.3 Advocacy and follow up for government actions to improve the investment climate/ecosystem for established, disgruntled, or expanding investors</p>	<p>D.4.1 Analysis and reporting of the investment climate/ecosystem to foster linkages spillovers</p> <p>D.4.2 Formulation and submission of investment policy and/or ecosystem improvement proposals based on feedback received from investors to foster linkages and spillovers</p> <p>D.4.3 Advocacy and follow up for government actions to improve the investment climate to foster linkages and spillovers</p>

DESCRIPTIONS OF KP-BOIT'S SERVICES

1. Marketing

1.1 Participation in business events

KP-BOIT will use this as a way to build awareness and generate leads on potential investors as well as with potential reinvestors. A crucial difference between “business events” as joined or organized by high performing IPAs and poorly performing ones is that high performers tend to be much more targeted in their business events and see them as a relatively minor complement to their main promotional activities. As such, the events that KP-BOIT selects will be sector-specific, rich in investors and corporate decision-makers, involve very specific and achievable objectives, and are not very demanding of time and resources. Poor performers, on the other hand, tend to see business events as the be-all-and-end-all of investment promotion. The number of companies met may be presented as a promotion “result,” even when those companies are irrelevant to the IPA's objectives, when the people from those companies may have no role in site selection, or when there is no follow-up with companies to develop them as investment leads. KP-BOIT will avoid this model.

1.2 Public/media relations

Effective IPAs will proactively implement a communications and partnership strategy that builds awareness among the public and critical stakeholders about the importance of domestic and foreign investment and the government's work to attract it. KP-BOIT will do this, while incorporating the partnership needs of each of the IPA's internal departments, harmonizing external messages, developing interdepartmental MoUs and service-level agreements, and aiming to institutionalize engagement of partners.

Those investors that have benefited most from KP-BOIT's past services will be engaged periodically to maintain them as a resource for sector intelligence, testimonials, sector development efforts, and insights into the investment climate.

These national and international activities may be for broad audiences, such as article publications and event speaking, or they may be direct, such as conversations with opinion-influencers.

Benefit to trade promotion: To the extent that messaging is specific to particular sectors and the investment climate, it can be targeted to include domestic firms in a position to export and/or strengthen the local value chain.

1.3 Investor-targeting campaigns

Investor targeting is the main proactive element of any location's wider investment promotion strategy. Companies seeking to expand internationally are likely to compare several possible locations against a set of predetermined criteria to arrive at an objective determination of the best investment location for them. Criteria may be quantitative and qualitative and typically cover aspects of doing business like access to markets, operating costs, various forms of risk, and quality of life. In the long term, KP's government can improve KP's competitiveness by improving its investment climate, infrastructure, work force, and policy support for attractive sectors.

However, in the short term, KP's government can best improve its chances by making sure that (1) KP makes it onto potential investors' lists of possible investment locations and (2) potential investors have access to the most complete and positively framed information possible. Targeting seeks to accomplish these two tasks by seeking out and directly engaging investors identified to have a high potential for interest in a particular location.

In short, by undertaking targeting KP-BOIT will identify high-potential investors, try to get meetings with them, and present them with the case for why they should invest in a location.

Benefit to trade promotion: As investor-targeting is specific to particular sectors, it can be used to attract firms that would export and/or strengthen the local value chain.

2. Information

2.1 Location description

This includes credible, comprehensive, and up-to-date information on the legal regime for investment, costs of doing business, infrastructure, and other business information, particularly as it relates to different types of investment and as it compares to competing locations. For example, market-seeking investors would be interested in analysis of KP's market size and competition for a specific product or service. In the case of efficiency seeking investors, benchmarking analysis of KP against competitor locations for a specific investment project can be of value to the investor. In the case of resource-seeking investment, an investor may want information about the resource-rich locations and maps with infrastructure lay-overs. By being able to provide this kind of data and analysis fundamental to a business, KP-BOIT will increase its influence over investor decisions and strengthen its own image as a valuable partner to the investor.

Benefit to trade promotion: This produces market analysis, process maps, and other business information which empower local exporters and support local value chain development.

2.2 Sector profiling (including consumer trends, cost data, market access, input suppliers, logistics, etc.)

This involves the proactive delivery of reliable, detailed, and up-to-date information on the value propositions of specific sectors and subsectors, particularly as it compares to competing locations. Such information would include: markets, value chains, sector-specific costs of doing business, relevant regulations, investment opportunities, suppliers, service providers, potential partners (equity and non-equity), answers to frequently asked questions, and success stories from investors already operating in KP in those sectors.

This will help KP get “on the radar” of an investor that might not have otherwise considered locating in KP. It also ensures that interested investors have the information they need to make a well-informed decision for establishment and expansion and that all of KP's advantages are known. It saves investor time, expense, and uncertainty during entry, as well as making investors aware of local companies that may be good suppliers, service providers, contractors, licensees, or other types of partner, thereby promoting linkages and spillovers.

Benefit to trade promotion: This information is valuable business intelligence for any company operating in the sector.

2.3 Investment opportunity identification for prospective (re)investors

This involves research to identify high-potential sectors, specific value chain segments where there are glaring underserved markets and potential customers clamoring for an investor to fill the gap. This research feeds the creation of even more detailed and persuasive sector profiles that are ready to be shared with inquiring investors, which in turn provides a stronger basis for investor-targeting and policy advocacy.

Benefit to trade promotion: This information helps guide expanding businesses and would-be entrepreneurs to opportunities where they are more likely to succeed and generate exports.

2.4 Databases and lists of resources

These typically include, but are not limited to, databases of available land, service providers, suppliers, and worker training institutions. IPAs will generally try to avoid appearing to endorse specific individuals or companies, but high-performing IPAs understand that for their investment locations to be seriously considered, they must be able to provide quick, relevant information to potential investors on actual land and office space that is suitable for their projects in terms of location, infrastructure, regulation, and incentives. A 2009 global survey of IPAs by WBG found that 91 percent of high-performing IPAs had their own land databases or access to databases hosted by partner organizations. CzechInvest was one of several IPAs that took the extra step of putting interactive maps of the country on its web site. The maps allow visitors to select and view combinations of transportation infrastructure, sectoral concentrations, and potential supplier locations.

In addition to land, potential investors will often seek local professional services, including legal, accounting, tax consultancy, personnel consultancy, construction, and translation. Many high-performing IPAs will maintain lists of proven service providers, although they generally refrain from making endorsements. In the Czech Republic, the Association for Foreign Investment is an association of professional service providers that acts as a single point of contact dedicated to the smooth entry of foreign investors into the country. The strict membership requirements include four recommendations from association members, two from multinational corporations, proof of good financial standing, police clearance of the applicant's agent, and a minimum of three years' experience.

Benefit to trade promotion: This information is valuable business intelligence for any company operating in the sector.

2.5 Guide to government regulations and procedures, related offices, and how to navigate them

This refers to written information, online or in print, for investors with detailed information on permitting, authorizations, licenses, construction regulations, export procedures, etc. It is also important to provide information about the expected timeframe for approval of the permits, licenses, authorizations, etc. This information may come in the form of web sites, brochures, promotional pamphlets, PowerPoint presentations, FAQ sheets, webinars, and white papers, among others.

Benefit to trade promotion: This information provides valuable guidance to investors for business establishment, start-up, and exporting.

2.6 Tailored development and provision of market intelligence for inquiring investors

This is the provision of detailed, customized, and comprehensive responses to information requests from investors deemed to be priorities. It ensures that investors have the information they need to make a well-informed decision for attraction and expansion and that all of KP's advantages are known.

It saves investor time, expense, and uncertainty during entry, while making investors aware of local companies that may be good suppliers, service providers, contractors, licensees, or other local partners, thereby promoting linkages and spillovers. The ability to providing bespoke information strengthens relationships with investors by demonstrating a commitment to meeting their needs in accordance with high standards of customer service.

2.7 Newsletters with developments in markets and government procedures

Delivered electronically or in the mail, these should provide sector-specific news, investment climate updates, and other changes with the potential to affect investor operations in KP or to make them aware of opportunities for expansion.

2.8 Personalized alerts with developments in markets and government procedures

In the same way that generic location descriptions and sector profiles are a fundamental IPA service and tailored versions of that information is a service that distinguishes high-performing IPAs from poor performers, so too is a personalized alert an advanced service. A well-annotated CRM profile for an investor can make for easy cross-referencing to daily Google Alerts and merged mailings to all investors likely to be interested in a given piece of breaking news.

3. Assistance

3.1 Assistance setting up meetings with officials and businesspeople

This service is among the most fundamental for all IPAs, as the face of a location to the international business community: acting as a liaison between officials and investors, providing contacts, making introductions, sometimes joining meetings between officials and investors, and often providing advice to both sides about how to interact with the other for mutual benefit. The service's fundamental nature is evident in the high percentage of IPAs offering it at the first three stages of the investment life cycle.

3.2 Advice on business case preparation

Business development executives, country managers, and regional executives are among some of the individuals within a company that may need to take all available facts and figures and put them together in a persuasive statement about why the company should choose to invest in one location over another. More sophisticated IPAs understand this need, intracompany dynamics, and the fact that the IPA can have more influence if it can be sure to get just the right message to just the right person. However, being able to add value to a company's internal business case with more than facts and figures takes a deep understanding of the company, the sector, and the country's pros and cons relative to other likely locations.

Invest in Canada has at times positioned itself before potential investors as just that kind of sophisticated, high value-adding partner by summarizing its client services as:

- Strategic market intelligence on your specific sector
- Direct contact with key decision-makers in the government
- Referrals to contacts in firms and industry associations, as well as experts
- Help in identifying a suitable place in which to invest
- Assistance in developing a business case for your next investment decision (emphasis added)

3.3 Facilitation of government procedures, through advice, introductions, and/or intervention

This service to investors may follow their introductions to officials or skip it altogether. It is hand-holding through the navigation of government procedures at any stage of the investment life cycle. Official procedures may not always be easily found, understood, or followed, and even when they are, these procedures may be very different in reality than on paper. By building experience helping investors navigate government procedures, KP-BOIT will be able to greatly simplify and speed up the investor's experience by virtue of KP-BOIT's knowledge and sometimes its direct interventions with government officials.

3.4 Facilitation of business start-up, through advice, introductions, and/or intervention

As with the facilitation of government procedures, IPAs may be highly valued when they can help an investor navigate the non-government players and processes by which they will achieve business start-up. Contracting local builders, finding local workers, and establishing working relationships with local suppliers are examples of some of the local business factors which KP-BOIT will seek to become very familiar with and through which it will bring value to its client investors.

3.5 Project management (A-to-Z follow-up)

This involves a KP-BOIT staff member taking ownership of the investor's process, maintaining close contact with the investor from the point of initial interest through the point of investment decision to the start of operations. The assigned staff member would send the investor requested information, as well as proactively send new and relevant information discovered by the staff member. This service also includes "hand-holding" the investor throughout the whole permitting process: assistance on expedited permit approval, coordination with lawyers, liaising with regulators, etc., as well as following up with the investor's local service providers and partners. This will be reserved for investors of high strategic priority for KP.

According to a study by Wint (1993), the speed and cost of obtaining post-approval permits, licenses, and planning permissions are often crucial to the investor. Important to fast, efficient facilitation is not only the professionalism of an IPA, but also their links and influence with government ministries and other stakeholders. The facilitation may take weeks, months or even years, but throughout the process it is important for the IPA to maintain a relationship with the investor. This demonstrates a genuine interest in hosting the investor's project and ensures that everything within the IPA's power is done.

A more advanced service an IPA can provide to investors is the elaboration of a Gantt chart to reflect all procedures and timeframes required to set up a new operation in the location. This tool can be of great value to an investor to have clear expectations on the establishment process, as well as a good follow up mechanism.

3.6 Event access

KP-BOIT will invite investors to networking events, policy forums, issue seminars, and other events with the aim of building its relationships, linking foreign and domestic investors to each other, and advancing public-private dialogue for a stronger investment climate.

Benefit to trade promotion: This service will link domestic investors to global value chains and promote direct exports and local value addition to exported goods.

3.7 Linking foreign companies to domestic technical, vocational, or educational institutions

KP-BOIT's R&D Cell will collaborate with academia, the business community, KPIT Board, Directorate of ST&IT, Directorate of Industries & Commerce, KPTEVTA, development partners, foreign experts, and other stakeholders from public and private sector. KPBOIT will spearhead the triple helix strategy of integration of the key pillars and hold regular interaction of all stakeholders.

Benefit to trade promotion: This service will strengthen the entire value chain, better enabling domestic firms to engage in trade and global value chains.

3.8 Linking foreign companies to domestic suppliers

KP-BOIT will use its database of and relationships with established foreign investors as well as its partnerships with IC&TE, SMEDA Peshawar, and TDAP Peshawar to identify and facilitate linkage opportunities.

Benefit to trade promotion: This service will link domestic investors to global value chains and promote direct exports and local value addition to exported goods.

3.9 Linking domestic companies to technologies

As part of its "one-stop information center," KP-BOIT will liaise with PCSIR Laboratories Peshawar, Center of Excellence Geology Peshawar University, KP Agriculture University, Agriculture Research Center Tarnab farm, and KP Agriculture, Livestock and Cooperative Department, in order to:

3. Keep up to date on the latest developments and technological resources available to firms operating in KP-BOIT's priority sectors, and
4. Link investors to these institutions and their resources to help investors innovate, design, develop new varieties, products and transfer of know how to local producers and investors to produce, market and export new goods to international market

Benefit to trade promotion: This service will link domestic investors to technologies which strengthen their competitiveness generally and which better allow them to participate in global value chains and promote direct exports and local value addition to exported goods.

4. Advocacy

4.1 Problem-solving for individual investors

The IPA offers a personalized interface for investors with the public sector to resolve specific problems and issues during investment attraction and entry activities (e.g. visa granting delay) and day-to-day operations (e.g. red tape, delays in utility connections, dealing with local partners).

4.2 Analysis of the investment climate

Using its advantageous perspective of the investment projects the country has won and lost and its good access to both investors and policy-makers, a good IPA can offer special insights to problems in the investment climate, the effects of those problems on the country's relative attractiveness, and the impacts of those investment climate problems on investment flows and other development objectives.

4.3 Formulation of policy proposals

Separate from the analysis of investment climate issues, another important service is the formulation of policy remedies. This requires certain staff skills (e.g., legal, economic, public administration, stakeholder management) and the willingness of the IPA management to dedicate internal resources to the formulation of solutions which can easily be picked up by legislators and public administrators who may be willing to adopt a solution if presented with one.

4.4 Advocacy for government actions to improve the investment climate & 4.5 Advocacy for government actions to improve sectoral competitiveness

This includes efforts to address specific and recurring problems which affect the ease of doing business generally or a specific sector. It requires continuous monitoring of the country's investment climate, including political risk, legal uncertainty issues, as well as legal/regulatory reforms undertaken or in the process of amendment., followed by systematic efforts to influence officials to implement or support reforms of the investment climate or sectoral ecosystems.

In this way, KP-BOIT will seek to positively influence KP's attractiveness to investment, ease of establishment, conduciveness to retain and expand investment, and fostering of linkages and spillovers.

Benefit to trade promotion: Improvements to the investment climate and the competitiveness of specific sectors will strengthen the ability of KP-based firms to do business successfully and to engage more deeply in global value chains, promoting direct exports and local value addition to exported goods.

