

From Commitment to Capital:

Closing Punjab's Investment Promotion–Realisation Gap Through Institutional Redesign

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EXECUTIVE SUMMARY

Punjab has signed an accelerating stream of high-profile investment commitments — from the October 2025 Pak-Saudi Joint Business Council MoU to the Saudi-UAE shrimp estates project and recent AIB engagement on Lahore infrastructure — yet realised inflows remain a fraction of announced volumes. Using DPIIT attribution methodology, the Indian state of Karnataka alone reported FDI inflows during FY2024-25 exceeding Pakistan's nationally recorded net FDI inflows in the comparable period. This brief argues that Punjab's principal investment constraint increasingly lies less in investor interest than in institutional conversion capacity. Three structural failures account for the gap: institutional fragmentation across SIFC, BOI, and PBIT without decision-right clarity; absent post-MoU project-management infrastructure that produces systematic attrition between announcement-stage commitments and operational realisation; and constitutional asymmetry that leaves Punjab marketing fiscal incentives it cannot independently grant. Five sequenced reforms — anchored around a consolidated Punjab Investment Authority, real-time realisation tracking, and a federal-provincial compact — can close the conversion gap within a single political cycle. The binding constraint is institutional architecture, not investor sentiment.

Key Terms: FDI realisation · Investment promotion agency · SIFC · 18th Amendment · Subnational competitiveness · MoU conversion · B-READY

AT A GLANCE: PUNJAB INVESTMENT CLIMATE INDICATORS

Indicator	Value	Source (APA)
Pakistan net FDI inflows, FY2024-25	Approximately US\$ 2.4–2.5 billion (provisional)	SBP (2025), Annual Report Ch. 5
Pakistan FDI stock as % of GDP (end-2024)	~US\$ 28.6 billion (~8.5% of GDP)	BOI / SBP (2025)
SIFC early investment mobilisation targets	~US\$ 5 billion across priority sectors	UNCTAD Investment Policy Hub (2023)
Karnataka FDI FY2024-25 (DPIIT methodology)	~US\$ 6.6 billion — exceeds Pakistan's national net FDI in comparable period	DPIIT, Government of India (2025)
AiIC (Faisalabad CPEC SEZ) land utilisation, 5+ years post-launch	Committed/allocated land below one-fifth of planned industrial area	FIEDMC; BOI (2024)
World Bank B-READY 2024 assessment, Pakistan	Lower-middle tier of economies assessed	World Bank Group (2024)

Methodological note: Pakistan figures reflect BPM6 balance-of-payments net FDI; Indian state figures reflect DPIIT-attributed gross inflows. The comparison is illustrative of order-of-magnitude differential rather than methodologically identical metrics.

Note on data limitation: Punjab-specific FDI inflows are not disaggregated in official SBP reporting; figures cited reflect national aggregates and project-level provincial data where available.

01 | THE PROBLEM: PUNJAB SIGNS COMMITMENTS IT CANNOT CONVERT

The October 2025 signing of the Pakistan-Saudi Joint Business Council Memorandum of Understanding before the Alamgiri Gate of Lahore's Badshahi Mosque (Pakistan Today, 2025) was, in diplomatic terms, a substantial achievement. Spanning seven sectors from real estate to mining, the agreement was the latest in a sequence including the 5,300-acre Saudi-UAE technology-driven shrimp estates project in Muzaffargarh and Sargodha (Arab News, 2025), and Asian Infrastructure Investment Bank engagement on Lahore's water and sanitation infrastructure announced in May 2026. These commitments establish that Punjab does not lack investor pull. Yet Pakistan's full-year FY2024-25 net foreign direct investment, according to provisional State Bank of Pakistan reporting, was approximately US\$ 2.4 to 2.5 billion. Using DPIIT attribution methodology, the single Indian state of Karnataka reported FDI inflows of approximately US\$ 6.6 billion during the comparable period — more than two and a half times Pakistan's national total.

This brief distinguishes between four institutionally distinct categories: announced investment commitments (MoUs and political declarations); approved investment proposals (formal regulatory clearance); financial close (executed agreements with capital deployment authorisation); and realised capital disbursement (operational investment with productive activity). The central policy problem examined here is the systematic attrition between announcement-stage commitments and operational investment realisation — a category mismatch that prevailing public discourse on Punjab's investment performance often obscures.

Allama Iqbal Industrial City, the first Special Economic Zone established under the China-Pakistan Economic Corridor and inaugurated in Faisalabad in January 2020, was planned for 3,317 acres of integrated industrial use. Five years later, the officially reported committed and allocated land remains below one-fifth of the planned industrial area. Of approximately Rs 31.49 billion in approved investment recorded across three Faisalabad SEZs — Allama Iqbal Industrial City, M-3 Industrial City, and Value Addition City — during calendar year 2024, only a fraction has reached operational disbursement. The pattern is consistent across the broader investment pipeline: announcement velocity is not the binding constraint; conversion velocity is. The promotion–realisation gap is observable both quantitatively, in the differential between commitments and disbursements, and qualitatively, in the operational silence that often follows celebrated signing ceremonies.

The macroeconomic case for closing this conversion gap is not aspirational; it is arithmetical. Under the IMF-supported macroeconomic stabilisation framework, Pakistan's reserve adequacy and current-account discipline depend on actual foreign-exchange inflows, not pledged ones. China remained among the dominant sources of FDI inflows during FY2024-25 (Business Recorder, 2025), a concentration that reflects bilateral momentum rather than diversified investor pull. Each unconverted commitment represents foregone foreign exchange, foregone employment, and a credibility cost compounded across subsequent rounds of negotiation. The opportunity cost is sharpest at the subnational level: Punjab, contributing the largest share of Pakistan's GDP, industrial output, and export base, bears disproportionate consequences from investment promotion machinery that signs more than it converts.

The evidence suggests that Punjab's principal constraint increasingly lies less in investor interest than in institutional conversion capacity. The World Bank Group's Business Ready (B-READY) 2024 framework assesses economies across three pillars: regulatory framework, public services directed at firms, and the operational efficiency with which the two are combined in practice. The report's central global finding is that economies systematically perform better on regulatory framework than on public service delivery. Pakistan, assessed in the lower-middle tier of B-READY 2024 economies, exhibits precisely this pattern. Three converging institutional failures — fragmentation, conversion absence, and constitutional asymmetry — account for the gap between Punjab's investment ambition and its investment realisation.

02 | STRUCTURAL FAILURES: THREE CONVERGING INSTITUTIONAL GAPS

Three distinct structural failures have converged to transform Punjab's investment promotion machinery from a deal-making instrument into a commitment-generation engine substantially disconnected from disbursement reality.

Gap 1 — Institutional Fragmentation Without Decision-Right Clarity

The first failure is institutional fragmentation across overlapping mandates. Three entities now claim partial authority over Punjab-related foreign investment promotion. The Special Investment Facilitation Council (SIFC), constituted by the federal government in June 2023, was designed as a single-window facility for investment in five priority sectors — defence, agriculture, minerals, information technology, and energy — with early mobilisation targets referencing approximately US\$ 5 billion. Its three-tier structure includes the Prime Minister, federal ministers, provincial chief ministers, and the Chief of Army Staff. The Board of Investment, the federation's statutory FDI agency, provides SIFC's secretariat while retaining its independent statutory role. The Punjab Board of Investment & Trade (PBIT), established in 2009 as a Section 42 not-for-profit company under Pakistan's corporate regulatory framework, operates as the province's investment promotion agency and Special Economic Zone Authority (PBIT, 2024). The result is documented coordination failure (Public Finance Pakistan, 2024): investors face uncertainty over which entity holds binding authority on land allocation, utility connections, tax incentives, and dispute resolution. The post-MoU question — who actually executes? — has no clear institutional answer. SIFC's broadened mandate, now extending to dispute resolution and energy allocation, blurs rather than clarifies the chain of accountability.

Gap 2 — The Commitment–Disbursement Conversion Deficit

The second failure is the absence of post-MoU project-management infrastructure. Investment promotion in Punjab effectively concludes at MoU signing rather than continuing through the operational sequence — environmental clearance, land allocation, utility connection, groundbreaking, financial close, and production start — that converts commitments into capital. Karnataka's government, by contrast, publicly tracks announced industrial investment commitments through staged monitoring frameworks, including annual independent studies that report announced, completed, and under-implementation totals at state level using data from the Centre for Monitoring of Indian Economy. Punjab maintains no equivalent disclosure architecture. The result is information asymmetry: investors cannot benchmark conversion likelihood against published track records, government cannot diagnose systemic bottlenecks against measurable data, and the political economy of investment promotion rewards announcement volume over execution discipline. The Allama Iqbal Industrial City land utilisation figure — below one-fifth of planned area after more than five years — is not anomalous but representative. The B-READY 2024

framework's operational efficiency pillar, defined as the practical combination of regulation and public services, is precisely where Punjab systematically underperforms. The cumulative effect is the attrition this brief identifies as the promotion–realisation gap.

Gap 3 — Constitutional and Fiscal Asymmetry Post-18th Amendment

The third failure is constitutional and fiscal asymmetry. The 18th Constitutional Amendment of 2010 decisively reorganised Pakistan's federal architecture, devolving substantial regulatory authority to provinces while retaining the principal fiscal levers — income tax, customs duties, sales tax on goods, and federal excise — with the federation. Provinces hold authority over land, sales tax on services, agricultural income, and limited regulatory powers. PBIT can offer land allocation, utility coordination, and regulatory facilitation, but cannot independently grant the headline tax holidays, customs concessions, or Federal Board of Revenue determinations that materially shape investor internal rates of return. SIFC partially bridges this asymmetry through federal-provincial coordination, but does so by bypassing rather than strengthening provincial investment promotion machinery — provincial chief ministers are members of SIFC, not principals of it. The structural result: PBIT signs commitments whose fiscal honour depends on federal action it cannot guarantee. Vietnam's experience offers an instructive contrast. Provincial Departments of Planning and Investment hold operational investment licensing authority, while the central Ministry of Planning and Investment provides strategic coordination rather than dispositive control. The architecture of authority matters more than the willingness to invest.

TABLE 1 — Structural Gap Analysis Matrix

Gap Type	Diagnosis	Economic Consequence	Priority
Institutional fragmentation	Overlapping SIFC, BOI, PBIT mandates without decision-right hierarchy	Investor uncertainty; signal noise to capital markets	High
Commitment–disbursement gap	Missing post-MoU project management infrastructure	Foregone FX earnings; SEZ underutilisation; credibility erosion	Critical
Fiscal–constitutional asymmetry	Provincial agencies market federal incentives they cannot grant	Commitments signed beyond provincial authority to honour	High

03 | POLICY RECOMMENDATIONS: FIVE SEQUENCED REFORMS FOR INSTITUTIONAL CONVERSION

The evidence points not toward retreat from investment promotion but toward its institutional reconstruction. Five sequenced reforms — three within Punjab's unilateral authority and two requiring federal-provincial negotiation — can close the conversion gap within a single political cycle. The recommendations are organised by their institutional reach and implementation horizon.

1

Consolidate Punjab's Investment Promotion Architecture into the Punjab Investment Authority

The Chief Minister of Punjab, through the Industries, Commerce & Investment Department, should table enabling legislation in the Punjab Assembly that supersedes the current PBIT incorporation and

establishes the Punjab Investment Authority (PIA) as a statutory body. PIA would absorb the SEZ regulatory functions currently distributed across multiple entities, host a permanent BOI and SIFC liaison desk, and report quarterly against three statutory metrics: MoUs signed, projects reaching financial close, and capital disbursed against commitments. Statutory accountability replaces administrative discretion as the operating logic of investment promotion.

International Precedent: *Karnataka Udyog Mitra operating under the Karnataka Industries (Facilitation) Act, 2002 (Government of Karnataka, 2024).*

2

Launch a Public Investment Realisation Dashboard

Implementation should be led by the Punjab Investment Authority, with technical architecture supplied by the Punjab Office on Artificial Intelligence — the recently established provincial body coordinating digital transformation across government functions. Every signed MoU above a defined threshold would automatically generate a tracked project record with milestone metrics: land allocation, environmental clearance, utility connection, groundbreaking, financial disbursement, and employment generation. Aging analysis would identify stalled projects for executive intervention. Public disclosure would address the information asymmetry that currently distinguishes investment promotion theatre from investment promotion accountability.

International Precedent: *Karnataka publicly tracked implementation monitoring including independent annual studies using CMIE data; Vietnam Ministry of Planning and Investment data transparency portal (MSME EPC, 2025; Ministry of Planning and Investment Vietnam, 2024).*

3

Negotiate a Federal-Provincial Investment Promotion Compact

The Council of Common Interests should formalise a binding Compact specifying which entity — SIFC, BOI, or the Punjab Investment Authority — holds binding authority on each investment-promotion function: sector strategy, fiscal incentives, land, utilities, dispute resolution. Concurrent jurisdiction would be eliminated through clear demarcation. Joint working groups would establish decision protocols for cross-jurisdictional projects with time-bound resolution and escalation paths. The Compact would preserve SIFC's role in high-priority strategic investments while restoring provincial investment promotion machinery to its proper position as the primary operational interface with investors in Punjab.

International Precedent: *Vietnam's Ministry of Planning and Investment–Foreign Investment Agency–Provincial Department of Planning and Investment tiered model with codified subnational licensing authority (Ministry of Planning and Investment Vietnam, 2024).*

4

Establish a Project Preparation Facility (PPF) within the Punjab Investment Authority

The PPF would offer MoU partners pre-feasibility analysis, due diligence, environmental clearance facilitation, and financial structuring support through to financial close. Capital and technical assistance should be sought from the International Finance Corporation, the Asian Development Bank, and the AIIB. Each MoU exceeding a defined capital threshold would trigger automatic PPF engagement: dedicated project officer, deal team, escrow facilitation, and regulatory navigation. Facility costs would be recoverable against realised projects on a success-fee basis, aligning institutional incentives with conversion outcomes. The PPF would explicitly target the post-MoU vacuum that currently transforms commitments into stalled paper.

International Precedent: *Philippines Public-Private Partnership Center's Project Development and Monitoring Facility (Philippines PPP Center, 2024).*

5

Publish an Annual Flagship Report on the State of Investment Climate in Punjab

The Report would integrate three analytical components: industrial city-region competitiveness benchmarking across Punjab's major industrial anchor cities — such as Lahore, Faisalabad, Sialkot, Gujranwala, and Multan — using the World Bank B-READY methodology pillars; operational performance tracking of Special Economic Zones and industrial estates measuring land utilisation, foreign-exchange earnings per acre, employment generation, and time-to-utility-connection; and functional binding-constraint mapping identifying where specific bottlenecks — power reliability, land titling, permit processing, regulatory predictability — are most acute across the province. Jointly produced by the Punjab Investment Authority, the Punjab Bureau of Statistics, the Planning and Development Board, and academic research partners, the Report would replace performative announcement metrics with diagnostic policy intelligence and align with the economic-geography framing of the Punjab Spatial Strategy 2047.

International Precedent: *Vietnam Chamber of Commerce and Industry-USAID Provincial Competitiveness Index — an annual analytical flagship report integrating rankings, sub-index analysis, and constraint mapping, continuously published since 2005 (VCCI & USAID, 2024).*

TABLE 2 — Implementation Roadmap

Reform	Lead Institution	Int'l Precedent (APA)	Horizon
Punjab Investment Authority	CM Punjab / Industries Dept.	Karnataka Udyog Mitra (Gov't of Karnataka, 2024)	Medium-term (12–24 months)
Investment Realisation Dashboard	PIA / Punjab Office on AI	Karnataka monitoring frameworks; Vietnam MPI portal	Near-term (6–12 months)
Federal-Provincial Investment Compact	MoF / SIFC / CM Punjab / CCI	Vietnam MPI–FIA–DPI model (MPI Vietnam, 2024)	Medium-term (18–36 months)
Project Preparation Facility	PIA + IFC/ADB/AIIB	Philippines PPP Center PDMF (Philippines PPP Center, 2024)	Near-term (12 months)
Annual Flagship Report on Investment Climate in Punjab	PIA + Punjab BoS + P&D + research partners	Vietnam-USAID PCI annual report (VCCI & USAID, 2024)	Medium-term (18–24 months, then annual)

04 | CONCLUSION

Punjab's investment performance has been consistently misdiagnosed as a problem of investor interest. The recent stream of commitments from Saudi Arabia, the United Arab Emirates, China, and the AIIB establishes definitively that the province does not lack diplomatic pull or sectoral attractiveness. The evidence indicates that what Punjab lacks is the institutional conversion machinery to translate announced commitments into operational capital. The promotion–realisation gap is not principally a marketing failure or a sentiment problem; it is increasingly an architectural one. Recognising this diagnosis is the precondition for designing reforms that address the actual binding constraint rather than the conspicuous one.

The five reforms cohere around a single organising principle: investment promotion must be reorganised around outcomes, not announcements. A consolidated Punjab Investment Authority with statutory accountability replaces administrative discretion with measurable performance. A public realisation dashboard ends the information asymmetry between government and investor. A Federal-Provincial Compact ends jurisdictional ambiguity by codifying who decides what. A Project Preparation Facility ends the post-MoU vacuum by providing the technical and financial infrastructure that converts paper agreements into operational projects. An annual flagship Report on the State of Investment Climate in Punjab — integrating city-region competitiveness benchmarking, SEZ performance tracking, and binding-constraint mapping — provides the analytical evidence base necessary for sustained institutional improvement. Together they shift the centre of gravity from signing ceremonies to financial close.

Comparator evidence is instructive. Subnational jurisdictions with consolidated investment promotion architecture and codified federal-provincial relationships — Karnataka under its Industries (Facilitation) Act framework, Vietnam's provincial Department of Planning and Investment model — demonstrate that institutional design can substantially close conversion gaps. Punjab can replicate neither the scale nor the diaspora pull of these comparators, but it can replicate the architecture. Each year of architectural delay is a year of MoUs signed and unconverted, of land allocated and unbuilt, of foreign exchange anticipated and unearned. The IMF-supported macroeconomic stabilisation framework does not extend a runway for institutional procrastination. Punjab does not need more memoranda of understanding; it needs the machinery to honour them.

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