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INVEST

FOREIGN DIRECT INVESTMENT

According to UNCTAD's World Investment Report 2023, FDI inflows to Pakistan stood at USD 1.34 billion in 2022, down by 37.6% year-on-year. At the end of the same period, the total stock of FDI reached USD 31.92 billion, around 8.5% of the country’s GDP. The financial sector is the primary recipient of FDI in Pakistan, followed by the chemicals industry and construction. In regards to countries, China is by far the biggest investor in Pakistan; however, recently, the United Kingdom, South Korea and Japan have stepped up their investments. According to the latest data released by the State Bank of Pakistan, the country received USD 524.7 million in FDI during the first four months (July-October) of the fiscal year 2023-24, showing an increase of 7.11% compared to the same period of the previous year. During the four-month period, the main sources of foreign direct investment in Pakistan were China (USD 194.2 million), Norway (USD 77.1 million), and the United States (USD 65.9 million). The power sector received the highest FDI, totaling USD 139.7 million, while the oil and gas exploration sector attracted USD 87.8 million, and the financial business sector recorded USD 85.9 million in investment.

The potential attractiveness of Pakistan for investment remains lower than neighboring India but equal to Sri Lanka and Bangladesh. Pakistan's attractiveness improves, albeit very slowly, against a backdrop of a challenging security environment, electricity shortages, and a burdensome investment climate that also hinder investments. Pakistan maintains investment screening mechanisms for inbound foreign investment on the basis of national security. Foreign investors (except Indian and Israeli citizens/businesses) can establish, own, operate, and dispose of interests in most types of businesses in Pakistan, except those involved in arms and ammunition; high explosives; radioactive substances; securities, currency and mint; and consumable alcohol. Pakistan allows companies to remit the proceeds of disinvestment to their foreign shareholders without prior approval from the State Bank. Pakistan ranks 88th among the 132 economies on the [Global Innovation Index 2023](#), 133rd out of 180 in the [Corruption Perception Index](#), and 147th out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	2,057	2,147	1,339
FDI Stock <i>(million USD)</i>	31,960	32,543	31,924
Number of Greenfield Investments*	8	15	32
Value of Greenfield Investments (million USD)	231	919	1,709

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Pakistan	South Asia	United States	Germany
Index of Transaction Transparency*	6.0	5.8	7.0	5.0
Index of Manager’s Responsibility**	7.0	5.0	9.0	5.0

Country Comparison For the Protection of Investors	Pakistan	South Asia	United States	Germany
Index of Shareholders' Power***	6.0	7.4	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN PAKISTAN

Strong Points

Pakistan's main strengths for attracting FDI are:

- A huge domestic market with a population of 216 million (World Bank, latest data available), a decreasing level of poverty, a stronger middle class and vibrant demographics.
- An inexpensive and abundant workforce.
- High GDP growth in recent years.
- In recent years, the government has pursued an FDI attraction policy with numerous privatisations, the guarantee of equal treatment between foreign and local investors and a whole series of tax incentives. It has also made some necessary efforts in terms of economic reform.
- The country has financial and logistical support from the United States and the IMF.
- The Law on Special Economic Zones creates an industrial hub with liberal incentives and facilitation services for investors to minimize the cost of doing business.

Weak Points

Some of the main obstacles to attracting FDI to Pakistan include:

- Low fiscal resources (13% of GDP) due to the continuing importance of the informal economy (40% of GDP and 60% of employment)
- High exchange rate vulnerability and inflationary risk
- High vulnerability to natural disasters and their negative impact on the country's agriculture
- Weak manufacturing (20% of GDP) and export base, weak sectoral diversification
- Difficult business environment: the country is ranked among the least pro-business economies in the world with its 108th place in the World Bank's 2020 *Ease of Doing Business* rankings
- Inadequate education (40% illiterate) and healthcare
- Low per capita income and high poverty levels
- Domestic and regional security risks

Government Measures to Motivate or Restrict FDI

The Pakistani government is carrying out an active foreign investment promotion policy and has taken several economic liberalisation measures to make the country more attractive. Pakistan offers tax incentives for the establishment of industrial units in certain specific sectors: energy, ports, highways, electronics and software.

The Government has also set up special export-oriented zones called export-processing zones (EPZs), in order to encourage foreign investment. Some of the incentives offered to EPZ investors include exemptions from all federal, provincial and municipal taxes for export-destined production, exemptions from all taxes and duties on equipment, machinery and materials and access to Export Processing Zone Authority "one window" services.

The government also offers incentives to Export-Oriented Units, which are stand-alone industrial units allowed to operate anywhere in the country but have to export 100% of their production.

However, the government has set ceilings for certain strategic sectors (such as agriculture) and certain social sectors. In addition, foreign investment in some sectors is forbidden for national security reasons.

A multi-year FDI strategy is being developed by the Pakistani government. Its goal is to progressively increase FDI from USD 2.8 billion in FY 2019-20 to USD 7.4 billion in FY 2022-23.

INVESTMENT OPPORTUNITIES

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Pakistan

[Globaltenders](#), Tenders & Projects from Pakistan

[DgMarket](#), Tenders Worldwide

Finding Assistance For Further Information

Investment Aid Agency

[Pakistan Board of Investment](#)

Other Useful Resources

[Privatization Commission](#)

[Securities and Exchange Commission](#)

[Ministry of Finance](#)

Doing Business Guides

[Pakistan Doing Business Guide - British Department for International Trade](#)

[Investment Climate in Pakistan - US Department of State](#)[Doing Business in Norway](#)

[Doing Business in Pakistan Guide - World Bank](#)

[Doing Business in Pakistan - UHY](#)