

An Exclusive Interview with

Dr. Miftah Ismail

Special Assistant to the
Prime Minister of Pakistan and
Chairman, Board of Investment (BOI)

Question: Please tell us something about your early life, family, educational career and business profile.

Answer: I hold a Bachelor's Degree in Business Administration from Duquesne University, Pittsburgh, a Master's Degree in Public Policy and Management, and Doctorate in Public Finance and Political Economy from the Wharton School, University of Pennsylvania. I have also worked as an Economist at IMF. Prior to joining the Federal Government, I had served as the Vice Chairman of Punjab Board of Investment and Trade. I am member of the Memon community. Since the early 1990s, I have been deeply involved in family business and as a Director on the Boards of Ismail Industries Ltd, (Candyland, Bisconni & Snackcity) Flexipack Films (Pvt) Ltd, and Astro Films (Pvt) Ltd. I have worked hard for expanding and diversifying my family business which now includes confectionary, snacks, plastics, power and banking.

Question: You hold a PhD degree in Public Finance and Political Economy from University of Pennsylvania USA and have also worked at the IMF as a professional economist. How do you see the current economic scenario in Pakistan from the eyes of an economist?

Answer: Being an economist, I am very optimistic about the health of Pakistan's economy. This is also reflected in the achievements made during a very short span of time in the last less than two years. I would like to share some of the achievements of the current regime despite having challenges of law and order and energy crisis. These are:

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- o Pakistan successfully tapped international capital markets after a gap of seven years by issuing Euro Bonds worth US\$ 2 billion.
- o Successful auction of 3G-4G licenses. As against the target of Rs. 5079 billion in the last few years, the target of Rs. 120 billion in FY14 was achieved. We still have two unsold licenses worth Rs. 50 billion approximately which will be auctioned at appropriate time.



Miftah Ismail currently serves as a Special Assistant to the Prime Minister and Chairman of Board of Investment, Pakistan. He is also Chairman of the Sui Southern Gas Company and Director of Pakistan International Airlines. Prior to joining the federal government, Dr. Ismail served as the Vice Chairman of Punjab Board of Investment and Trade. Dr. Miftah Ismail holds a Bachelor's Degree in Business Administration from Duquesne University, Pittsburgh, a Master's Degree in Public Policy and Management and Doctorate in Public Finance and Political Economy from the Wharton School, University of Pennsylvania. Previously, he has worked as an Economist at IMF. He is also an entrepreneur.

- o Resumption of program lending by World Bank and ADB, that has enabled us to access some US\$ 1.5 billion from these institutions.
- o Successful revival and resumption of the privatization program, whereby we have already divested shares of United Bank Limited (about US\$ 400 million) and PPL (subscription Rs. 30 billion, which is the highest ever in our stock market history); and realization of Rs. 15.3 billion).
- o We have also issued International Sukuk for US\$ 1 billion recently.
- o We have listed public securities for trading in stock exchange to enable individuals who cannot buy them in open auction to invest in such securities;
- o To strengthen social safety net, allocation for National Income Support Program (NISP) has increased from Rs. 40 billion in FY13 to Rs. 118 billion in FY 15. The monthly stipends have been increased from Rs. 1000/- per beneficiary family in FY13 to Rs. 1500/- in FY15. Likewise, number of beneficiaries increased from 4.1 million in FY13 to 5.3 million in FY15.

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On the basis of above stated significant achievements and progress, international think tanks and research groups have recognized Pakistan's impressive economic turnaround.

- o Japan's JETRO has declared Pakistan as likely to be the second choicest place for foreign direct investment.
- o Jim O'Neill, a Goldman Sachs economist, and BBC forecasted that Pakistan, currently world's 44th largest economy, would be world's 18th largest economy by 2050, if it continues with its economic reform agenda
- o OICCI raised Pakistan's Business Confidence Index from -34 to +2.
- o Moody's raised our economic outlook from negative to stable.
- o In Nielsen's Global Survey of Consumer Confidence, Pakistan's index rose to 99 in the 1st Quarter of 2014 from lowest level of 86 in 3rd Quarter of 2011.



The government has a long term development plan aimed at creating a globally competitive and prosperous country, with particular emphasis on achieving macroeconomic stability through inclusive growth. We aim to achieve over 7% growth by FY 2018. This is necessary to address poverty incidence and unemployment while improving socio-economic indicators including health and education. We are also working to improve the energy mix to avoid the need for tariff increases and to attract foreign direct investment. A brief account of our Future Road Map is as follow:

- o GDP to grow gradually to around 7%;
- o Inflation to remain in single digit. It is now less than 4%;
- o Fiscal Deficit to be brought down to 4% or less;
- o Foreign Exchange Reserves to be built to US\$ 22 billion;
- o Investment-to-GDP Ratio to be increased to 20%;
- o Industrial sector to grow by 8%;
- o Public Debt to be brought down to 55% of GDP;
- o Tax-to-GDP Ratio to be increased to 15%;
- o Exports to be increased to US\$ 32 billion;
- o Foreign Direct Investment to be increased to US\$ 5.5 billion;
- o Expending around 4% of GDP on education and health;
- o Poverty Alleviation and support to vulnerable sections of the society;
- o Power cuts to be minimized; and
- o Shortage of natural gas to be met with enhanced supplies through increased exploration/production as well as imports both overland and sea.

In my opinion, all the above targets are very much realistic and achievable. Government has already started a reform process in the important sectors of economy to eradicate the bottlenecks with an objective to have best and optimum utilization of resources to achieve these targets.

Question: Pakistan has of late witnessed capital flight, industry closures and recession in trade market. Besides, security concerns and energy crises, what other factors do you think are responsible for this sorry state of affairs?

Answer: I do not agree with this statement that Pakistan has witnessed capital flight, industry closures and recession in trade market. The FDI trend in case of Pakistan is just like the global FDI trends. Global FDI decreased from \$1.8 trillion in 2008 to \$1.4 trillion in 2013. FDI in Pakistan

Investors from New Zealand and UK intend to make hospitals and universities and schools in Pakistan while some delegates from Turkey and China showed interest in Liquefied Natural Gas (LNG). Some investors shown their intention to invest in Thar coal in Sindh, Khyber Pakhtunkhwa(KPK) and Baluchistan as well.

was peaked at US\$ 5.4 billion in 2007-2008 and thereafter started to decline and dipped at the level of US\$ 0.82 billion in 2011-12. It again took upward momentum in 2012-13 to US\$ 1.45 billion and in 2013-2014 to US\$ 1.63 billion. During last 10 years Pakistan attracted more than US\$ 27 billion FDI. But despite challenges, Pakistan is still a lucrative market for foreign investors. In Pakistan, commercial risks are not very high and rewards are very high. Therefore, I think Pakistan is a very choice destination for investment.

Question: BOI organized an Investment Conference in October 2014 at Islamabad which was successful in attracting good number of prospective investors from different countries. What response did you get and how many concrete investment proposals have been received as a result of this conference?

Answer: The Conference was attended by more than 450 participants, including 241 foreign investors from 22 countries, Pakistani businessmen and foreign companies and diplomatic community based in Pakistan. The main objective of conference was to highlight the investment regime and available opportunities for investment in various sectors of economy. Speakers at the conference urged foreign investors to explore untapped potential of the country. Investors were informed that Pakistan was the only country offering high rate of returns at an average of 17 percent of investment in power generation sector and 20 percent in investment in coal power generation.

Prime Minister of Pakistan, Minister for Finance and other Federal Ministers invited foreign investors to explore investment opportunities in various sectors in Pakistan. The foreign investors have termed Pakistan as the choicest and best place for investment. Investors from New Zealand and UK wanted to make hospitals and universities and schools in the country while some delegates from Turkey and China showed interest in Liquefied Natural Gas (LNG). Some investors shown their intention to invest in Thar coal

in Sindh, Khyber Pakhtunkhwa (KPK) and Baluchistan as well. Participation of more than 240 foreign participants in the conference indicates revival of confidence of investor community in the policies of the present government.

Question: Does BOI have any special package for encouraging the overseas Pakistanis to invest money in feasible mega projects in the Special Economic Zones in Pakistan?

Answer: The investment regime of Pakistan is liberal and investors' friendly which contains competitive incentives across the board. The main thrust, among other factors, is to promote enabling business and commercial activities in the country. We have equal and nondiscriminatory treatment to local and foreign investors including overseas Pakistanis. However, keeping in view the importance of overseas Pakistanis, an Overseas Pakistanis Investment Cell (OPIC) has been established in BOI to assist and facilitate overseas Pakistanis for materialization of their projects. Various road shows are also planned to convince and encourage overseas Pakistanis to invest in Special Economic Zones.

Question: The business and operational hurdles faced by the existing foreign investors in Pakistan need to be resolved which would encourage other foreign investors to follow suit. Do you agree with this?

Answer: Yes. I fully agree that business and operational hurdles faced by existing foreign investors in Pakistan need to be resolved which would encourage other foreign investors to follow suit. Board of Investment (BOI) has established facilitation centres in Islamabad and in provincial capitals of Punjab, Sindh, KPK and Baluchistan to address business and operational hurdles being faced by existing and potential investors with particular focus on SMEs as Pakistan's private sector sharply segmented. One end of the scale is occupied by formal, large enterprises that are highly protected against imports; have access to almost all the institutional private credit; use relatively modern technologies; and pre-empt most technical

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personnel from the labor market because they are able to pay higher salaries. On the other end of the spectrum are small, micro, and medium enterprises that in many cases are informal units. This part of the sector turns out much of the country's private output and accounts for the largest portion of its jobs. However, it remains financially constrained, with little access to infrastructure, largely ignorant of modern technology, disadvantaged when dealing with labour, and with virtually no ability to influence policymakers.

Question: The Prime Minister Nawaz Sharif recently concluded his successful official visit to China during which MOUs worth over US\$ 40 billion were signed for Chinese investments in different projects in Pakistan. Would you like to briefly identify the investment sectors and its overall impact on our economy?

Answer: The Chinese government and banks will finance Chinese companies to build \$40 billion worth of energy and

Chinese government and banks will finance the Chinese companies to build US\$40 billion worth of energy and infrastructure projects in Pakistan over the next six years.

infrastructure projects in Pakistan over the next six years. Economic corridors are not mere transport connections along which people and goods move, but affect the economic and social fabric of the areas they connect. Pakistan and China has initiated to develop around 2,700KM long Pak-China Economic Corridor from Khunjrab to Gwadar. This corridor will provide a link to deliver goods to the international markets through the Gwadar Port and generate business and industrial activities in Pakistan and China. This will also be a gateway to regional and middle-east countries. Special Economic Zones will be established and each economic zone will target specific products and services, based on the availability of local raw material, workforce and other such factors. Establishment of these economic zones would attract foreign investment and create appropriate job opportunities for the local youth which would directly raised the living standard of the people residing in those areas. We have received interests from foreign enterprises like Turkish, Korean, Japanese and German to establish SEZ/ Enterprises in SEZ.

Question: Pakistan is ranked at 110th position in the 2014 World Bank's Ease of Doing Business Index' of World Bank which is not very impressive. What measures BOI has taken so far to improve this ranking?

Answer: Government is endeavoring to improve the investment climate in Pakistan and making efforts to streamline the approval processes for starting a business on fast track basis. In this regard, virtual One Stop Shop is

Virtual One Stop Shop is being established to facilitate registration of limited liability companies (LLCs).

being established to facilitate registration of limited liability companies (LLCs). Considering importance of business environment for enhancing investment levels in the country, BOI has developed a plan in consultation with Finance Division, SECP, FBR, EOBI and provincial governments to identifying the bottlenecks and improve the business climate through reduction in administrative procedures and cost/time. BOI being lead agency is working in consultation with relevant stakeholders on all business indicators to improve the business climate reduce the time and processes involved in case of all business indicators. In

the first phase, business indicators like starting a business, dealing with construction permits, getting credit, paying taxes, trading across borders and enforcing contracts would be addressed. The second phase will focus on business indicators like getting electricity, registering property, protecting investor and resolving insolvency.

Question: What measures have been taken by BOI to attract investments in education and health sectors in Pakistan which are the most neglected sectors in terms of budget allocation?

Answer: The elected government attaches great importance to economic development of the country to make Pakistan prosper and to give better quality of life to the citizens of Pakistan. Today our policies are more liberal, business friendly and forward looking. Our focus is to reduce the cost of doing business and eliminate the cumbersome administrative process to provide ease of doing business. We are working on to create a market responsive public sector for private sector development, which may behave ethically and contribute to economic development while improving the quality of life of workforce and their families as well as the local community

Our focus is to reduce the cost of doing business and eliminate the cumbersome administrative process to provide ease of doing business.

and society at large. The Government of Pakistan has already given incentives for investment in the Health Sector and investors are allowed to import machinery / equipment's for construction of hospitals at reduced rate of import duty (5%) and there is no sales tax in this regard. As mentioned earlier that during an investment conference organized by BOI during last week of October this year, Investors from New Zealand and UK expressed interest to make hospitals and universities and schools in the country. We are very much optimistic that in the near future we would be able to attract FDI in these sectors.

Question: What role do you foresee for the Management Accountants to play in joining hands with the BOI to develop sectoral feasibility and cost studies for attracting foreign investments?

Answer: ICMA Pakistan is working for professional interaction with government and private sector organizations for greater research effort on industrial issues. Management Accountants can play a vital role in helping the BOI to develop sectoral feasibility and cost studies for attracting foreign investments. The forum of Cost and Management Accountants (CMA) Foundation can help BOI by providing professional assistance and to undertake joint market research studies with respect to priority sectors for presenting to existing and potential investors.

The interview ended with a vote of thanks to **Dr. Miftah Ismail**, Special Assistant to the Prime Minister of Pakistan and Chairman, Board of Investment (BOI), who spared his valuable time and gave his candid views exclusively for this journal. — Editor