Print ISSN: 0215-0411 - Online ISSN : 0215-0419
Volume: 4 , Issue: 1, Spring 2025
Special Issue
Spring 2025

SPECIAL ISSUE

Khyber Journal of Public Policy

KJPP

Report of Policy Lab on Bridging Gaps in Implementation of Industrial & Economic Development Strategies in Pakistan

پاکستان میں اقتصادی اور صنعتی ترقی
کے عمل میں حائل رکاوٹوں کا خاتمہ

Policy Analysis & Recommendations- Part-2 of 11

Bridging Gaps in SEZ Policies and Implementation: A case Study of Rashakai SEZ

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Bridging Gaps in SEZ Policies and Implementation: A case Study of Rashakai SEZ

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PREFACE

Public policy design, implementation, and evaluation are intricate processes that require a holistic approach to address the multi-faceted challenges of governance, economic development, and industrial transformation. The interplay of theoretical understanding, political economy dynamics, stakeholder engagement, and evidence-based decision-making is essential for crafting impactful policies. The concept of the Policy Lab emerges as a vital tool to address these complexities. Globally, renowned universities and government entities, particularly in the EU and North America, have adopted Policy Labs as platforms for analyzing public policies, their implementation mechanisms, and resultant impacts.

Policy Labs aim to bridge the critical gaps in communication, collaboration, and coordination among academia, policy practitioners, and stakeholders. They serve as incubators for innovative ideas, allowing for rigorous pre-policy analysis, mid-term critical reviews, and post-policy evaluations. By simulating real-world challenges in a controlled environment, Policy Labs foster evidence-based policy-making processes that are both practical and adaptable to dynamic socio-economic contexts.

The National School of Public Policy (NSPP) in Pakistan, through its Policy Simulation Exercises (PSE) at its training units such as the National Institute of Management (NIM), has embraced the concept of Policy Labs. These exercises are designed to mimic the global trends of Policy Labs, creating a focused research environment where government officers from diverse academic and professional backgrounds engage with ground realities. The outcomes of these simulations offer actionable insights and policy recommendations for government entities, enhancing their operational effectiveness and societal impact.

In January 2025, NIPA, Peshawar organized a comprehensive Policy Lab designed and supervised by Dr. Muqeem Islam Soharwardy, Chief Instructor, NIPA Peshawar, addressing 11 critical dimensions of policy design, implementation, and facilitation to support economic and industrial development in Pakistan. These dimensions included:

1. Bridging Gaps in Industrial Policy Design and Facilitation at the National Level
2. Bridging Gaps in SEZ Policies and Implementation: A Case Study of Rashakai SEZ
3. Bridging Gaps in TVET Policies and Practices: Evaluating Their Impact on Employment and Industry in Pakistan
4. Bridging Gaps in IT Export and Freelancing Policies: Analyzing Economic Impacts on Pakistan
5. Bridging Gaps in Automobiles and Transportation Industry Policies: A Critical Evaluation for Industrial Development in Pakistan
6. Bridging Gaps in Labour Policies, Regulations, and Welfare Practices: Implications for Industrial Development and Social Protection in Pakistan
7. Bridging Gaps in Mechanized Agriculture and Smart Agricultural Techniques: Exploring Their Potential for Industrial Development in Pakistan
8. Bridging Gaps in Policies for High-Tech and Innovative Industries: Lessons from China's Reverse Engineering Strategies for Pakistan
9. Bridging Gaps in the Textile Sector of Pakistan: A Critical Analysis and Way Forward

10. Bridging Gaps in Policies and Practices for the Export Sector of Pakistan: An Evaluation for Enhanced Global Competitiveness
11. Bridging Gaps in Energy, POL, Gas/LNG Policies and Strategies: Supporting Industrial Development in Pakistan

The Policy Lab highlighted the urgent need to address fragmentation in policy design and implementation, emphasizing the critical role of integrated planning, stakeholder collaboration, and the use of advanced tools like Input-Output Models. For example, the session on high-tech industries demonstrated how Pakistan could benefit from reverse engineering strategies, as successfully implemented by China, to develop its industrial base. Similarly, the focus on SEZ policies and Rashakai SEZ showcased the potential of targeted interventions to optimize economic zones for industrial growth.

This initiative underscores the importance of fostering collaboration between academia and policy practitioners. Universities in Pakistan are encouraged to establish Policy Labs to complement government efforts and contribute to evidence-based policy research. Such partnerships can pave the way for a prosperous and industrially developed Pakistan, where robust policies drive sustainable economic growth and social progress.

The lessons drawn from these exercises are not only relevant for Pakistan but also hold universal applicability for nations seeking to bridge gaps in policy design, implementation, and facilitation. The NSPP's Policy Simulation Exercise sets a precedent for how structured, collaborative efforts can generate innovative solutions to complex developmental challenges, making it a cornerstone for future policy reforms.

This report in your hands addresses only the SECOND topic: Bridging Gaps in SEZ Policies and Implementation: A case Study of Rashakai SEZ. The remaining topics have been analyzed and documented in separate reports, crafted individually to provide in-depth insights and actionable recommendations specific to each area.

It is hoped that this document will serve as a significant milestone in the design, implementation, and facilitation of policies, paving the way for broader economic and industrial transformation in Pakistan, انشاءالله .

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January 23, 2025

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Executive Summary: Rashakai SEZ - A Case Study

The Rashakai Special Economic Zone (SEZ), a cornerstone initiative under the China-Pakistan Economic Corridor (CPEC), represents a transformative project for industrialization in Pakistan, specifically in the Khyber Pakhtunkhwa (KP) region. Strategically located in Nowshera district, Rashakai SEZ is a joint venture between the China Road and Bridge Corporation (CRBC) and the KP Economic Zones Development and Management Company (KPEZDMC). Operated through the Rashakai Special Economic Zone Development and Operations Company (RSEZDOC), this project is designed to catalyze economic growth, attract foreign direct investment (FDI), and create employment opportunities.

Officially launched in May 2021, the Rashakai SEZ spans 1,000 acres, with a total development cost of $128 million. The project is structured into three phases, to be completed over 6-7 years, with a concession period of 30 years. Of the total land, 778 acres are designated as leasable—702 acres for industrial and 76 acres for commercial use. Phase 1, covering 247 acres, has already been completed, leasing 87 acres to enterprises. As of now, 20 enterprises, including two Chinese companies, are approved, with 10 enterprises under construction. The project has attracted an estimated investment of PKR 85 billion, comprising PKR 57.6 billion in foreign and PKR 27.4 billion in local contributions.

SEZ Incentives and Strategic Significance

Rashakai SEZ offers a robust incentive framework to investors, ensuring operational stability and a favorable business environment. Investors benefit from a one-time exemption from customs duties and taxes on capital goods, reducing initial setup costs. Moreover, a 10-year income tax exemption from the start of commercial operations makes this SEZ highly attractive for enterprises. Long-term confidence is further fostered through a 99-year land lease arrangement. Enhanced security, 24/7 operational stability, and infrastructural readiness position Rashakai SEZ as a competitive hub for industrial activity.

Aligned with CPEC's objectives, the project fosters industrial cooperation between China and Pakistan. It serves as a gateway for technological and knowledge transfer while driving KP's socio-economic development. As an anchor for KP's economic transformation, Rashakai SEZ is pivotal for creating jobs, promoting exports, and reducing regional inequalities.

Infrastructure and Utilities Development

A key highlight of Rashakai SEZ is its comprehensive infrastructure, including road connectivity, electricity, and gas supply. An access road, spanning 3.2 kilometers, was completed in March 2021 at a cost of PKR 530 million. For electricity, PKR 1.826 billion has been allocated to provide a total capacity of 210 MW across three phases. Phase 1 delivered 10 MW by November 2020, Phase 2 added 160 MW in March 2023, and Phase 3 aims to supply 50 MW by June 2024, despite delays in grid connectivity and licensing. Two internal grid stations, one of which is dedicated to the Chinese firm Century Steel, await licensing for full energization.

Gas infrastructure, with a capacity of 30 mmcfd, was completed at a cost of PKR 1.203 billion. The internal distribution system is fully operational, with maintenance agreements in place with the Sui Northern Gas Pipelines Limited (SNGPL). These infrastructural advancements ensure the zone's readiness for large-scale industrial operations, despite occasional delays in regulatory processes.

Comparative Analysis of SEZ Frameworks

A comparative analysis of SEZ laws in Pakistan, China, and Indonesia reveals critical insights into governance and operational frameworks. Pakistan's SEZ Act of 2012, amended in 2016, emphasizes industrial growth through public-private partnerships. By contrast, China's SEZ regulations, initiated in 1980, focus on modernization and technical collaboration with foreign enterprises. Indonesia's SEZ framework under Law No. 40/2021 prioritizes national integration and economic diversification. While China's SEZs have achieved global success due to robust incentives, governance, and export-oriented strategies, Pakistan faces challenges in regulatory delays, policy consistency, and infrastructure readiness, limiting its potential to replicate China's achievements.

Revisiting Incentive Policies to Enhance Investment Attractiveness

To address the challenges posed by IMF conditions, which require halting the creation of new Special Economic Zones (SEZs) and Export Processing Zones (EPZs) while discontinuing tax incentives for existing ones, Pakistan must adopt a strategic approach to sustain industrial growth and attract investment. A carefully negotiated framework with the IMF that allows targeted incentives under strict monitoring and compliance can preserve SEZs' critical role in economic development and export growth.

Key Recommendations

1. **Integrated/Allied Industrial Units**

    - Promote **Integrated Industrial Units** in SEZs under the China-Pakistan Economic Corridor (CPEC) by offering targeted incentives such as reduced import duties and tax exemptions.
    - Encourage clustering of related industries, following the successful Chinese SEZ model, to foster innovation, reduce costs, and enhance efficiency.

2. **Decentralized Management Infrastructure**

   - Adopt a **Shenzhen-inspired decentralized management model**, providing autonomy to SEZ authorities for streamlined operations.
   - Establish independent SEZ authorities to reduce bureaucratic delays and enhance competitiveness among zones.

3. **Investor Facilitation**

   - **One-Stop Shops (OSS):** Implement Section 11 of the SEZ Act 2012 in spirit by establishing OSS facilities within SEZs. These hubs will centralize services such as regulatory approvals, tax facilitation, utility connections, and land allocation, significantly improving the ease of doing business.
   - **Expedited NOCs for Foreign Investors:** Develop a digital, automated system for swift issuance of NOCs, balancing security measures with ease of access. Eliminate non-essential requirements like police clearance certificates to reduce barriers.

4. **Infrastructure Readiness**

   - Implement **time-bound procedures for land allocation and development** with penalties for delays to attract investors and reduce costs.
   - Enable developers and co-developers to manage internal utility distribution and offer bulk land rates to reduce infrastructure cost burdens.

5. **Efficient Monitoring and Evaluation Systems**

   - Develop **digitized performance monitoring systems** using KPIs to track SEZ progress, identify challenges, and ensure timely interventions.

6. **Marketing and Promotion**

   - Leverage the credibility of the China Road and Bridge Corporation (CRBC) to promote SEZs internationally through targeted campaigns, trade body collaborations, and diplomatic missions.
   - Highlight the strategic location, tax incentives, connectivity, and business-friendly environment of SEZs to attract investors from the UK, UAE, and other developed countries.

7. **Access to Finance for SMEs**

- ❖ Introduce **targeted financial reforms** to address limited access to finance for SMEs in SEZs, including soft loans, government-backed credit schemes, and tailored financial products.
- ❖ Collaborate with the State Bank of Pakistan to offer longer repayment terms and industry-specific financing options.

Abbreviations

SEZ	Special Economic Zone
CPEC	China-Pakistan Economic Corridor
FDI	Foreign Direct Investment
NEPRA	National Electric Power Regulatory Authority
BOI	Board of Investment
SECP	Securities and Exchange Commission of Pakistan
PSQCA	Pakistan Standards and Quality Control Authority
TDAP	Trade Development Authority of Pakistan
KPEZDMC	KP Economic Zones Development and Management Company
KPBOIT	KP Board of Investment and Trade
EPA	Environmental Protection Agency
OSS	One-Stop-Shop
SMEs	Small and Medium Enterprises
IMF	International Monetary Fund
PESCO	Peshawar Electric Supply Company
SNGPL	Sui Northern Gas Pipelines Limited
SSD	Special Security Division
SSU	Special Security Unit
PCC	Police Clearance Certificate
CPEC-SEZ	China-Pakistan Economic Corridor SEZs
CRBC	China Road and Bridge Corporation

1. Introduction

Pakistan has entered a new industrialization phase under the China-Pakistan Economic Corridor (CPEC), focusing on establishing SEZs to stimulate economic growth. Despite earlier unsuccessful attempts, Pakistan already boasts some industrial clusters, such as the surgical goods cluster in Sialkot, the pottery cluster in Gujarat, and various industrial estates in Faisalabad, KP, and Gujranwala. However, with China's extensive experience in successfully managing 1800 SEZs since the 1980s (PITAC, 2024), Pakistan now has an opportunity to learn and replicate this success.

Pakistan’s economic performance presents a grim contrast to its regional peers, India, Malaysia, and Indonesia. While India attracted $49.9 billion in FDI in 2020 due to liberalized policies, Pakistan lagged far behind with just $2.1 billion only. Malaysia and Indonesia, driven by resource-based economies, maintain steady FDI inflows. Pakistan’s trade performance is equally concerning, with exports stagnating at around 10% of GDP and imports surpassing 20%, leading to persistent trade deficits. In contrast, India’s exports grew to 21.8% of GDP by 2023, aided by economic reforms and global integration. Malaysia’s trade-dependent economy thrives, with exports historically exceeding imports, while Indonesia sustains a balanced trade profile with exports and imports contributing 20–25% of GDP. Pakistan’s limited diversification and structural challenges underscore its worrisome economic trajectory compared to its regional counterparts. (Times, 2023) (Organisation for Economic Co-operation and Development.)

Industrial collaboration under CPEC phase-II aims to attract labor-intensive industries that could transform Pakistan’s economic trajectory. Comparatively, China’s GDP per capita was once lower than Pakistan’s before its 1979 economic reforms, but it now stands at $12,614, while Pakistan remains at $1470. This stark difference highlights the importance of China’s mentorship for Pakistan’s economic development. The key to success lies in addressing challenges, formulating futuristic long-term policies, setting aside differences, and fully utilizing CPEC as a model of economic cooperation between China and Pakistan. By doing so, these SEZs can contribute significantly to industrial growth, employment generation, and regional development. However, SEZs under CPEC have not achieved the substantial Foreign Direct Investment (FDI) and industrial development that was initially anticipated, reflecting Pakistan's historical challenges with

SEZs, including their limited contributions to employment and exports. This highlights the urgent need for robust policy frameworks and effective implementation to unlock their full potential. **Scope of the Study**

The study focuses on: -

i. Evaluation of SEZs Policies and Rules in Pakistan and its implementation with primary focus on SEZs under CPEC at KP
ii. Comparison of SEZs' laws with China and Indonesia.
iii. Impact Analysis of SEZs on industrialization in KP.
iv. Governance GAP Analysis with Malaysia under OIPA.
v. Identification of Fault lines in achieving anticipated outcomes and proposing actionable recommendations/ way forward.

This paper is limited to evaluating SEZs developed under the China-Pakistan Economic Corridor (CPEC) in KP. It does not include SEZs outside CPEC or in other provinces of Pakistan. The analysis and recommendations are specific to the context and challenges of CPEC-SEZs in KP.

Concept of SEZ

Special Economic Zones (SEZs) are specially designated areas within a country that offer unique economic regulations and tax incentives to drive industrial development, attract foreign direct investment (FDI), and stimulate economic growth. These zones provide businesses with a favorable environment for trade and manufacturing, characterized by simplified administrative procedures, advanced infrastructure, and relaxed regulatory policies. The concept of SEZs was pioneered by China in the 1980s, with initial zones like Shenzhen, Zhuhai, and Xiamen playing a critical role in transforming the country from a planned economy to a market-oriented one. These SEZs significantly reduced poverty, created millions of jobs, and established the foundation for China's emergence as a global economic leader. The success of China's SEZs inspired many nations to adopt similar models, adapting them to their unique economic needs and priorities.

Shenzhen SEZ

Among China's SEZs, Shenzhen stands out as a prominent success story, offering valuable insights into its development and impact. (Syed, 2021)

Overview

a. **Establishment**: Founded in 1980, Shenzhen was China's first SEZ.

b. **Geographical Scope**: Initially comprised four districts in Guangdong Province, later expanded to include Longgang and Bao'an.

c. **Economic Transformation**: Transitioned from a fishing and agriculture-based economy to an export-oriented industrial hub.

d. **Strategic Location**: Proximity to Hong Kong, Macao, and Taiwan provided access to advanced markets and systems.

Key Success Factors

a. **Land Reforms**: Investors received land use certifications, ensuring legal and financial security.

b. **Government Policies**:

   i. Autonomy granted to local and provincial governments for planning, business management, and foreign economic activities.

   ii. Central Government took political risks and implemented ambitious reforms.

c. **Incentives for Investment**:

   i. **Fiscal advantages**: tax concessions, export tax exemptions, and depreciation allowances.

ii. **Administrative ease**: streamlined procedures and quick customs clearance.

iii. **Labor and Employment**: Flexible contracts and measures to attract skilled labor. Offered official minimum wage.

d. **Infrastructure Development**:

i. Robust investment in transport, power, and communication systems to attract foreign investors and skilled workers.

e. **Market-Oriented Approach**:

i. Focused on economic liberalization and creating a business-friendly environment.

ii. Encouraged public-private partnerships and entrepreneurial activities.

f. **Decentralization**: Local governments had the flexibility to implement tailored legislative innovations.

Economic Impact

a. **Trade Growth:** From $17 billion (1979) to nearly $560 billion (2024).
b. **Revenue Increase:** Local revenues reported significant annual growth.
c. **Diversified Economy:** Leadership in foreign trade, cultural industries, High-tech innovations and financial services.

Situational Analysis

Pakistan SEZs

Globally, Special Economic Zones (SEZs) have proven to be effective tools for economic growth, increasing from 500 in 1995 to over 7,000 by 2023. Countries like China, Bangladesh, India, and Indonesia have successfully used SEZs to boost industrialization and attract investment. Pakistan, following this trend, now has 35 notified SEZs, hosting 50 foreign and 600 local industries, creating 50,000 direct jobs. Under CPEC phase II, nine

SEZs were planned across provinces and regions to drive industrialization, attract FDI, and enhance export-led manufacturing. Among the nine CPEC-SEZs, the Rashakai SEZ, Allama Iqbal Industrial City, and Dhabeji SEZ have been prioritized for development (Salman, 2024). CPEC Phase II aims to capitalize on these SEZs to enhance industrial cooperation, attract local and foreign direct investment, and boost Pakistan's export-led manufacturing capabilities. Despite the ambitious plans, progress has been slow, with only three SEZs currently having operational enterprises. This sluggish growth underscores the need for a reassessment of the SEZ development strategy in Pakistan. Historically, Pakistan's SEZ performance has been suboptimal, with no significant success stories in exports or investments directly attributable to SEZs. Hence, it is essential now to draw lessons from global SEZs stories and incorporate the same while formulating and implementing policies of SEZs under CPEC for sustainable economic growth. Table below shows the progress of nine SEZs as per BOI (BOI, 2024)**:-**

Table 1: Special Economic Zones under CPEC

Special Economic Zone	**Current Status**	**Total Land Available (acres)**	**Planned Investment (PKR)**	**Enterprises Developed**	**Foreign Direct Investment (FDI)**
Rashakai Economic Zone, KPK	73 acres of Land Sold	1000	66 billion	18	PKR 57 billion
Allama Iqbal Industrial City, Faisalabad	1058 acres of land sold	2300	203 billion	51	PKR 46 billion
Dhabeji Economic Zone, Thatta	Utilities provided	1500	N/A	0	N/A

Bostan Economic Zone, Pashin	61 acres of land Sold	2000	2.6 billion	19	N/A
ICT Industrial Model, Islamabad	Feasibility report to be submitted by February 2025.	500	N/A	0	N/A
Industrial Park on Pakistan Steel Mill Land, Karachi	Feasibility report submitted.	1500	N/A	0	N/A
Mirpur Industrial Zone, AJK	178 acres acquired for Phase 1.	200	N/A	0	N/A

Rashakai SEZ - A Case Study

The Rashakai Special Economic Zone (SEZ) is a flagship project under the China-Pakistan Economic Corridor (CPEC), strategically developed in KP. Located on fringes of Nowshera district, it is a joint venture between the China Road and Bridge Corporation (CRBC) and the KP Economic Zones Development and Management Company (KPEZDMC), operating through a Special Purpose Vehicle (SPV) named Rashakai Special Economic Zone Development and Operations Company (RSEZDOC). Officially launched in May 2021, the SEZ has a concession period of 30 years, with development planned in three phases over 6-7 years. This SEZ is pivotal for industrial cooperation between China and Pakistan, aiming to enhance industrialization, attract foreign direct investment, and create jobs in the region.

SEZ incentives for Zone Enterprises

The Rashakai Special Economic Zone (SEZ) offers a range of incentives designed to attract investors and facilitate industrial growth under the CPEC framework. Investors benefit from a one-time exemption from customs duty and taxes on the import of capital goods, significantly reducing initial setup costs. Additionally, a 10-year income tax exemption from the commencement of commercial operations provides a lucrative incentive for businesses. The SEZ also ensures long-term operational stability with a 99-year land lease period, fostering confidence among enterprises. Furthermore, the SEZ provides round-the-clock security, ensuring a safe environment for businesses to operate. These facilities collectively aim to establish Rashakai SEZ as a competitive and secure industrial hub in KP. (Special Economic Zones Framework in Pakistan, 2022)

Rashakai SEZ - Project Overview

The project spans a total area of 1,000 acres with a development cost of $128 million USD, planned to be completed in three phases over 6-7 years. Out of the total, 778 acres are designated as leasable, comprising 702 acres for industrial use and 76 acres for commercial purposes. Phase-1 of the Rashakai SEZ, covering 247 acres, has been completed within two years. This phase includes 173 leasable acres, of which 87 acres have already been leased. The zone currently hosts approved 20 enterprises, including 2 Chinese companies, with 10 enterprises under construction. The estimated investment in the project amounts to PKR 85 billion, with PKR 27.40 billion from local sources and PKR 57.60 billion in foreign investments, highlighting its strategic significance for industrial and economic growth. (Khyber Pakhtunkhwa Board of Investment & Trade, 2023)

Provision of Utilities

The infrastructure development of the project includes key utilities such as roads, electricity, and gas supply. The access road, spanning 3.2 km, was completed in March 2021 at a cost of PKR 530 million. For electricity provision, PKR 1.826 billion has been allocated to supply a total capacity of 210 MW in three phases: Phase-I delivered 10 MW on an interim basis by November 2020; Phase-II added 160 MW by March 2023 (despite an initial target of December 2021); and Phase-III plans to provide an additional 50 MW by June 2024, revised due to delays in NTDC's grid connectivity and pending distribution and supplier licensing. Additionally, gas infrastructure has been developed with a capacity of 30 mm cfd, with the gas transmission line pipe-laying completed in December 2021 at a cost of PKR 1.203 billion. (Khyber Pakhtunkhwa Board of Investment & Trade, 2023)

The internal distribution for electricity includes two grid stations: Grid Station-01 (120 MW) with civil works completed but awaiting NEPRA's license for energization, and Grid Station-02 (45 MW, extendable to 90 MW) dedicated to Century Steel, a Chinese enterprise delayed due to pending application processes. Internal electrification infrastructure is 100% complete but also awaits NEPRA's license. For gas, internal infrastructure, including pipe-laying, is fully completed, with an operations and maintenance agreement signed with SNGPL.

Legal Comparative Analysis of Pakistan SEZ Laws with China and Indonesia

SEZs are pivotal for economic growth, industrialization, and regional development. Pakistan, China, and Indonesia have adopted SEZ frameworks to drive their economic agendas, yet the outcomes differ significantly due to varying governance structures, policy frameworks, and incentives. (Special economic zones in China for foreign investment and manufacturing, 2023) (Policies and prospects in Special Economic Zones in Indonesia)

Table 2: Comparative Analysis of relevant SEZ Laws of Pakistan, China and Indonesia

Sector	Pakistan	China	Indonesia
Primary Legal Framework	SEZ Act, 2012 amended in 2016.	Regulations on SEZs 1980 (Guangdong Province)	Law No. 40/2021
Purpose	Promote industrial growth and attract domestic/foreign investment through public-private partnerships.	Modernization, economic cooperation, and technical exchange with foreign enterprises.	Enhance national economy and ensure balanced regional development.

Scope	Manufacturing (e.g., textiles, pharmaceuticals), agriculture, and construction materials.	High-tech industries, housing, and international trade.	Diverse industries: logistics, digital technology, tourism, and energy.
Key SEZs	Rashakai, Dhabeji, Allama Iqbal Industrial City, and Bostan.	Shenzhen, Pudong, Kashgar, and Xiamen.	Kendal, Sei Mangkei, Sorong, and 17 others.
Tax Incentives	5–10 years of income tax exemptions; customs duty waivers on imported machinery (One-time).	Reduced income tax rate (15%), import duty exemptions, and capital/ profit repatriation.	Tax holidays (10–20 years), VAT exemptions, and reduced local taxes (50–100%).
Non-Fiscal Benefits	Long-term leases; operational stability.	Simplified immigration processes and infrastructure for multinationals.	One-stop services for business licensing, extended land rights (80 years), and special visas.
Infrastructure	Infrastructure under development; delays in electricity and gas provision.	Advanced infrastructure with seamless utility integration.	Fully developed infrastructure with robust logistics and industrial facilities.
Sectoral Focus	More focus on colonization of industries.	High-tech, export-oriented industries.	Prioritize focus on industrial production, logistics, tourism, and creative industries.

Ease of Doing Business	Regulatory hurdles and limited investor facilitation.	Streamlined processes for foreign investment and profit management.	Simplified processes via one-stop services and comprehensive investor facilitation.
Strengths	Tax incentives and public-private partnership potential.	Global SEZ model with long-term policy stability.	Integration of tourism, digital technology, and regional balance.
Challenges	Delays in infrastructure, weak global outreach, and inconsistent policies.	Maintaining balance between growth and environmental sustainability.	High reliance on specific industries and maintaining competitive tax policies.
Key Takeaway	Gradual progress with significant policy and implementation gaps. (Like non-functional OSS). Weak investor Facilitation.	Long-standing success as a global SEZ leader. Decentralized management Structure. Tech-innovative industry. Custom Tax on Raw Material import exempted for 10 years.	Efficient SEZ model with a focus on industrial diversification. Ease of Business. Flexible labor and Environment regulations.

Impacts of SEZs on Industrialization in KP

The inclusion of SEZs in the China-Pakistan Economic Corridor (CPEC) framework has positioned KP as a key region for industrial development. It was established to secure following intended benefits: -

Industrial Growth

SEZs are expected to establish KP by providing essential infrastructure and incentives for industries, particularly in manufacturing, textiles, and technology-driven sectors. Industrial growth in SEZs under CPEC in KP is progressing steadily, with significant infrastructure development and investment inflows. Rashakai SEZ serves as a key project, attracting local and foreign investments while hosting 20 enterprises, including two Chinese companies. The completion of Phase-1 and provision of utilities like electricity and gas has kicked off industrial activities. Dozens of Chinese enterprises explore the opportunities in collaboration with local counterparts. Hundreds of local enterprises have showed the interests in Rashakai SEZ.

Foreign Direct Investment (FDI)

SEZs under CPEC, such as Rashakai SEZ, are designed to attract Chinese and global investors by offering tax holidays, customs duty exemptions, and a business-friendly regulatory environment. The SEZs in KP under the China-Pakistan Economic Corridor (CPEC) are attracting significant Foreign Direct Investments (FDIs), with projects spearheaded by Chinese enterprises alongside local counterparts. Currently, no substantial FDI has been received.

Employment Opportunities

Industrialization in SEZs is projected to create thousands of direct and indirect employment opportunities, significantly contributing to economic growth and social development. The Rashakai SEZ alone is expected to generate 200,000 jobs (50,000 direct and 150,000 indirect) (Ahmed, 2024), playing a crucial role in poverty alleviation and enhancing living standards in the region. However, no industry under the SEZs established under CPEC in KP has yet commenced commercial operations. As a result, employment generation in these zones remains negligible, with significant job creation anticipated only once industries become operational. (Pakhtunkhwa Economic Zones Development and Management Company)

Infrastructure Development

SEZs aim to improve KP's infrastructure, including roads, energy supplies, and logistics, ensuring better connectivity and access to national and international markets. Infrastructure development in SEZs under CPEC in KP is progressing steadily, with notable advancements in road networks, electricity, and gas supplies. In the Rashakai SEZ, key infrastructure such as the access road, internal electrification, and gas pipeline-laying has been completed. However, delays in grid station energization and NEPRA licensing have slowed the provision of electricity. While the gas infrastructure is fully operational with agreements in place; some interconnectivity issues persist.

Skill Development and Technological Transfer

By fostering partnerships with Chinese firms, Rashakai SEZs intends to introduce advanced technologies and provide training programs for local workers, enhancing the KP skill base. Since, no industry has kicked off its commercial operations thereby no skill development and technology transferred yet.

Boosting Regional Exports

SEZs will promote export-oriented industries by providing a conducive environment for manufacturing high-value products, boosting KP's contribution to Pakistan's export earnings. However, no results yet achieved.

Reduction in Regional Disparities

By establishing SEZs in less-developed areas, CPEC seeks to reduce economic disparities within KP, integrating it into Pakistan's broader industrial and economic growth. Presently, Rashakai SEZ is progressing in terms of infrastructure development but have yet to achieve significant industrial activity or operational industries. While these projects have the potential to reduce regional disparity by attracting investment, creating jobs, and improving infrastructure in underdeveloped areas, the lack of operational industries means their impact on regional disparities and socioeconomic development remains limited at present.

PESTLE Analysis

Political

Federal Minister for Planning, Development and Special Initiatives Prof Ahsan Iqbal Chaudhary while chairing a meeting on 23rd of December 2024 with officials of China Century Steel Mills (Pvt) Limited instructed the concerned departments mainly BOI, Power Division, FBR and KPEZDMC to address the confronting issues of RSEZ especially discounted rates of land, power tariff etc. Earlier the RSEZDOC had raised serious concerns on the power supply and tariff issues despite having met all power infrastructure both internal and external as per technical requirements for energization.

The idea of development of SEZ emerged in Pakistan around a decade ago and mostly on the face of it, all political parties showed their commitment to stimulate industrialization and economic growth and attract FDI by eliminating bottlenecks in development, operation and management of SEZs. However, practically, bottlenecks like ease of business and governance issues persists. Recent working on One Stop Shop initiative is appreciated but needs attention of political leadership to implement the same in letter and spirit. Failure to address the issue of bulk rates provision of electricity to SEZs is yet another indicator of absence of political persuasiveness.

Moreover, political instability disrupts the continuity and implementation of SEZ-related policies, undermining investor confidence and long-term planning. (Special Economic Zone Framework in Pakistan, 2023).

Economic

SEZs offer attractive fiscal incentives, such as tax holidays and customs duty exemptions, to attract both local and foreign investors. However, challenges such as high interest rates (21-22%), inflation at 30-35%, limited infrastructure, and poor connectivity with ports hinder industrial growth. Reliance on imported raw materials further exacerbates trade imbalances, while high energy costs and irregular power supplies continue to disrupt industrial productivity, highlighting the need for reliable utilities and cost-effective solutions. The Rashakai SEZ’s strategic location near Afghanistan and Central Asia holds immense potential to transform KP into a regional trade hub, but realizing this potential requires enhanced cross-border policies and improved infrastructure.

Social

The Rashakai SEZ in Nowshera has the potential to create up to 200,000 jobs, with 50,000 directly and 150,000 indirectly, offering a significant boost to livelihoods and helping reduce unemployment in KP. However, limited local skills could restrict the full realization of these benefits. Additionally, industrialization could drive rural-to-urban migration, placing additional pressure on urban infrastructure and services, potentially hindering overall development. While SEZs offer substantial employment opportunities, addressing skill shortages among the local workforce will be crucial to maximizing these benefits.

Technological

SEZs can act as key hubs for technology transfer and innovation, especially through foreign direct investment (FDI), fostering modern industrial practices. However, the lack of advanced IT and communication infrastructure in KP hinders the adoption of these practices. Additionally, low technological literacy among industries in the region limits their ability to compete effectively in global markets.

Legal Factors

The SEZ Act of 2012 provides a legal framework for industrial development aimed at optimizing resources. Section 34 of SEZ Act, 2012 empowers the BOA (chaired by PM) to grant additional benefits to particular category of SEZs, Zone Enterprises or Sector. Introducing a one-stop-shop service would simplify the approval process, making it easier for businesses to invest and operate in the region.

Environmental Factors

Industrialization within SEZs often brings environmental challenges, such as pollution and resource depletion. However, KP has a significantly better carbon credit standing compared to many developed countries. This provides KP with an opportunity to prioritize industrialization while maintaining a balanced approach to environmental sustainability. By leveraging its existing carbon credit advantage, KP can attract industries under eco-friendly policies, ensuring economic growth without compromising environmental standards. Industrialization in SEZs can thus serve as a catalyst for development, complemented by sustainable practices to mitigate ecological impacts.

Stakeholders' Analysis

Government Authorities

Government authorities play a key role in the success of SEZs by creating and enforcing policies, tracking progress, and managing resources. Their main goal is to promote industrial growth, create jobs, and boost the economy. Their stake is high because they control the rules and regulations that determine how SEZs operate. However, there is no clear accountability procedure in place for clients who purchase land within SEZs but delay the establishment of industries on that land. This lack of accountability can lead to inefficiencies in land utilization and hinder the overall development goals of SEZs. Implementing a clear accountability framework with penalties or incentives for timely industrial establishment could improve land management and ensure that SEZs fulfill their intended purpose of boosting industrial growth.

Industrialists and Investors

Industrialists and investors play a crucial role in the development of SEZs by investing in and setting up industries within these zones. Their primary interest lies in accessing incentives such as tax breaks, reliable infrastructure, and simplified regulations to maximize profits while minimizing risks. Their influence ranges from medium to high, depending on the scale of their investments and the type of industries they represent.

Local Communities

Local communities play an essential role in the success of SEZs by serving as the workforce and benefiting from the economic activities these zones generate. Their main interests include access to employment opportunities, improved infrastructure, and enhanced living standards. While their influence is medium, their support is crucial for ensuring the long-term sustainability of SEZ projects.

Development Partners

Development partners play a vital role in supporting SEZs by providing funding, technical expertise, and policy recommendations. Their primary interest is to promote sustainable industrial growth and economic stability in the region. Their influence is significant, particularly in capacity-building efforts and mobilizing resources to ensure the successful implementation and operation of SEZs.

Regulatory Bodies

Regulatory bodies, such as the Board of Investment (BOI) and the KP Economic Zones Development & Management Company, play a key role in ensuring the success of SEZs by overseeing compliance, streamlining processes, and evaluating policy effectiveness. Their main interest is to facilitate smooth SEZ operations while maintaining industrial harmony. With significant influence, they govern operations and provide critical oversight to ensure SEZs function efficiently and align with development objectives.

GAP Analysis

Current State

The SEZs under CPEC in KP, such as Rashakai SEZ, have made notable progress in infrastructure development, including roads, gas pipelines, and the establishment of basic utilities. However, challenges persist, particularly in the provision of electricity due to delays in grid connectivity and regulatory approvals. While infrastructure is developing, no major industry has commenced commercial operations, which limits the immediate impact on industrial growth and employment creation. Investment commitments from local and foreign sources exist, but their implementation has been slow due to incomplete infrastructure. Additionally, the anticipated economic benefits, such as employment generation and regional development, remain largely unrealized because of these delays.

Desired State

The desired state of SEZs under CPEC in KP envisions fully operational industrial zones contributing significantly to regional and national economic growth. Phase 1 of the Rashakai SEZ is expecting investment of Rs. 85 Bn and is expected to generate about

200,000 (50,000 direct and 150,000 indirect) Jobs employment opportunities, within the industries and indirectly through associated businesses and services. Furthermore, the infrastructure in these SEZs is expected to be fully developed and operational, including seamless provision of electricity, gas, and water with seamless regulatory environment /rapid approvals. Overall, these SEZs are expected to reduce regional disparities, enhance socio-economic development, and integrate the region into global value chains.

Gaps Identified

Regulatory Approvals

Enterprises planning to register and operate in an SEZ at KP may need to interact with around 20 agencies depending on the nature of the business and specific requirements. While the CPEC-SEZ Cell and KPEZDMC aim to streamline this process, the absence of a functional robust one-window operation system often results in delays and challenges for investors. Simplifying and integrating these approvals remains essential for improving ease of doing business in SEZs.

Table 3: Federal and Provincial Agencies to be approached by Enterprises

Category	Agency Name	Responsibility
Federal Agencies	Board of Investment (BOI)	Approval for SEZ entry and incentives under SEZ Act 2012.
	Federal Board of Revenue (FBR)	Tax registration, exemptions, and compliance.
	Securities and Exchange Commission of Pakistan (SECP)	Company incorporation and legal registration.
	National Electric Power Regulatory Authority (NEPRA)	Licensing for electricity distribution and grid connection.
	Ministry of Energy – Petroleum Division	Gas supply approvals and allocations.

	Pakistan Customs	Import/export clearances and duty exemptions.
	State Bank of Pakistan (SBP)	Foreign exchange approvals and banking oversight.
	Pakistan Standards and Quality Control Authority (PSQCA)	Certification and quality compliance for products.
	Trade Development Authority of Pakistan (TDAP)	Export promotion and international trade compliance.
Provincial Agencies	KP Economic Zones Development and Management Company (KPEZDMC)	Land allocation, infrastructure facilitation, and investor support.
	KP Board of Investment and Trade (KPBOIT)	Investment promotion and provincial-level facilitation.
	Excise and Taxation Department	Registration for property and business taxes.
	Environmental Protection Agency (EPA – KP)	Environmental Impact Assessment (EIA) approvals.
Provincial Agencies	Labor Department	Compliance with labor laws and workforce regulations.
	Local Government Authorities (District Level)	Approvals for building permits, water supply, and waste management.
Utilities	Sui Northern Gas Pipelines Limited (SNGPL)	Gas connections and agreements.
	Peshawar Electric Supply Company (PESCO)	Electricity connections, meter installations, and energy supply.
Security Agencies	KP Home Department	Issuance of No Objection Certificates (NOCs) for foreign investor visits.
	Special Security Division (SSD) and Special Security Unit (SSU)	Access permits and security clearance for SEZ areas.

Other Agencies	Chambers of Commerce and Industry	Industry-specific support and networking.

Delays in Infrastructure Development SEZ

Rashakai SEZ faces delay in providing basic utilities such as electricity to the end users' enterprises in order to initiate timely commercial activities, however; rest of the infrastructure in phase 1 has been completed.

Political and Economic Instability

Investment faces significant challenges due to Pakistan frequent government changes, disrupts long term industrial planning and policy implementation, weak fiscal footing, and the stringent conditions of the International Monetary Fund (IMF) (Rana, 2024). Frequent currency devaluations, high inflation, and rising interest rates deter both local and foreign investors. IMF-mandated policies, such as the removal of energy subsidies and increased taxation, have further burdened potential investors, raising operational costs for businesses within SEZs. Compounded by political uncertainty and regional security concerns in KP, the investment climate remains fragile.

Lack of Consistency

A lack of commitment and policy consistency on Pakistan's part has undermined investor confidence in the development of SEZs under CPEC, particularly in KP. Initially, Pakistan assured bulk electricity rates to industries operating in SEZs to reduce operational costs and attract investment vide a Federal cabinet meeting held in 2017. However, once China Road and Bridge Corporation (CRBC) deployed the internal electricity distribution infrastructure in zones like Rashakai SEZ after spending $ 22 million, the National Electric Power Regulatory Authority (NEPRA) refrained from offering the promised bulk electricity facility. On the contrary, bulk electricity is being offered to Sundur and Bhalwal Industrial Estates since long and that too on industrial rates (B-4). This abrupt policy reversal has increased operational uncertainty for investors and escalated costs for industries, discouraging early-stage investments.

Law and Order

The stringent law and order requirements for foreign investors visiting SEZs in KP under CPEC have become a significant deterrent to investment. A foreign investor must secure a No Objection Certificate (NOC) from the KP Home Department, which takes at least seven days, delaying their plans. Additionally, the mandatory use of bulletproof vehicles—often rented at high costs—adds a financial burden, further discouraging visits. The deployment of 400 personnel (Ahemd, 2025) of Special Security Division (SSD) and Special Security Unit (SSU) at SEZ creates a heavily guarded environment where entry is not permitted without a Police Clearance Certificate (PCC). Obtaining this certificate often involves bureaucratic hurdles, as it must be acquired from the individual's parent district. These overtly stringent security protocols, though intended to ensure safety, create an atmosphere of restriction and inconvenience, making investors feel unwelcome.

Lack of Coordination

Lack of coordination between federal and provincial authorities has significantly hindered investment progress at SEZs under CPEC in KP. Key issues include delays in utility provision, such as electricity and gas, which fall under federal jurisdiction, while the development of internal infrastructure is a provincial responsibility. This misalignment leads to prolonged timelines, where federal agencies like NEPRA and SNGPL fail to synchronize with the KP government to ensure timely utility connections. In instant case of Rashakai SEZ, issue of provision of electricity in bulk and on bulk rates persists since 2021. Furthermore, the absence of a unified framework for regulatory approvals forces investors to navigate multiple layers of bureaucracy across federal and provincial levels, creating confusion and inefficiency.

Limited Access to Finance

Limited access to finance poses a significant challenge for local investors aiming to establish industries in SEZs under CPEC in KP. The current high-interest rates, exceeding 20%, make borrowing costly, particularly for Small and Medium Enterprises (SMEs), which form the backbone of industrial growth. While some banks offer incentives like subsidized rates under specific programs, these are often limited in scope and difficult to access due to the complex and time-consuming loan approval processes and IMF conditions. Additionally, the minimal investment requirement of purchasing at least one acre of land (Having financial implications of Rs. 45 million) within an SEZ creates a substantial financial burden for local investors, especially startups with limited capital.

High cost of business

The high cost of doing business at SEZs in KP under CPEC poses a significant barrier to attracting and retaining investors. One major issue is the reliance on imported raw materials, which not only increases production costs but also exacerbates Pakistan's trade deficit. Additionally, the inland location of SEZ in KP, far from major ports like Karachi and Gwadar, adds substantial transportation costs, further reducing competitiveness. The high cost of electricity, compounded by frequent tariff increases and lack of bulk supply rates, significantly impacts operational expenses. Inflation, currently at 23%, drives up the cost of labor, utilities, and materials, further straining businesses. These combined factors make it challenging for industries in KP SEZs to compete in local and international markets.

Inadequate Marketing and Promotion Pakistan's SEZs

In KP under CPEC have significant potential for investment, yet they face challenges in global marketing and attracting diverse investors. At present, 02 x enterprises from China and 18 x Loal enterprises have invested in the SEZ. The Rashakai SEZ, for example, is managed by China Road and Bridge Corporation (CRBC) with a 91% share and KPEZDMC holding the remaining 9%, creating a dependency on CRBC for promotional activities. While CRBC has focused its marketing efforts primarily within China, Pakistan lacks the capacity and global outreach to effectively promote these zones in other lucrative markets such as the UAE, Europe, and North America. This limited scope leaves untapped potential for attracting a wider pool of foreign investors.

GAP Analysis - Pakistan and Malaysia Governance on OAPI Parameters

Domain	Parameter	Pakistan	Malaysia
Strategy and Leadersh	**Strategic Capacity**	Limited strategic focus, frequent political instability, and	Strong long-term planning, consistent governance, and

		inconsistent policy implementation.	stable political environment.
	Openness and Communications	Moderate transparency in governance, weak mechanisms for citizen engagement.	High transparency, effective citizen engagement.
	Integrity	High corruption levels, lack of strong accountability frameworks.	Low corruption, robust anti-corruption frameworks.
	Innovation	Limited digital governance and innovation in public services.	Advanced Gov. Tech adoption and innovative public service delivery mechanisms.
Public Policy	**Policy Making**	Reactive policy-making, lack of evidence-based approaches.	Proactive, evidence-based, and inclusive policy-making processes.
	Regulation	Complex regulatory environment with high compliance costs.	Streamlined regulations with efficient compliance processes.
	Crisis and Risk Management	Weak disaster preparedness and response mechanisms.	Robust disaster risk management frameworks and proactive crisis responses.
	Use of Data	Limited use of open data for policy-making and public engagement.	Extensive use of open data platforms to enhance decision-making

National Delivery	**System Oversight**	Fragmented oversight mechanisms leading to inefficiencies.	Integrated and streamlined oversight frameworks ensuring effective governance.
	Digital Services	Slow progress in digital public services.	Advanced digital infrastructure enabling efficient public service delivery.
	Tax Administration	Weak revenue collection systems with limited taxpayer compliance.	Efficient tax systems with high compliance and automation.
People and Processes	**Diversity and Inclusion**	Moderate focus on inclusion with limited gender representation in governance.	Strong gender and diversity focus with institutionalized practices.
	HR Management	Underdeveloped HR management systems in public administration.	Advanced HR practices emphasizing capacity building and performance management.
	Procurement	Inefficient procurement systems prone to delays and corruption.	Transparent and efficient procurement practices leveraging technology.
	Technology and Workplaces	Low integration of technology in workplace management.	High-tech workplaces with extensive use of digital tools.

Summary of Gaps Identified via OAPI

1. **Strategic Gaps**: Lack of long-term vision, policy consistency, and stability.

2. **Transparency and Integrity**: Weak accountability frameworks and high corruption levels.

3. **Digital Transformation**: Slow progress in Gov. Tech and digital service delivery.

4. **Data Utilization**: Limited use of data for decision-making and public engagement.

5. **Efficiency**: Fragmented oversight, complex regulations, and inefficient tax system.

6. **Inclusion**: Insufficient focus on gender diversity and HR capacity building.

7. **Procurement and Technology**: Inefficient processes and low technological integration.

Conclusion

The Special Economic Zones (SEZs) under the China-Pakistan Economic Corridor (CPEC) hold immense potential to transform the industrial landscape of Khyber Pakhtunkhwa (KP) and contribute to Pakistan's economic growth. Despite initial progress in infrastructure development, challenges such as delays in utility provision, inconsistent policies, political instability, and high operational costs have hindered the realization of anticipated benefits, including substantial foreign direct investment (FDI) and industrial growth. Comparative insights from Malaysia's SEZs highlight the importance of streamlined policies, global marketing, and robust infrastructure in achieving success. To unlock the full potential of SEZs in KP, it is essential to address regulatory inefficiencies, enhance coordination between federal and provincial agencies, and implement investor-friendly frameworks, including one-window operations and timely utility connections. With strategic planning and robust policy implementation, these SEZs can play a pivotal role in industrial growth, job creation, regional development, and integration into global value chains, transforming KP into a regional economic hub.

Recommendations

Investment Policy

Revisiting Incentive Policies to Enhance Investment Attractiveness

To address the IMF conditions on halting new SEZs and EPZs and discontinuing tax incentives for existing zones, Pakistan must adopt a strategic approach to sustain industrial growth and attract investment. The government should negotiate with the IMF to allow limited, targeted incentives for SEZs under strict monitoring and compliance frameworks, emphasizing their critical role in fostering economic development and export growth.

Integrated/ Allied Industrial Units

To maximize the potential of SEZs under CPEC, the government should promote Integrated Industrial units by offering targeted incentives for import duties and income taxes instead of colonizing the SEZs with all sorts of industries under CPEC. These units enhance efficiency, reduce costs, and foster innovation by consolidating multiple production processes. Reduced import duties on raw materials (as designed for EPZs) and machinery particularly for integrated industries, along with tax exemptions, will attract investors. For example, China's SEZs create industry clusters, enabling synergies and knowledge sharing among electronics, software, and telecommunications companies. This model can inspire similar success in SEZs under CPEC.

Decentralized Management infrastructure

In order to address the coordination issues between Federal and Provincial governments and approvals of enterprises from BOA (chaired by PM, highest office), it is proposed that Shenzhen model of decentralized Management Infrastructure be adopted. Free hand be given to the representatives each SEZ in Pakistan to streamline the processes and approvals for SEZ enterprises and for enhancement of competitiveness among various SEZs. Separate SEZs' authorities be constituted and be given autonomy.

Investors Facilitation

One Window Facility (OSS)

Primary challenge in Pakistan lies in the implementation of policies rather than their formulation as establishment of One Stop Shop is covered in SEZ Act 2012 under Section 11 however; not implemented in spirit.

Therefore, it is proposed that One-Stop Shop (OSS) be designed in premises of each SEZs forthwith in order to streamline the investment process with representatives from each federal and provincial agencies under one roof and enhance the ease of doing business. The OSS would act as a centralized platform, offering investors end-to-end services such as company registration, utility connections, tax facilitation, regulatory approvals, and land allocation. This integrated system would eliminate the need to approach multiple federal and provincial agencies, significantly reducing bureaucratic delays and operational inefficiencies. Additionally, leveraging digital tools and online portals within the OSS can ensure transparency, minimize paperwork, and facilitate real-time tracking of approvals.

Expedited NOCs for Foreign Investors

Developing and implementing a digital and automated system for issuing NOCs to foreign investors in KP is essential to ensure seamless travel and streamlined operational setups. To attract foreign investment, balancing security measures with ease of access is crucial. Free and timely entry to SEZs is proposed to be facilitated, subject to physical checks and clear identification of the purpose of visit. Additionally, the requirement of a Police Clearance Certificate for locals should not be mandatory, as it creates avoidable barriers and discourages participation.

Infrastructure Readiness

Time-Bound Procedures for Land Allocation & Development

To enhance infrastructure development within SEZs in KP, clear and time-bound procedures for land allocation and development must be implemented to attract and retain investors while discouraging delays by imposing fines and cancelling land allotment.

Offering bulk rates as already being given to (Sundar Industrial Estate, Bhalwal Industrial Estates & others) and empowering developers/co-developers to manage internal utility distribution shall significantly reduce land cost burdens for industrial investors. Prioritizing these measures will create a more investor-friendly environment, boosting industrial growth and fostering sustainable economic development in KP SEZs.

Inefficient Monitoring and Evaluation Systems

Establish Digitized performance monitoring systems to evaluate the progress of SEZs using key performance indicators (KPIs). These indicators will provide measurable benchmarks to assess success. Regular tracking will help identify challenges and ensure timely interventions

Other Key Considerations for SEZ’s Optimization

Marketing and Promotion

To attract enterprises from the UK, UAE and other developed countries to Rashakai SEZ, Pakistan can leverage CRBC's global credibility and promote the SEZ through targeted campaigns, international business forums, and collaborations with trade bodies. Highlighting its strategic location, tax incentives, and connectivity, along with a secure, business-friendly environment, can appeal to key industries. Engaging diplomatic missions and chambers of commerce can further the position of SEZs as a competitive investment destination. Partnerships with CRBC can also be utilized to broaden outreach beyond China, emphasizing Pakistan's commitment to creating a secure, business-friendly environment with streamlined regulatory processes.

Limited Access to Finance

To overcome the limited access to finance faced by SMEs in the SEZs under the China-Pakistan Economic Corridor (CPEC) in KP, it is crucial to implement targeted financial reforms. Reducing interest rates for SMEs through loans on soft terms or government-backed credit schemes can significantly alleviate the cost of borrowing. Additionally, by creating financial products specifically designed to meet the unique needs of industrial businesses - such as loans with longer repayment terms, flexible interest rates, or industry-specific financing options; State bank of Pakistan can better support these businesses.

Log Frame. Short, Medium and long-term policy/ action plans is submitted as under: -

S. No	Action	Responsibility	Time Frame
	Short Term Actions		
1	Negotiations with IMF to provide subsidies	Federal Govt.	Immediate
2	One Window Facility (OSS)	Federal and Provincial Govt	Immediate
3	Digitizing the process of NOCs for Foreign Investors	Home Deptt, Police	Immediate
4	Time-bound procedures for land allocation and development	Federal Govt, NEPRA, Provincial Govt, KPEZDMC	Immediate
	Medium Term Actions		
5	Establish Digitized performance monitoring systems	Provincial Govt. and KPEZDMC	1-2 Years
6	Marketing and Promotion	Federal Govt, Provincial Govts, CRBC, KPEZDMC	1-2 Years
7	Easing loan access	State Bank of Pakistan	1-2 Years
	Long Term Actions		
8	Integrated Industrial Units and target incentives for clusters	Federal and Provincial Govt	03 years

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