

As
[~~To~~ BE INTRODUCED IN THE SENATE]

A

BILL

*to provide for setting up and operation of special economic zones in
Pakistan*

WHEREAS it is necessary and expedient to promulgate a law for the creation, development and efficient operation of special economic zones through provision of legal and regulatory frame work alongwith provision of supportive and enabling environment to encourage domestic and international investors in promotion and procurement of industrial infrastructure and for other matters connected or ancillary thereto.

It is hereby enacted as follows:—

(1) **Short title, extent and commencement.**— (1) This Act may be called the Special Economic Zones Act, 2010.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on such date as the Federal Government may, by notification in the official Gazette, appoint and different dates may be appointed for coming into effect of different provisions of this Act and any reference to commencement shall generally refer to the commencement of this Act but commencement of any provision that comes into force subsequent to the general commencement shall be treated from the date of coming into force of the respective provision and not the general commencement.

2. **Act to override other laws.**—The provisions of this Act shall have force notwithstanding anything to the contrary contained in any other law for the time being in force.

3. **Definitions.**—In this Act, unless there is anything repugnant in the subject or context,—

(a) “Approval Committee” means the committee constituted under section 8;

(b) “Arbitration” shall include arbitration under the applicable laws of Pakistan as well as arbitration under any applicable international regime, whether selected contractually through an agreement in

writing or available to a party or parties as a result of an international agreement accorded or ratified;

- (c) "BOA" means the Board of Approvals constituted under section 5;
- (d) "BOI" means the Board of Investment established under the Board of Investment Ordinance, 2001 (XV of 2001);
- (e) "capital equipment" means plant, machinery or equipment, accessories, and component part of machinery and equipment identifiable for use in or with machinery required for economic activities and machinery includes machinery and equipment of any description, such as is used in industrial process, manufacture, production or processing of other goods and rendering services, except the goods that are consumed in the manufacturing, production or processing of goods or provision of services;
- (f) "developer" means an enterprise which has entered into a development agreement with the Provincial SEZ Authority;
- (g) "development agreement" means a duly approved agreement between SEZ authorities and agreed to and endorsed by the BOA and a developer that authorises a developer to develop, establish and operate a SEZ;
- (h) "economic zone" means a geographically defined and delimited area which has been notified and approved for economic and commercial activities;
- (i) "existing zones" means the export processing zones, industrial zones and other similar entities in existence at the time of the commencement of this Act and includes but not limited to the following, namely:—
 - (i) "export processing zones" means an economic zone which is established under Export Processing Zone Authority Ordinance, 1980 (IV of 1980);
 - (ii) "extra-territorial zone" means an economic zone of a type that is to be deemed to be outside the customs territory of Pakistan;
 - (iii) "free trade zone" means an economic zone that shall be deemed to be outside the customs territory of Pakistan with respect to which the BOA shall approve special facilities for trade,

trans-shipment and re-export operations in accordance with applicable legislation as for the time being imposed in Pakistan;

- (iv) “hybrid export processing zone” means an economic zone that shall be deemed to be outside the customs territory of Pakistan in which goods are manufactured and from which services are provided, both for exportation to countries other than Pakistan as well for export into Pakistan;
- (v) “multilateral economic zone” means an economic zone in which all zone enterprises are required to be beneficially owned by nationals, residents or corporate entities of one or more particular countries;
- (vi) “reconstruction opportunity zone” means an economic zone from which the exports of goods and services has been recognised by any country or jurisdiction other than Pakistan as being eligible for reduced tariff duties and other benefits;
- (vii) “regional development zone” means an economic zone wherein economic activities are promoted so as to develop particular regions and industries; and
- (viii) “sector development zone” means a regional development zone in which permissible economic activity shall be limited to one or more sectors as notified by the BOA;
- (j) “misconduct” means any conduct of a member or Chairperson of the Provincial SEZ Authority that is prejudicial to the good order and management of the SEZ Authority or a SEZ and includes but not limited to the following, namely:—
 - (i) a failure to disclose an interest of the member or Chairperson in a transaction related to a SEZ or and interest of the member’s parent, spouse, brother, sister, child, or spouse of a parent, brother, sister or child;
 - (ii) any act or omission which is *ultra vices of this Act*;
 - (iii) any act or omission which lacks good faith; or
 - (iv) any act or omission which is inconsistent with the fiduciary duties of such member or Chairperson;

- (k) "Provincial Investment Promotion Authority" means an investment promotion agency, by whatever name called, formed by a province to work as focal authority to promote domestic and foreign investment in that province such as Sindh Board of Investment established in Sindh and Punjab Board of Trade and Investment or any other similar entity;
- (l) "SEZ Authorities" mean the Provincial SEZ Authorities established under section 11;
- (m) "special economic zone" (SEZ) means a geographically defined and delimited area which has been notified and approved by the BOA. The SEZs shall be deemed to be outside the customs territory of Pakistan only for the purposes of SEZ Act;
- (n) "zone admission criteria" means the criteria under this Act, and to be applied by developers in deciding whether or not to admit an enterprise into a particular SEZ including thereof zone approval criteria that means the criteria to be applied by the SEZ Authority and the BOA in deciding whether to allow or not to allow a particular area to be developed as a SEZ;
- (o) "zone application" means an application submitted in accordance with the provisions of this Act by an SEZ Authority seeking the notification of an area as a special economic zone;
- (p) "zone development plan" means a business plan for developing a SEZ;
- (q) "zone enterprise" means an enterprise admitted into a SEZ by a developer; and
- (r) "zone regulations" mean regulations made by the BOA under this Act.

4. **Establishment of special economic zones.**—The Federal Government shall establish special economic zones by itself, in collaboration with private parties under various modes of collaboration including public private partnership or accord recognition to the privately established economic activity zones as special economic zone under this Act.

5. **Board of Approval.**— (1) There shall be a Board of Approvals, hereinafter called BOA, that shall consist of the following members, namely:—

- (i) The Prime Minister of Pakistan who shall be the Chairperson of the BOA.
 - (ii) The Minister for Finance who shall be the Vice Chairperson of BOA.
 - (iii) The Minister for Industries and Production;
 - (iv) The Chairman of the BOI;
 - (v) The Deputy Chairman Planning Commission;
 - (vi) The Chief Minister of each Province;
 - (vii) The Chairman of the Federal Board of Revenue;
 - (viii) Governor, State Bank of Pakistan;
 - (xi) Secretary BOI,
 - (x) Executive heads of the Provincial Investment Boards by whatever names known or if no such Board is established a nominee of the Government of such Province, having adequate relevant professional experience, the tenure of such nominees shall be three years.
 - (xi) The President of the Federation of the Pakistan Chambers of Commerce and Industry.
 - (xii) The President of the Pakistan Business Council.
 - (xiii) The President of the Overseas Chamber of Commerce and Industry.
 - (xiv) A professional having relevant adequate experience to be nominated by the Prime Minister of Pakistan.
- (2) The meeting of the BOA shall be convened on the orders and instructions of the BOA.
- (3) The BOA shall meet as frequently as required but not less than twice a year.
- (4) Two-thirds of the members shall constitute quorum of the BOA.
- (5) Where the chairperson is not present, the Vice-chairperson shall chair the BOA meeting, and if both are not available, a member designated by the Chairperson shall preside.

(6) The decisions of the BOA shall be taken by two-third majority of the total membership present and voting.

(7) The BOA shall adopt its own rules of procedure.

(8) Secretary BOI shall also act as Secretary of the BOA.

6. **Functions and responsibilities of the BOA.**—The BOA with approval of BOI may,—

- (a) make such regulations for the implementation of this Act as are applicable to all SEZs;
- (b) approve or reject all zone applications;
- (c) approve or reject all developer agreements;
- (d) examine and decide upon complaints submitted to it by SEZ Authorities or by developers;
- (e) co-opt on the members of the Approvals Committee as necessary;
- (f) notify with approval of relevant authorities additional benefits under sub-section (2) of section 34 of this Act;
- (g) cancel development agreements;
- (h) review and direct actions on annual reports submitted by SEZ authorities; and
- (i) annually review the implementation of this Act with a view to improving policies relating to SEZs.

7. **Additional responsibilities of the BOA.**—In addition to the responsibilities specified in section 6, the BOA may,

- (a) with approval of the Board of BOI, make such regulations for the implementation of this Act as are applicable to particular group of SEZs or to particular SEZ;
- (b) take action against developers in accordance with the provisions of this Act;

- (c) approve the removal or suspension of a chairperson or member of a SEZ Authority under this Act; and
- (d) take any other steps it deems appropriate in order to advance the objectives of this Act.

8. **Approvals Committee.**—(1) There shall be an Approvals Committee that shall be chaired by the Chairman of the BOI and shall consist of the following, namely:—

- (i) executive heads of the provincial investment boards or companies or agencies, and where these do not exist a representative equivalent to a provincial secretary designated by the concerned Province;
- (ii) representatives of the Ministries of Finance, Commerce, Industries and Production and Food and Agriculture not below than level of an Additional Secretary to the Government;
- (iii) six private sector representatives representing different sectors and regions to be notified, and two co-opted members by special invitation with a three-year term extendable at the discretion of the BOA;
- (iv) with approval of BOA, co-opted members from concerned agencies of Federal and Provincial agencies of the Government for specific cases;

(2) The Approval Committee shall exercise all such powers and responsibilities as are delegated to it by the BOA, subject to such conditions as it may deem fit.

(3) The BOA may delegate all or any of its remaining powers and responsibilities to the Approvals Committee.

(4) A decision taken by the Approvals Committee shall be deemed to be a decision of the BOA, subject to report submitted to BOA at its meetings or by circulation.

(5) The BOA may, at any time, exercise any responsibility or any power which it has delegated to the Approvals Committee.

9. **Functions of BOI.**— The BOI shall,

- (a) be responsible, within Pakistan, for the co-ordination of all activities pertaining to SEZ, developers and zone enterprises, including the

preparation of all documentation for consideration by the BOA, and for ensuring the implementation of all decisions of the BOA;

- (b) review all Zone Applications submitted to it by Provincial SEZ Authorities;
- (c) review all applications for additional incentives in accordance with sub-section (2) of section 33;
- (d) review all development agreements proposed by SEZ authorities;
- (e) supervise the operation of the Provincial SEZ authorities;
- (i) be responsible for the international and domestic promotion of investments into SEZs;
- (g) facilitate the interaction of developers and zone enterprises with all other federal, provincial and other governmental authorities as well as with international financial and developmental institutions; and
- (h) facilitate registration with BOI.

10. Responsibilities of Provincial Investment Promotion Authorities.— (1) A Provincial Investment Promotion Authority shall be responsible within its Province of jurisdiction for,—

- (a) supervision of the operation of the Provincial SEZ Authorities;
- (b) be the focal entity responsible for the investment promotion;
- (c) assist the SEZ authorities and the developers in acquisition and other land related matters including but not limited to necessary easement issues;
- (d) ensure infrastructure development linkages between authorities within the SEZ and outside the SEZ;
- (e) facilitate the developers and zone enterprises in dealing with all provincial governmental authorities for smooth and systematic resolution of issues as and when they arise; and
- (f) facilitate the developers and enterprises in complying with environmental regimes and social development.

11. **Provincial SEZ Authority.**— (1) There shall be established for each Province, an authority to be known as the SEZ Authority of that Province.

(2) Every SEZ Authority shall be a body corporate by the name aforesaid, having perpetual succession and a common seal, with a power, subject to the provisions of this Act and any zone regulations, to acquire, hold and dispose of property, both movable and immovable, and to contract and shall, by the said name, be entitled to sue and to be sued.

(3) The Provincial SEZ Authority shall consist of,—

(a) the Chairperson, to be nominated by the Chief Minister of the concerned Province on the advice of the BOA;

(b) CEO who shall be the Secretary and Vice-Chairperson and shall be appointed by the Chief Minister of the Province concerned on the advice of the BOA;

(c) the executive head of the provincial Board of Investment or comparable agency;

(d) Secretaries of the Provincial Industries, Finance, Commerce, Investment, Works and Services, Livestock, Agriculture and Planning and Development departments; and

(e) Two members to be appointed by the Chief Minister of the Province concerned, and two other members to be appointed by the BOA.

(4) Each SEZ Authority shall have the power to acquire any land in its respective province in accordance with the Land Acquisition Act, 1894 (I of 1894).

(5) The SEZ Authority shall establish its rules and procedures with approval of the BOA.

(6) Where the Chairperson is not present, the Vice-Chairperson shall chair the SEZ Authority meeting.

12. **Requirements for all zone applications.**—(1) Every zone application submitted for approval to the BOA shall identify the type of SEZ proposed and include,

(a) a basic business concept or model for the proposed SEZ to be submitted;

- (b) parameters for zone admission criteria; and
- (c) a preliminary zone development plan which shall
 - (i) define the geographic boundaries of the proposed SEZ;
 - (ii) set out the basic infrastructure development requirements, both inside and outside the proposed SEZ, necessary for the proper functioning of the proposed SEZ;
 - (iii) set out addresses the land requirements of the proposed SEZ;
 - (iv) set out addresses the manner in which land required shall be procured, including specifically whether land will need to be acquired under the Land Acquisition Act, 1894 (I of 1894); and
 - (v) set out what criteria shall be applicable to the admission of Zone Enterprises into that SEZ.

(2) The zone application to be submitted simultaneously along with a proposed development agreement under section 14, along with the criteria on which a developer shall be selected for that SEZ.

13. Approval of zone applications.— (1) All zone applications shall be submitted to the BOA by the SEZ Authority of the Province in which the proposed SEZ shall be located.

(2) The BOA shall review every zone application submitted to it by the SEZ Authority to ensure that the proposal is in conformity with the provisions of this Act, any applicable regulations issued under this Act and other applicable provisions of law.

14. Approval of Development Agreements.— (1) If a Zone Application is approved by the BOA, the Provincial SEZ Authority shall select a developer in accordance with any applicable zone regulations except as provided in section 4. Such zone regulations shall require that envisaged developer agreements be notified for competitive bidding.

(2) After negotiating a development agreement, the Provincial SEZ Authority shall submit a final agreement for approval to the BOA.

(3) There shall be a provisional approval by Provincial SEZ subject to fulfilment of all such conditions necessary for final approval according to laid down criteria.

(4) The BOA may condition its approval of a development agreement on the fulfilment of such conditions as it deems fit and according to the laid down criteria.

(5) After final approval, the development agreement shall be signed by the Secretary of the BOA on behalf of the Federation of Pakistan.

(6) If the BOA does not approve a development agreement submitted to it, the Provincial SEZ Authority that submitted the developer agreement may resubmit the development agreement after either renegotiating the terms of the proposed development agreement with the developer concerned or after reaching agreement with a different developer selected in accordance with the applicable zone regulations.

(7) In case of any grievances, a developer can approach BOI and BOI shall have the authority to modify or set aside the decision earlier taken with the approval of the BOA.

15. Simultaneous approval of zone application and development agreement.—The Provincial SEZ Authority may simultaneously submit both a zone application and a development agreement to the BOA for provisional approval, provided that,—

- (a) the developer in question either owns all immovable property in the proposed SEZ or holds leasehold rights; and
- (b) no additional incentives shall be granted by Provincial SEZ under sub-section (2) of section 34.

16. Approval of existing zones.— (1) Any existing zone may apply to the SEZ Authority in which it is located for submission of a zone application on its behalf.

(2) Subject to applicable zone regulations, the SEZ Authority may choose to submit a zone application with respect to an existing zone.

(3) The BOA may approve a zone application with respect to an existing zone on such terms and conditions as it deems appropriate, provided that all zone enterprises in existing zones shall have the option of retaining all benefits available to them prior to the coming into force of this Act in lieu of the incentives to which they would otherwise be entitled under this Act.

(4) The existing zones shall not avail the two benefits simultaneously.

(5) Only the new entrants and new industries that have never availed any such benefits in past are eligible for the benefits of the SEZ under this Act.

(6) The benefits under this Act shall not be admissible to Balancing, Modernization and Replenishment (BMR) Scheme.

17. Zone approval criteria.—(1) The BOA shall issue general and particular zone approval criteria for SEZ compatible with Pakistan's obligations under its multilateral and bilateral trade agreements which shall cover,—

- (i) customs procedures for imports into a SEZ and exports out of it; and
- (ii) Pakistani certificates of origin for exports issued by the respective Chamber of Commerce from such zones.

(2) Unless otherwise decided by the Board, the following provisions shall form part of the zone approval criteria, namely:—

- (a) SEZ shall have a minimum size of at least fifty acres;
- (b) not more than twenty percent of the entire area of a SEZ shall be used for purposes other than the operations of zone enterprises, whereas such twenty percent shall be used for amenities and infrastructure and eighty percent shall be used by the enterprise;
- (c) public-owned land, if used for SEZs shall be leased for a period of at least fifty years extendable for further period as laid down by the competent forum.
- (d) developers must undertake to comply with all environmental, labour and other applicable legislation in force in Pakistan;
- (e) zone enterprises must begin construction of facilities within six months and assume regular business operations within twenty four months of their approval as Zone Enterprises or receipt of all required licenses and permits, whatever is later;
- (f) title to land may be registered in the name of zone enterprises only after they have performed business operations in the SEZ concerned for at least six months;
- (g) within six months the developer is bound to take all necessary approvals to start construction activities, failing to do that title will be withdrawn and Agreement will be terminated and land will be returned;

- (h) there shall be no real estate activities in the zone as this would result to withdrawal of the title of land and termination of the agreement; and
- (i) article of association of the Zone Operator shall be approved by the BOI and the BOA.

(3) In case the delay is justified and appropriate forum is satisfied with the justifications put forward, Provincial SEZ Authority can give relaxation to the enterprise in consultation with BOI and BOA.

18. Functions and powers of SEZ authorities.—The SEZ authorities shall be responsible to—

- (a) prepare zone applications in accordance with this Act and applicable zone regulations;
- (b) select developers in accordance with the provisions of this Act and the applicable zone regulations;
- (c) negotiate developer agreements in accordance with the provisions of this Act and applicable zone regulations;
- (d) assist developers upon award of a development agreement in acquiring land and accessing public utilities in accordance with the zone development plan;
- (e) prepare zone regulations for particular SEZ;
- (f) co-ordinate with Federal and Provincial authorities and ensure the building of infrastructure outside the boundaries of SEZ;
- (g) serve as liaisons and facilitating agencies in accordance with the provisions of section 29;
- (h) facilitate the availability of public utilities to zone enterprises in accordance with the zone development plan;
- (i) liaise with all relevant federal and provincial authorities to ensure the security of SEZs;
- (j) monitor the proper implementation of streamlined administrative procedures in SEZs under section 28;

- (k) monitor the compliance of developers with zone regulations as well as the compliance of developers with their obligations under development agreements;
- (l) monitor the compliance of zone enterprises with their obligations under zone regulations;
- (m) report bi-annually to the BOA with respect to SEZs in the Provinces concerned; and
- (n) review of the activities of the developers and zone enterprises regularly but not less than once a year.

19. Suspension and removal of Chairperson and Members of SEZ Authority.— (1) After notice and a hearing, the Chief Minister on the advice of the BOA may order the dismissal of either the Chairperson or any member of the Provincial SEZ Authority on grounds of misconduct.

(2) If either the Chairperson or any member of a Provincial SEZ Authority is removed, his replacement shall be appointed in the manner to be prescribed by the Chief Minister on the advice of the BOA.

20. Eligibility as developer.— Unless otherwise decided by the Board with respect to a particular SEZ or type of SEZ, any entity shall be eligible as a developer which is incorporated under the laws of Pakistan.

21. Responsibilities of developers.—(1) With the exception of existing zones which have been approved as SEZs, all SEZs shall be developed and operated by developers with in a specified time period as mentioned in the development agreement.

(2) All developers shall,—

- (i) implement their zone development plans in accordance with the terms of their development agreement;
- (ii) approve zone enterprises and allot land to such enterprises in accordance with the applicable zone admission criteria, zone regulations and the terms of the development agreement; and
- (iii) monitor and ensure the compliance of zone enterprises with all applicable zone regulations.

(3) Subject to default on the foregoing unless otherwise, the agreement shall stand terminated.

22. **Development agreements.**—(1) Each development agreement shall include,—

- (a) all undertakings of the development regarding the development and operation of the SEZ concerned, with the zone development plan or business concept of proposed SEZ model as an integral part of the development agreement;
- (b) all authorities conferred on the developer with respect to the SEZ concerned, including specifically any provisions pertaining to the developer's authority to—
 - (i) admit enterprises into the SEZ in accordance with the zone admission criteria and allot land to them in accordance with agreed eligibility criteria and procedures;
 - (ii) act as a liaison and facilitating, agency between the relevant SEZ authority and zone enterprises; and
 - (iii) all financial obligations of the developer, including any obligation to make payment for the allocation of land and the provision of services by public authorities.

(2) A development agreement shall also include,-

- (i) rights, protections and entitlements of the developer with respect to the SEZ concerned, established or allowed under this Act or any other applicable law;
- (ii) rights, protections and entitlements of zone enterprises in the SEZ concerned established or allowed under this Act or any other applicable law, together with a prescribed procedure for the invocation of such rights, protections and entitlements by the developer;
- (iii) provision for the settlement of disputes, including disputes on behalf of zone enterprises through arbitration; and
- (iv) rights or titles and other legal authority of the Provincial SEZ Authorities superior to it in terms of the provisions of this Act.

23. **Sanctions against developers.**—(1) The Provincial SEZ Authority may, if it is satisfied after notice and a hearing, that a developer is not acting in accordance with the terms of its development agreement, or is acting in violation of applicable zone regulations or applicable legislation, file an application before the BOA seeking suspension or cancellation of the developer agreement of that developer or such lesser penalty as may be provided under the applicable zone regulations or the development agreement.

(2) Upon receipt of an application from the Provincial SEZ Authority seeking suspension or cancellation of a development agreement, the BOA shall give notice to the developer concerned, asking it to show cause why its development agreement should not be suspended or cancelled, or why such lesser penalty as may be provided under applicable zone regulations should not be imposed.

(3) Pending the final decision of the BOA, the BOA may appoint an interim administrator or take such interim measures it deems appropriate if it is satisfied that it is necessary to do so,

(a) in the public interest; or

(b) to prevent any of the affairs of any SEZ being conducted in a manner detrimental to the interests of stakeholders, zone enterprises or other persons whose interests are likely to be affected or in a manner prejudicial to the interests of the SEZ.

(4) Pending the final decision of the BOA, the BOA may if it is satisfied that it is necessary to do so to secure the proper management of any SEZ, issue directions to developers generally, or to any developer in particular to carry out such changes as are necessary to rectify the situation and the developers shall be bound to comply with such directions.

(5) Following a hearing in person, in which the developer may be represented by counsel, the BOA may impose such penalty as is provided by the applicable zone Regulations or the Development Agreement, which may include cancellation of a Development Agreement or cancellation of any benefits allowed to a developer, provided that any cancellation of benefits to a developer shall be without prejudice to the rights and privileges of zone enterprises.

(6) The BOA may only cancel a Development Agreement if it finds that,—

(i) the Developer has violated its Development Agreement; and

(ii) that the Developer has failed to rectify such violation despite notice.

(7) If the BOA suspends or cancels a Development Agreement, it may also simultaneously appoint an administrator to exercise the powers of the Developer, take such other steps as may be necessary for the smooth operation of the relevant SEZ, and issue binding instructions in this regard.

(8) In addition to the rights of a Developer to seek relief through Arbitration, a Developer aggrieved by the imposition of a sanction by the BOA or by the suspension or cancellation of its Development Agreement may appeal any order of cancellation passed by the Board before the High Court of the relevant Province until a request for Arbitration has been registered with respect to the suspension, cancellation or other sanction in question.

24. Admission of Zone Enterprises.—(1) Enterprises shall be admitted into a SEZ by the Developer in accordance with applicable Zone Admission Criteria, the Zone Regulations and the terms of the Development Agreement.

(2) Any enterprise which is refused admission into a SEZ by a Developer may appeal to the SEZ Authority of the relevant Province, which shall have the power to direct the relevant Developer to allow admission to the enterprise in question in accordance with the applicable Zone Regulations and Development Agreement.

25. Sanctions against Zone Enterprises.—(1) The BOA shall issue Zone Regulations which provide for sanctions against Zone Enterprises and the manner in which such sanctions may be imposed.

(2) The BOA may, with respect to particular SEZs, delegate its authority under subsection (1) to SEZ Authorities.

(3) The SEZ Authority may only expel a Zone Enterprise from a SEZ if it finds that,—

- (i) the Zone Enterprise is in violation of its obligations; and
- (ii) that the Zone Enterprise has failed to rectify such violation despite notice.

(4) Pending its final decision, the SEZ Authority may appoint an interim administrator or take interim measures if it is satisfied that it is necessary to do so,—

- (i) in the public interest; or

- (ii) to prevent any of the affairs of any SEZ being conducted in a manner detrimental to the interests of stakeholders, Developers, Zone Enterprises or persons whose interests are likely to be affected or in a manner prejudicial to the interests of the SEZ.

(5) Pending its final decision, the SEZ Authority may if it is satisfied that it is necessary to do so to secure the proper management of any Zone Enterprise, issue directions to Zone Enterprises generally, or to any Zone Enterprise in particular to carry out such changes as are necessary to rectify the situation and the Zone Enterprise shall be bound to comply with such directions.

26. **Land Regime.**—(1) The Provincial Government of each Province shall nominate, for each SEZ, a sub-registrar who shall be the exclusive authority with which all documents relating to that SEZ shall be liable to be registered under the Act, Zone Regulations and any other applicable law.

(2) Notwithstanding any other law in force, a Developer may not sell, sub-lease or otherwise transfer any rights with respect to any immovable property within a SEZ except through a duly registered instrument.

27. **Public Utilities and Transportation Links.**—(1) Unless provided otherwise in a particular Development Agreement, it shall be the responsibility of,—

- (i) the Federal and Provincial Governments to ensure the provision of gas, electricity and other utilities at the designated zero point of each SEZ;
- (ii) the Federal and Provincial Governments to ensure adequate road access to the SEZ; and
- (iii) each Developer to ensure, within a particular SEZ, the supply of gas and electricity to all Zone Enterprises as well as the availability of all other public utilities required for such areas.

(2) Unless provided otherwise in a particular Development Agreement, and notwithstanding anything to the contrary contained in the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (XL of 1997), each Developer shall have the right to set up a captive electric power generation plant of sufficient size to cater to the expected demand for electricity within a particular SEZ and to sell and distribute, at a profit, the electricity so generated to all Zone Enterprises within that particular SEZ.

28. Applicable Operating Administrative Procedures.—(1) The BOA, the BOI and the SEZ Authorities shall promote the adoption of simplified administrative procedures for SEZs and Zone Enterprises with the relevant Federal and Provincial authorities and agencies. Such procedures shall in particular facilitate the,—

- (i) issuance of licenses, permits and other approvals to Zone Enterprises required for their business activities;
- (ii) satisfaction of customs and other export or import requirements by Zone Enterprises; and
- (iii) fulfilment of tax obligations by Zone Enterprises.

(2) Procedures under sub-section (1) shall endeavour to—

- (i) substitute notifications and registrations for license, permit and other approval requirements;
- (ii) authorise approvals on a no objection basis within a specified period; and
- (iii) authorise electronic communications and modes of e-governance.

29. Assistance by the BOI and SEZ Authorities.—(1) The BOI shall act as a liaison and facilitating agency between,—

- (i) all federal ministries, authorities and agencies; and
- (ii) SEZ Authorities, Developers and Zone Enterprises.

(2) The BOI shall act as a one stop shop in its responsibilities under sub-section (1).

(3) The SEZ Authorities shall act as a liaison and facilitating agency between,—

- (i) all ministries, authorities and agencies of the relevant province, including all local government and municipal authorities and agencies; and
- (ii) Developers and Zone Enterprises.

(4) To the extent practicable, SEZ Authorities in the Provinces shall seek to enter into administrative arrangements with tax, customs, labour and other authorities under which SEZ Authorities may exercise certain administrative functions on behalf of such authorities, which arrangements may include a secondment of officials with decision-making power from such authorities to SEZ Authorities.

(5) All Federal and Provincial Ministries and Departments, Authorities and other Agencies shall fully co-operate with the BOI and SEZ Authorities in facilitating the activities of Developers and Zone Enterprises.

30. **Labour laws.**—All labour and employment laws of Pakistan shall be applicable to SEZ in the same manner as they are to all territories within Pakistan.

31. **Employment of key persons.**—Notwithstanding anything contained in any other law, the BOA may issue special rules for the employment by Zone Enterprises of key managerial and technical persons who are not citizens of Pakistan, relating to the terms and conditions of their contracts as well as with respect to the issuance of visas, temporary residence permits and temporary work permits for such key persons and their dependents provided further that such rules shall only be issued after consultation with,—

- (i) the Ministry of Interior;
- (ii) the Ministry of Foreign Affairs; and
- (iii) such other Ministry or Department as the BOA may direct.

32. **Security.**—(1) Each Province shall be responsible for providing security for the protection of SEZs.

(2) Pending the creation of a special police force, each Province shall designate special police units responsible for the protection of SEZs within that Province.

33. **Extraterritoriality of SEZs.**—(1) Subject to the concurrence of the Federal Board of Revenue, every Extra-Territorial Zone shall from the date of its approval by the BOA onwards, be deemed to be a “customs-port” under Section 9 of the Customs Act, 1969 (IV of 1969), upon notification by F.B.R.

(2) Any transport of goods and provision of services from the customs territory of Pakistan into an Extra-territorial Zone shall be considered as an export from Pakistan. Goods so transported and services so provided shall be eligible for

all refunds and other advantages offered under applicable law for exports into a foreign country.

(3) Any transport of goods from an Extra-Territorial Zone into the customs territory of Pakistan shall be considered as an export into Pakistan of the goods brought into the Extra-territorial Zone under sub-section (2) and used for producing the goods transported into the customs territory of Pakistan.

(4) Notwithstanding any other provision of this Act, Zone Enterprises in Extra-Territorial Zones shall be eligible for

- (i) Pakistani certificates of origin; and
- (ii) any advantages under trade or similar agreements of Pakistan on the same conditions and to the same extent as enterprises within the customs territory of Pakistan.

(5) The BOA, in agreement with the Federal Board of Revenue, shall adopt simplified procedures for the implementation of this section.

34. Incentives for SEZs.—(1) The approval of a SEZ by the BOA shall automatically entitle the Developer of that SEZ, as well as all Zone Enterprises within that SEZ to the benefits set out in sections 36 and 37. respectively.

(2) The BOA may grant additional benefits to a Developer, Zone Enterprise, Region and Sector with respect to a particular SEZ, or to all or certain Zone Enterprises in a particular SEZ, Region and Sector provided that,—

- (i) such additional benefits may only be granted if the BOA finds them to be justified on the basis of an economic impact assessment; and
 - (ii) such additional benefits, if granted conditionally, may be liable to be forfeited with retroactive effect if it is finally determined that a Developer or Zone Enterprise has failed to comply with the conditions prescribed for the additional benefits in question.
- (3) Any additional benefits granted by the BOA,—
- (i) shall be deemed to be included in the relevant Developer Agreement; and
 - (ii) shall become effective on such conditions as the BOA may stipulate.

(4) Nothing in this Act shall be construed to limit the authority of any Federal, Provincial or Local Government authority to grant such additional benefits to Developers and Zone Enterprises as are within the scope of their respective statutory powers.

35. **Protection of benefits.**—All incentives under this Act shall be additional to all incentives, benefits and protections which may be applicable to Developers and/or Zone Enterprises under generally applicable legislation and international agreements of Pakistan.

36. **Benefits for developers.**—Unless otherwise provided in a Developer Agreement, Developers shall be entitled to the following benefits, namely:—

- (a) one time exemption from all customs duties and taxes for all Capital Goods imported into Pakistan for the development, operation and maintenance of a SEZ entity, subject to verification and approval from the Board of Investment; and
- (b) exemption from all taxes on income accruable in relation to the development and operation of the SEZ for a period of ten years, starting from the date of signing of the Developer Agreement.

37. **Benefits for zone enterprises.**—All Zone Enterprises shall be entitled to the following benefits, namely:—

- (a) exemption from custom duties and taxes on imports of capital goods into the SEZ for installation therein; and
- (b) exemption from all taxes on income for a period of five to ten year starting from the date the Developer certifies that the zone enterprise has commenced commercial operations with the relevant SEZ.

38. **Jurisdiction of Court.**—Without prejudice to the provisions of section 39,—

- (a) the High Court of the Province in which a SEZ is located shall have exclusive original civil jurisdiction with respect to all disputes between the developer of that SEZ and any governmental authority or agency, to the extent that such dispute arises out of, or relates to, a developer agreement; and
- (b) the District Court of the district within whose boundaries a SEZ is located shall have exclusive original civil jurisdiction with respect to:—

- (i) all disputes between the developer of that SEZ and a zone enterprise located within that SEZ; and
- (ii) all disputes between two or more zone enterprises located within that same SEZ.

39. **Alternative dispute resolution procedures.**—(1) Developer agreements may provide for the resolution of disputes between developers and any Federal, Provincial or Local Governmental authority or agency arising out of, or relating to, such developer agreement through arbitration.

(2) Developer agreements may authorise developers to pursue and defend the rights of Zone Enterprises within a particular special economic zone through arbitration.

(3) Zone regulations may provide for the resolution of disputes between zone enterprises in the same SEZ or between zone enterprises and developers through arbitration and mediation in accordance with procedures approved by the BOA for this purpose.

40. **Rules and regulations for implementation of this Act**—The BOI with approval of the BOA and after consultations with Provincial SEZ Authorities may establish rules and regulations as necessary for implementation and to carry out purposes of this Act.

STATEMENT OF OBJECTS AND REASONS

The changed scenario of globalization had shackled the economics of the developing countries and had forced them to adopt liberalized policies for attraction of Foreign Direct Investment (FDI). To meet global competitiveness effectively and efficiently, creation of Special Economic Zones (SEZs) in the country had become an acute necessity. To meet the challenges of global competitiveness and to attract investment, Board of Investment (BOI) in consultation with the Provincial Governments, Federal Ministries/agencies and Private Sector had prepared a framework for the establishment of Special Economic Zones (SEZs) throughout the country. The draft law for SEZs encompasses an incentive package and policy framework for establishment of SEZ.

2. Foreign Direct Investment (FDI) is an integral part of an open and effective international economic system and a major catalyst to development. Around the world countries have adopted proactive and liberal investment policies to attract

FDI as the benefits of FDI do not accrue automatically and evenly across countries, and across sectors. The challenge is primarily to redraw national policy and, do investment architecture in a manner that would create a conducive environment for generation of economic opportunities and promotion of FDI in the country. In the back drop of international competition, the countries worldwide have created efficient and competitive industrial clusters and SEZs to reduce the cost of doing business. Typically, a SEZ is a geographical region that has more liberal economic laws than a country's typical economic laws and regulation.

3. The Bill is designed to achieve the aforesaid objective.

DR. ZAHEERUDDIN BABAR AWAN,
Minister In-Charge.