

# **Special Economic Zones**

**Rules 2013**

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## NOTIFICATION

Islamabad, \_dd\_, Month, year

In exercise of powers conferred by Section 40 of the Special Economic Zones Act, 2012 the Board of Investment, in consultation with Special Economic Zones Authorities and with the Approval of Board of Approvals, hereby makes the following Rules:-

### CHAPTER I - PRELIMINARY

#### 1. Short Title and Commencement

1. These Rules may be called the Special Economic Zones Rules, 2013.
2. They shall come into force at once.

#### 2. Definitions

1. In these rules, unless there is anything repugnant to the subject or context:
  - a) “*Act*” means Special Economic Zones Act, 2012 and includes any statutory modification or reenactment thereof.
  - b) “*A member of his/her family*” - in relation to a member of the Board of Approvals or Approvals Committee includes:-
    - i. His/her spouse;
    - ii. His/her parents including parents of his/her spouse;
    - iii. His/her children including an adopted child or stepchild;
    - iv. His/her brother or sister including a brother or sister of his spouse;
    - v. A spouse of his/her child, brother or sister; and
    - vi. His real uncle/aunt and child thereof.
  - c) “*associate*” in relation to a member of the Board of Approvals or Approvals Committee means:
    - i. A person who is a nominee or an employee of the member;
    - ii. A firm of which the member or his nominee is a partner;
    - iii. A partner of the member;
    - iv. A trustee of a trust under which the member or a member of his family is a beneficiary; or
    - v. Any company within the meanings of the Companies Ordinance, 1984 of which the member or his nominee or a member of the member’s family is a director or has substantial shareholding in the company.

- d) *“Authorized Commercial Activities”* means the manufacturing, trading or provision of services which may be allowed to zone enterprises, commercial organizations and various suppliers in the SEZ;
- e) *“Conflict of Interest”* means a situation where a person’s decisions are influenced by his own interests;
- f) *“Contractor”* means a person engaged by the Special Economic Zones Authority, or a Developer or by Federal or a Provincial Government for the development of a Special Economic Zone;
- g) *“Co-Developer”* means a partner of the developer for the establishment, development and operations of SEZ.”
- h) *“Domestic Tariff Area”* means the whole of Pakistan including the territorial waters and continental shelf but does not include the areas of Special Economic Zones;
- i) *“Force Majeure Event”* means any unforeseeable event, including natural disasters, riots, war or acts of terrorism, which could not have been prevented through exercise of reasonable diligence by any person;
- j) *“Infrastructure”* means industrial, commercial, or social infrastructure or other facilities necessary for the development and operations of a SEZ or such other facilities as may be prescribed.
- k) *“Manufacture”* means to make, produce, fabricate, assemble, recycle, process or bring into existence, by hand or by machine, a new product having a distinctive name, character or use and shall include processes such as refrigeration, cutting, polishing, blending, repair, remaking, re-engineering and includes agriculture, aquaculture, animal husbandry, floriculture, horticulture, fishing, pisciculture, poultry, sericulture, viticulture and mining, petroleum and refining
- l) *“Master Plan”* means a plan depicting the borders and layout of a SEZ and the basic civil engineering specifications;
- m) *“Minimum investment density”* means the density calculated by the total capital expenditure including land, building, and equipment divided by the land area;
- n) *“Minimum plot coverage ratio”* is defined as the building area divided by the land area;
- o) *“Net Worth”* means the amount by which the individual's assets exceed his/ her liabilities;
- p) *“Principal officer”*, used with reference to a company, means the person who has the ultimate control of the organization or has been empowered to deal with and decide all matters relating to the organization in the context of SEZ with whatever name called;

- q) “*Prohibited Commercial Activities*” means the manufacturing, trading or provision of services which may not be allowed to zone enterprises, commercial organizations and various suppliers in the SEZ;
- r) “*person*” includes an individual, whether resident in Pakistan or outside Pakistan and any agency, office or branch owned or controlled by such individual; a Hindu undivided family; a co-operative society; a company whether incorporated in Pakistan or outside Pakistan; a firm; a proprietary concern; an association of persons or body of individuals whether incorporated or not; and a local authority;
- s) “*Prescribed*” means prescribed by these Rules;
- t) “*Schedule*” means a Schedule to these Rules;
- u) “*Section*” means a Section of the Special Economic Zones Act, 2012 unless specified otherwise;
- v) “*SEZ Authority*” means a provincial SEZ Authority established under Section 10 of the Act and for the purpose of these Rules, SEZ Authority will include BOI for Islamabad Capital Territory established under Section 8(2) of the Act.
- w) “*Zone Approval Criteria*” means the criteria to be applied by a SEZ Authority and BOA in deciding whether to allow or not to allow a particular zone to be developed as SEZ;
- x) “*Zone Category*” means a category designated by BOA for SEZs which is governed by additional terms and conditions in order to be eligible for additional benefits;

2. All other words and expressions used in these rules and not defined but defined in the Act shall have the meanings respectively assigned to them in the Act.

## **CHAPTER II – SECRETARIAT & EMPLOYMENT**

### **3. BOI to act as Secretariat of Board of Approvals and Approvals Committee**

1. The Board of Investment shall act as the Secretariat of Board of Approvals (BOA) and Approvals Committee for the purposes of the Act.
2. The Secretariat shall provide all the necessary support to the BOA and Approvals Committee to achieve the objectives of the Act.
3. The Secretariat shall perform all the general and specific functions as provided under Section 8 of the Act and as may be assigned by the BOA from time to time and include:
  - (a) provide secretarial support for all the meetings;
  - (b) provide policy and research support;
  - (c) provide coordination support;
  - (d) support to organize conferences, seminars, group discussions and other similar activities; and
  - (e) to do all such acts and things incidental to or conducive to the attainment of the objects under the Act or Rules.

### **4. Employment of the Officers & Employees**

1. The BOI shall appoint necessary officers and employees as may be required from time to time to efficiently discharge the responsibilities and functions in order to achieve the objectives provided in the Act. The terms and conditions of such appointment shall be market competitive to attract and retain such resources.
2. All appointments shall be made in accordance with the prescribed educational, technical or professional qualifications and experience. The provinces shall have their quota in such appointments in accordance with applicable rules and regulations.



## **CHAPTER III – TERMS OF OFFICES**

### **5. Terms of Offices**

#### **1. Board of Approvals**

- a) The terms of office of persons as members of Board of Approvals by virtue of their holding official positions as listed under Section 5(1)(i) to 5(1)(xviii) shall come to an end as soon as they cease to hold their respective offices by virtue of which they were so notified.
- b) The term of office of the professional as provided under Section 5(1)(xviii) shall be three years unless he becomes disqualified or resigns earlier. The said professional shall have at least 15 years proven experience of Pakistan and shall possess any of the following qualifications:
  - i. Masters' degree from an institution duly recognized by Higher Education Commission of Pakistan in economics/finance/management sciences/ law/; or
  - ii. Chartered Accountant or BSc/ B.E in Engineering possessing senior level experience in industrial development/estate development and administration.
- c) Upon vacation of any of the office(s) as listed under Section 5(1)(i) to 5(1)(xviii) in the Act, the positions shall be considered filled upon the new persons taking up the corresponding official position(s). The Secretary of Board of Approvals shall inform such persons about their default memberships of Board of Approvals and also provide them a briefing and minutes of last three meetings.
- d) In the case of a casual vacancy occurring in the seat of the professional appointed under Section 5(1)(xviii), the same shall be filled within 30 days. The Secretary of Board of Approvals shall inform such professional about his role and also provide him briefing and minutes of last three meetings.

#### **2. Approvals Committee**

- a) The terms of offices of members of Approvals Committee by virtue of their holding official position as listed under Section 7(1)(i), 7(1)(ii) & 7(1)(iv) of the Act shall come to an end as soon as they cease to hold their respective offices by virtue of which they were so notified.
- b) The terms of office of members of Approvals Committee appointed under Section 7(1)(iii) of the Act shall be three years unless they become disqualified or resign earlier.
- c) The private sector representatives from different sectors and regions shall be as under:

- i) The private sector representatives from various sectors shall be at least three persons being chairpersons of associations of top three performing sectors of Pakistan's economy i.e. one each from manufacturing, trade and services.
- ii) The private sector representatives from various regions shall be at least seven i.e. one each from four provinces, one from FATA, one from ICT and one from Gilgit Baltistan and these representatives shall be the leading exporters/highest tax paying businessmen of each province, FATA, ICT and Gilgit Baltistan.
- iii) Two Co-opted members having the same qualification and terms as stipulated under Rule 5(1)(b):

### **3. SEZ Authority**

- a. The members to be appointed by the Chief Minister and BOA as specified under Section 10(3)(f) shall be purely from private sector and their qualification shall be that he may be a business / entrepreneur of national / international repute or a person having bachelors degree in economics or law with minimum of 15 years experience in respective fields.
- b) The Chief Executive Officer of a SEZ Authority (SEZA) shall be appointed by the respective Chief Minister of the Province and shall be a professional having minimum of 15 years experience in handling and managing reputable organizations at national level. The said CEO preferably shall possess minimum of Masters' degree in economics/finance/ management sciences or be a chartered accountant by profession or equivalent qualification in engineering discipline having dealt with international development finance institutions or foreign investment.

### **4. SEZ Committees**

- a) The terms of office of persons as members of SEZ Committee by virtue of their holding official position as listed under Section 23(2) shall come to an end as soon as they cease to hold their respective offices by virtue of which they were so notified.
- b) After vacation of the office as above, the position with respect to SEZ Committee shall be considered filled upon the new persons taking up the said official positions. The Secretary of a SEZ Committee shall inform the said persons about their default membership of SEZ Committee and also provide them briefing and minutes of last three meetings.
- c) The Secretary of a SEZ Committee shall be a professionally qualified corporate secretary with minimum of 10 years experience.

## CHAPTER IV – DISCLOSURE OF INTEREST

### 6. Disclosure of Interest

1. Any member of the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee, prior to taking up such office, disclose any matter which reasonably amounts to a conflict of interest failing which he/she shall be disqualified and removed from such office.
2. Any member of the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee, who has or acquires a direct or indirect interest by himself, through a member of his family or his associates in relation to any matter under discussion by the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee, shall disclose to the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee, as the case may be, the fact of his interest and the nature of that interest.
3. A disclosure under sub-Rule (1) shall be recorded in the minutes of the meeting of Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee, as the case may be, in which the matter is discussed and, after the disclosure, the member:
  - a) shall not be present or take part in any discussion or decision of the Board of Approvals, Approval Committee, SEZ Authority or SEZ Committee, as the case may be, about that particular matter; and
  - b) shall be disregarded for the purpose of constituting a quorum of the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee, as the case may be;when the matter is discussed or decided upon.
4. Any Member of the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee who fails to disclose his interest as provided under sub-Rule (1) or commits misconduct as defined under Section 3(j) of the Act shall be removed immediately from his position and shall stand disqualified for holding any public office.
5. No act or proceedings of the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee shall be invalid on the ground that any member of the Board of Approvals, Approvals Committee, SEZ Authority or SEZ Committee, has contravened this Rule.

### 7. Transparency

All the Authorities under the Act or these Rules shall perform all of their functions in a transparent manner. All information about, *inter alia*, their mandate and powers, memberships, meetings, agendas, proceedings, disclosure of conflict of interest, reports and recommendations shall be posted on the website, as far as practical, in a manner which does not impair confidentiality, and shall be accessible to all members of the public.

## **CHAPTER V - MEETINGS**

### **8. Meetings**

#### **1. Board of Approvals**

- a) There shall be given at least 21 days prior notice of meeting with formal working papers delivered to each member of BOA.
- b) The Chairperson BOA, BOI, SEZ Authority by a request in writing supported by reasons to the Secretary of the BOA may call an urgent meeting of BOA. The Secretary BOA, keeping in view the urgency of the matter, in consultation with Chairperson BOA or Chairman BOI, may convene a meeting on a notice of less than 21 days.
- c) Upon receipt of request for meeting of BOA, as above, the Secretary BOA shall determine a suitable time and location for the meeting and issue notice accordingly.
- d) The Chairperson BOA or Secretary BOI may specially invite in the meetings of BOA the person(s) whose presence may facilitate in more informed discussion on any agenda item of the meeting.
- e) Minutes of the proceedings of all the meetings of the BOA shall be recorded, signed and circulated by the Secretary amongst the members for their comments within seven working days. The minutes shall be recorded in both ways: consecutive item wise and agenda wise.
- f) The Minutes shall, upon circulation, stand confirmed if no objection is received from members within 14 days of such circulation. Such minutes shall be signed by the Chairperson of the next meeting as proof of approval and for identification purposes.
- g) The compliance and progress of the decisions taken in the preceding meeting(s) of BOA shall be reviewed and directed in the following meetings till their resolution.
- h) All the orders and decisions of the BOA and all other instructions issued by it shall be authenticated by the signature of the Secretary BOA or any other member as may be authorized by the BOA in this behalf.
- i) The Chairperson of the meeting shall have a casting vote in case of equality of votes in favor or against an issue.
- j) No act or proceeding of the BOA shall be called in question on the ground merely of existence of any vacancy in, or any defect in the constitution of the BOA.
- k) No business shall be transacted in a meeting which is not included in the agenda without obtaining permission of the Chairperson.

## **2. Approvals Committee**

- a) The Chief Secretary of each province, and Gilgit Baltistan, representative of FATA and CEOs of Provincial SEZ Authorities shall be co-opted under section 7(iv) of the Act, and shall have the right to vote.
- b) The meetings of the Approvals Committee constituted under Section 7 of the Act, shall be held as and when required.
- c) The meetings of the Approvals Committee shall be convened by the orders of the Chairperson of the Approvals Committee by giving 21 days notice. The notice of meeting shall accompany working papers as per agenda items mentioned in the said notice of meeting.
- d) The meeting shall be chaired by the Chairperson BOI and where the Chairperson is not present, the members present in the meeting shall elect any one of them as the Chairperson of the meeting.
- e) The presence of at least fifty percent of members shall constitute quorum for a meeting of Approvals Committee.
- f) All decisions of the Approvals Committees shall be made with simple majority. Any dissenting views shall be specifically recorded in the minutes.
- g) The Chairperson of the meeting shall have casting vote in case of equality of votes in favor or against the issue under voting.
- h) The Secretary BOA/BOI shall also act as Secretary of Approvals Committee.
- i) The Chairperson or Secretary BOI may specially invite in the meetings of Approvals Committee the person(s) whose presence may facilitate in more informed discussion on any agenda item of the meeting.
- j) Minutes of the proceedings of all the meetings of the Approvals Committee shall be recorded, signed and circulated by Secretary amongst the members for their comments within seven working days.
- k) The Minutes shall, upon circulation, stand confirmed if no objections are received from members within 14 days of such circulation. Such minutes shall be signed by the Chairperson of the next meeting as proof of approval and for identification purposes.
- l) All the orders and decisions of the Approvals Committee and all other instructions issued by it shall be authenticated by the signature of the Secretary of Approvals Committee or any other member as may be authorized in this behalf.

- m) The Approvals Committee shall assist BOA and may make recommendations to BOA for its final decision.
- n) No act or proceeding of the Approvals Committee shall be called in question on the ground merely of existence of any vacancy in, or any defect in the constitution of the Approvals Committee.
- o) No business shall be transacted the in a meetings of the Approvals Committee which is not included in the agenda without permission of the Chairperson.

### **3. Functions of the Secretary**

The Secretary of the BOI shall act as Secretary BOA and Approvals Committee.

The Secretary, *inter alia*, shall:

- (i) Prepare and issue notice of meetings as instructed;
- (ii) Prepare all working papers for the meetings;
- (iii) Record minutes, circulate them and handle all matters related and incidental thereto;
- (iv) Maintain all the records relating to the meetings;
- (v) Authenticate and issue documents as may be required;
- (vi) Appear before any forum as may be required;
- (vii) Develop various documents/reports/SOPs etc., as may be required from time to time, for implementation of the Act and in this context, may hire consultants; and
- (viii) Ensure operation of a web portal.

The Secretary may be assigned such additional functions as may be determined by the BOA and Approvals Committee, as the case may be.

## CHAPTER VI – ZONE REGULATIONS

### 9. Roadmap of Zone Applications

1. The SEZ Authorities, by assessing the SEZ needs of their respective provinces, FATA, Gilgit Baltistan and Islamabad Capital Territory, as the case may be, shall plan their respective SEZs in a timely fashion.
2. The SEZ Authorities shall accordingly develop Zone Applications on priority basis for the consideration and approval of BOA.
3. Federal Government, Provincial Governments and Private Parties wishing to establish SEZs shall submit their proposals to their respective SEZ Authorities which shall prepare required Zone Applications and forward the same to BOA for its consideration.
4. A SEZ Authority may consider the proposal of Zone Applications falling within the parameters of sub rule 1 for onward submission to the BOA for consideration and approval.
5. The BOA may prescribe a specific qualification and approval criteria for a particular SEZ or a type of SEZ. However, a general Qualification and Approval Criteria for SEZs is provided in Annex 5 of the First Schedule to these Rules.
6. The SEZ Authorities shall maintain lists of authorized commercial activities as well as prohibited activities for a particular SEZ or type of SEZs, as the case may be, for each type of industry/business they seek to attract. These lists shall be in the line of national and regional development needs, under sub rule 1.
7. The SEZ Authorities may amend the list of authorized commercial activities as well as prohibited activities lists for all or a class of SEZs or a particular or SEZ.
8. The developer wishing to change the authorized commercial activity (ies) or prohibited activity (ies) list may apply for the same to the concerned SEZ Authority with detailed justification and assessment of potential impact of such change in both the scenarios i.e. what if change is allowed and that if change is not allowed. The SEZ Authorities may ask for additional information/document which they deem necessary for developing the case for BOA approval. The approval or rejection or partial approval of BOA, as the case may be, will be communicated to the concerned developer.
9. For Zone Enterprises wishing to carry out activities or change the activities which are not covered in either list may apply to the concerned SEZ Committee which will pass on such application to BOA through the concerned SEZ Authority with its recommendations. The BOA may approve or reject the same as a policy issue.

**10. Requirements and Format of a Zone Application**

The requirements of a Zone Application are stipulated in Annex - 6 of the First Schedule to these Rules and as provided under Section 11 of the Act. The BOA may, however, prescribe specific requirements for a SEZ or type of SEZ, in each province and Islamabad Capital Territory.

The format of a Zone Application shall be as per Annex - 7 of the First Schedule to these Rules.

The SEZ Authority shall clearly specify in the Zone Applications the type and size of industries it is targeting for a particular SEZ.

Upon receipt of a Zone Application, the Secretary BOI/BOA shall confirm the completeness of the said application. Any incomplete application shall be returned to the applicant for supplementation.

The BOA shall consider Zone Applications according to prescribed evaluation process as provided under Rule 15 as well as on the basis of prescribed Zone Qualification and Approval Criteria provided in Annex-5 of the First Schedule to these Rules.

The BOA may require any additional information/document from a SEZ Authority to evaluate the Zone Application(s) submitted for approval.

**11. Existing Zones**

1. An existing zone may apply to a SEZ Authority for submission of an application on its behalf to BOA, or a SEZ Authority may choose to submit a Zone Application with respect to an existing zone to BOA for its approval as SEZ to qualify for the admissible benefits under the Act. In this regard:

(a) A Development Plan is not required to be submitted with the zone application in case the existing zone does not have any further infrastructure development needs;

(b) A Marketing Plan is not required to be submitted with the zone application in case the existing zone is already occupied by over eighty percent;

2. Criterion for admission of new Zone Enterprises shall be formulated and such criteria shall not be mandatory for Zone Enterprises that are already in operation.

3. The existing zone is required to provide free from all encumbrances clear title to the land or leasehold rights, as the case may be, for all the undeveloped land.

4. All the zone enterprises who have not developed their land must keep clear title or leasehold rights and, as the case may, free from all encumbrances whatsoever.



**12. Expansion of SEZ**

The SEZ Authority or the Developer may seek expansion in the already approved and notified SEZ. All the requirements applicable to new Zone Applications shall apply to the expansion application as prescribed under Rule 10 above. The BOA shall consider the same according to prescribed Qualification and Approval Criteria provided in Annex 5 of the First Schedule to these Rules and the BOA shall also take into consideration the prescribed evaluation process. The BOA may reject, accept or accept with conditions the Zone Application for Expansion of SEZ as provided under Rule 16 herein under.

**13. Public Hearing Regarding a Proposed SEZ**

The SEZ Authority shall hold a public hearing regarding a proposed SEZ or proposed expansion in already approved SEZ. The hearing shall be announced with 30 days notice period and shall be open to all members of public. The minutes of the hearing shall be provided as part of the Zone Application.

**14. Infrastructure Requirements**

1. A SEZ shall have adequate infrastructure to support its Zone Enterprises and their value chain operations. The Zone Application shall include details of planned infrastructure in case of new SEZ and maintenance & improvement in existing infrastructure in case of an existing zone.
2. BOI and Provincial Investment Promotion Authorities shall play their respective role as provided under the Act and these Rules in order to ensure that the Federal and Provincial Governments, their corresponding departments and agencies provide the requisite infrastructure for the SEZs.
3. The provincial SEZs shall be compliant with the standards and requirements of their concerned provincial Environmental Protection Agency and the SEZs within FATA, Gilgit Baltistan and Islamabad Capital Territory shall comply with the standards of Pakistan Environmental Protection Agency. Where provincial Environmental Protection Agency is not present, the standards of Pakistan Environmental Protection Agency shall apply.

**4. Roads**

A proposed SEZ shall have adequate internal road infrastructure and shall have external road connections that link the SEZ to major modes of transportation such as highways, airports, and ports as required to support the intended industries. In this regard:

- (a) If existing roads are inadequate, the Federal and Provincial Governments shall ensure adequate road access to the SEZ.
- (b) The layout and specifications of the internal roads within SEZ shall be provided in the Zone Application. Internal roads shall be fully paved and properly maintained to the zero point of each plot. The internal roads shall meet the prescribed standard(s).

5. **Electricity**

The Federal and Provincial Government shall ensure the provision of power supply at a stable frequency to the designated zero point of each SEZ. The Developer shall be responsible for the transmission of electricity from zero point of SEZ to every plot/facility within the SEZ.

6. **Natural gas**

The Federal and Provincial Government shall ensure the provision of gas supply with required gas pressure to meet fuel demand. In this regard:

- (a) A SEZ Authority shall obtain commitment from concerned gas pipeline company to provide required quantity of gas and to install related infrastructure to the minimum of zero point of SEZ.
- (b) The developer shall be responsible for the transmission of gas from zero point of SEZ to every plot/facility within the SEZ.

7. **Water**

The SEZ shall have required quantity of water having good quality. In this regard:

- (a) Provincial and Federal Governments, as the case may be, shall arrange water upto the zero point of SEZ; and
- (b) The developer shall be responsible for the internal distribution system of water to every plot/facility within the SEZ.

8. **Sewerage/drainage**

The SEZ shall have adequate and efficient sewerage and drainage system within SEZ. In this regard:

Provincial and Federal Governments, as the case may be, shall provide sewerage/drainage system upto the zero point of SEZ; and

The developer shall be responsible for the internal sewerage/drainage system to every plot/facility within the SEZ.

9. **Waste Water treatment**

Each SEZ shall ensure waste water treatment facility as recommended by the concerned Environmental Protection Agency (EPA).

10. **Communications**

The SEZ shall have all communications infrastructure, including telephone, internet and cable television within the SEZ.

11. **Security**

The SEZ shall have appropriate security facilities within and outside SEZ. In this regard:

- a) The SEZ Authority shall arrange for Special Police Force for the protection of SEZ within that area as provided under Section 32 of the Act;
- b) The Developer shall construct boundary wall of prescribed height around the SEZ and place security cameras/check posts, thereon, as directed and agreed.
- c) The Developer shall ensure that all the entrances of SEZ have secured access; and
- d) The Developer shall arrange appropriate armed security personnel with necessary equipments and vehicles to be posted at the SEZ entrances and to patrol within the SEZ.

12. **Building Code**

All structures within a SEZ shall meet the building codes as may be prescribed.

13. **Firefighting Facilities**

A SEZ shall have appropriate firefighting facilities. In this regard:

- (a) The SEZ Authority shall ensure the provision of appropriate capacity of public firefighting facilities within the immediate vicinity of a SEZ; and
- (b) The Developer shall ensure industry specific firefighting facilities of appropriate capacity within the SEZ.

14. **Medical Facilities**

A SEZ shall have appropriate medical facilities, especially burn unit. In this regard:

- (a) The SEZ Authority shall ensure the provision of appropriate capacity of public hospital facilities within immediate vicinity of SEZ having at least 20 bed burn facility; and
- (b) The Developer shall develop a hospital-cum-dispensary facility within the SEZ for the treatment of injuries especially burns and capable of meeting the medical needs of employees and their families residing in and around SEZ. The operations and maintenance expenses of such facility shall be met by the developer who will absorb such expenses in the maintenance charges/lease rentals on “no-profit-no-loss basis”.

**15. Academic and Vocational Training Facilities**

The SEZ shall have appropriate academic and vocational training facilities. In this regard:

- (a) The SEZ Authority shall ensure provision of education facilities to meet the educational needs of the employees of the SEZ; and
- (b) In addition to the technical and entrepreneur facilities, there shall be established a specialized quality-specific technical training centre to train master trainers with objectives to address quality issues, minimize material wastage and adopt new technologies/products. The Developer shall provide a building for industry specific technical training facility. The operations and maintenance expenses of such facility shall be met by the developer who will absorb such expenses in the maintenance charges/lease rentals on “no-profit-no-loss basis”. SEZ Committee may request any provincial or federal manpower development/technical training entity for any short term advance training courses.

**15. Evaluation Process of Zone Applications**

The evaluation process shall be as under:

- 1. A preliminary evaluation of Zone Applications shall be conducted to review whether the application meets the prescribed Zone Qualification & Approval Criteria as provided under these Rules. Applications which do not meet the prescribed criteria shall be rejected by recording reasons in writing. The applications which meet the prescribed criteria shall be considered for further detailed evaluation.
- 2. A detailed evaluation of a Zone Application shall include but is not limited to following:
  - a) Appropriateness of site location;
  - b) Result of the feasibility study;
  - c) Adequacy of planned infrastructure;
  - d) Viability of implementation plans;
  - e) Appropriateness of industrial mix and activities;
  - f) Feasibility of land acquisition plan;
  - g) Appropriateness of zone admission criteria; and
  - h) Assessment of environmental impact

**16. Decision on a Zone Application**

The BOA may after due evaluation process, reject, approve or approve a Zone Application with such conditions as it may deem appropriate, within 90 days of the receipt of such application.

- 1. In case BOA rejects a Zone Application, it will briefly specify the reason of such rejection.

2. In case BOA rejects a Zone Application, it may propose appropriate amendments subject to which that zone application may be acceptable to the BOA. If the concerned Federal and Provincial Governments or the Private Parties, as the case may be, accept that amendment, the said zone application shall be re-submitted and accordingly approved by the BOA, if other matters remain the same.
3. In case BOA approves a Zone Application, the approval letter shall provide the terms and condition, if any, of such approval including but not limited to conditions for land acquisition, the development agreement, and arrangements for public utilities.
4. In case BOA approves a Zone Application with additional conditions to be met, the same shall be communicated to the Applicant with a deadline for acceptance or fulfillment of such conditions, as the case may be. If the Applicant accepts or fulfills such additional conditions within the stipulated time, the said Zone Application shall be approved.

**17. Short Listing of Developers**

1. Upon approval of a Zone Application by BOA, the concerned SEZ Authority shall, within 60 days of such approval, prepare SEZ-specific Developer Selection Criteria, bid evaluation criteria, draft Development Agreement and Terms of Reference for inviting Expression of Interest (EOI) in accordance with applicable laws.
2. Upon approval of BOA under sub-rule (1) above, the SEZ Authority shall, within 30 days, publically invite Expression of Interest (EOI) from the interested developers as per the approved Terms of Reference.
3. The invitation for EOI shall appear in at least two daily newspapers having wide circulation and will also be posted on the concerned websites.
4. The short listing process of developers shall be carried out as per rules and regulations of the concerned SEZ Authority compatible with Public Procurement Regulatory Authority, 2004 as applicable to all agencies established under federal law.
5. The developers who submitted EOI shall be shortlisted according to approved Developer Selection Criteria.
6. The short listing procedure shall not be applicable in case of Zone Applications submitted under Sections 4 and 14 of the Act as provided under Section 13(1) of the Act.

**18. Issuance of Tender Documents & Receipt of Sealed Bids**

1. The short-listed/qualified Developers shall be issued tender documents along with draft development agreement as part of tender/bid documents requiring submission of bids within the stipulated time.

2. The concerned SEZ Authority shall hold a pre-bid meeting with the qualified developers which have been issued tender documents in order to address their questions, remove any difficulty and calibrate their understanding on the tender documents.
  3. The bid submission period shall be minimum 30 days after the pre-bid meeting.
  4. The sealed bid documents shall be received in the office of the SEZ Authority before the close of office hours on the prescribed date as per Pakistan Standard Time. The bids received after the close of office hours shall not be considered.
  5. The bids received within the stipulated time shall be evaluated as per prescribed Bid Evaluation Criteria.
19. **Evaluation of Bids & Selection of Successful Bidder**
1. The Technical and Financials bids/proposals received shall be evaluated separately as per the pre-approved evaluation criteria which shall be as per outline provided in Annex-9 of the First Schedule to these Rules.
  2. Based on the evaluation of technical and financial bids/proposal, as per approved criteria, a SEZ Authority shall select a developer.
20. **Development Agreements for a New SEZ**
1. The SEZ Authority shall negotiate the Development Agreement with the successful developer and upon finalization submit the same to BOA for approval.
  2. If third party provision of key infrastructure or services is required, such agreements shall be appended to the development agreement.
  3. The contents of the Development Agreement as referred to in sub-rule (1) above, shall be SEZ specific but shall include the contents prescribed in Annex – 8 of the First Schedule to these Rules.
21. **Development Agreement for Existing Zones**
1. The SEZ Authority, if identifies the needs for rehabilitation/ improvement or/and further development in an existing zone which applied for SEZ Status or had been chosen for the SEZ status under Section 15 of the Act, it may choose to prepare and submit a draft Development Agreement simultaneously with the Zone Application to BOA.
  2. If provision of key infrastructure or services is required by a third party, such agreements shall be appended to the development agreement.
  3. The existing developer of the existing zone who applied for SEZ status or had been chosen for the SEZ status, shall have to comply with the eligibility criteria of a developer as provided under Section 19 of the Act to qualify for consideration as developer in the SEZ.

4. Upon approval of a Zone Application, the existing developer may be granted provisional approval to restructure its ownership before the approval becomes effective.
  5. The SEZ Authority, upon approval of a Zone Application and after the developer has complied with the requirements of sub-rules (3) & (4), shall negotiate the development agreement with the said developer and submit the negotiated Development Agreement to BOA for its final approval.
22. **Simultaneous Submission of Development Agreement**
1. The SEZ Authority may simultaneously submit both a Zone Application and a Development Agreement to the BOA for approval and forego the selection process if the conditions specified in Section 14 of the Act are met.
  2. The Developer shall submit a technical proposal and a financial proposal as per Bid Evaluation Criteria provided in Annex-9 of the First Schedule to these Rules in order to enable the evaluation of its capabilities for developing a SEZ.
23. **Decision of BOA on the Development Agreement**
1. The BOA may reject or approve or approve with conditions the Development Agreement within 60 days of submission by SEZ Authority.
  2. If the BOA approves the Development Agreement, it may stipulate the necessary terms and condition of its approval.
  3. In case the BOA does not approve the negotiated Development Agreement, it will record the reasons thereof. Further, the concerned SEZ Authority may resubmit the Development Agreement with appropriate amendments in light of the reasons recorded by the BOA. The same developer shall be provided first opportunity to be the Developer, however, if the said developer does not agree with the revised terms of the Development Agreement, a new developer shall be selected through fresh competitive bidding process.
  4. The BOA may approve the revised development agreement with or without further conditions. Further, the final approval may be withheld until certain conditions have been met by the Developer.
  5. If the agreements for provision of infrastructure or other services by third parties are not executed yet, the BOA may approve the Development Agreement with conditions and set an appropriate deadline not to exceed one year for the Developer to execute the agreements from the date of grant of the conditional approval
  6. If the conditional approval expires, the BOA may allow the SEZ Authority to repeat the Developer selection process, or it may choose to cancel the SEZ approval.
  7. The BOA may reject the Developer selection or Development Agreement and instruct the SEZ Authority to redo the process. If the BOA determines that the problems cannot be remedied, it may opt to cancel the provisional approval of

the SEZ.

8. In case of any grievance on the transparency of competitive bidding process, negotiation of the development agreement or any material matter, the developer may approach the BOA directly or through SEZ Authority. The BOA shall address the issue under Section 13(7) of the Act. .

#### 24. **Breach of the Development Agreement**

If a Developer fails to meet its commitments under the Development Agreement, the concerned SEZ Authority shall give notice of the breach to the Developer concerned and request cure of the breach. The time allowed for and manner of remediation shall be in accordance with the terms of the Development Agreement. Failure of the Developer to appropriately respond to the notice may result in the suspension or cancellation of the Development Agreement.

#### 25. **Suspension of the Development Agreement**

1. The SEZ Authority (SEZA) may suspend the Development Agreement if the Developer is in breach of the terms and conditions thereof and has failed to cure its breach accordingly.
2. The right to cancel a Development Agreement only rests with the BOA, though the SEZ Authority may recommend such action to the BOA.
3. A suspension may not last for a period longer than one month. If a suspension lasts longer than a month for certain reasons, then the Development Agreement shall be terminated in the public interest.
4. The Developer shall not be eligible for any incentives during the suspension period.
5. The Developer shall pay a fine for each month of the suspension period. The quantum of the fine shall be specified in the Development Agreement.
6. During suspension of the Development Agreement, the certified Zone Enterprises in the SEZ shall be entitled to continuation of their SEZ incentives.
7. During suspension of the Development Agreement, the Developer shall temporarily vacate its position on the SEZ Committee. The Administrator appointed under Rule 28 shall assume the position of Chairperson.
8. At the recommendation of the SEZ Authority or of its own determination, The BOA may reinstate the Developer and the Development Agreement during the suspension period if it is satisfied that the SEZ operations cannot continue properly without the Developer on such term and conditions as it deems fit.
9. The suspended Developer may transfer its property and rights and responsibilities under the Development Agreement to another person that is approved by the BOA. The BOA shall evaluate the proposed transferee according to the same process as specified under Rule 19 above. If the transferee



is approved, the BOA shall reinstate the Development Agreement with the new Developer.

**26. Cancellation of the Development Agreement**

1. The BOA may cancel a Development Agreement in the following circumstances:  
  
The suspension of the Development Agreement has exceeded one month;  
  
  - (b) The breach of the Development Agreement occurs during the development phase of the SEZ;
  - (c) It is determined that there is no possibility for the Developer to remedy the breach;
  - (d) The Developer has become financially insolvent;
  - (e) The Developer fails to pay for the costs of an Administrator appointed under the Act or the Rules.
2. Pursuant to cancellation of the Development Agreement, the Developer shall be liable to repay all the incentives of the SEZ received under the Act.

**27. Appeals for Developers**

1. Prior to any formal action of suspension or cancellation, a Developer shall have the right of a hearing in person, in which the Developer may be represented by counsel before the BOA.
2. Any Developer aggrieved by the imposition of a sanction or by the suspension or cancellation of their certification shall be entitled to seek relief through alternative dispute resolution forums as provided under the Act or Rules.

**28. Appointment of SEZ Administrator**

1. The SEZ Authority shall appoint an interim Administrator to manage the SEZ during the suspension of a Development Agreement or may take such interim measures as it deems necessary.
2. All rights and responsibilities of the Developer under the Development Agreement shall vest with the Administrator.
3. The costs of the Administrator during the suspension period shall be recovered from the Developer.

**29. Re-Tendering for the Selection of a Developer**

1. Once a Development Agreement has been cancelled, the SEZ Authority shall undertake a new tendering process to secure a new Developer.
2. The process shall be the same as that provided under Rules 17 to 19. If there are any amendments in the original Development Agreement, it shall be submitted to the BOA for approval.
3. The SEZ Authority shall accept the highest financial proposal amongst the technically qualified developers.
4. Once approved by the BOA, the new Development Agreement shall be executed and put into effect.
5. If no qualified developer is selected, the BOA shall have the following options:

To extend the tenure of the Administrator and direct the concerned SEZ Authority to retender for a new developer; or

To cancel the SEZ status.

**30. Land Acquisition**

1. Land shall be acquired by a SEZ Authority preferably in the name of the Developer at developer's cost or in its own name. Provided that where the land is acquired by SEZ Authority in its own name it shall be leased out to developer for a period as decided by the concerned SEZ Authority.
2. In case of a Zone Application, where a SEZ Authority gets the approval of Zone Application on the behest of a Developer who owns land himself, the said Developer may sell or lease the said land to zone enterprises as he may choose.
3. Public-owned land if used for SEZs, shall be leased out for a period of at least fifty years extendable for a further period as provided under Section 16(2)(c) of the Act.

4. Where a land is acquired for SEZ, especially the agriculture land, the masses dependent on such land shall be given skills training as to enable them to be inducted as employees within the SEZ and they will be given preference based on their skills and education.

31. **Property Limitations**

The SEZ Authorities may acquire and hold moveable and immoveable property for the purpose of carrying out their functions under the Act but shall not sell, lease, mortgage, dispose of or transfer in any other manner the said property except for purposes consistent with the objectives of the Act.

32. **Land Use**

A SEZ shall use 70% of the area for purpose of operations of zone enterprises.

33. **Land Use Efficiency**

A SEZ Authority may specify a standard for efficient use of the land which all Zone Enterprises shall be required to observe. The Zone Enterprises may meet either minimum investment density or minimum plot coverage ratio.

34. **Sub-lease of Land by Developer to Zone Enterprise**

1. The developer having the leased land from SEZ Authority, except as provided under Rule 30(2) above, shall only sub-lease the land to the zone enterprises for authorized commercial activities.
2. The term of the sub-lease Agreement shall be as per the agreement between the zone enterprise and the developer.
3. The Developer shall, upon approval of a Zone Entry Application, execute a non transferable Pre-Sub-Lease Agreement (i.e. Provisional Sub-Lease Agreement) with the Zone Enterprise.
4. The Developer shall execute a formal Sub-Lease Agreement with the Zone Enterprise after the same has completed six months commercial operations after completion of construction activities within 24 months of the date of the approval of Zone Entry Application or such extended period as approved.

5. **Transfer of Sub-Lease Agreement by Zone Enterprise**

A Zone Enterprise may only transfer the sub-lease Agreement of land in a SEZ if:

- (a) Transferee of the sub-lease Agreement by the Zone Enterprise meets the Zone Admission Criteria as provided in Annex-1 of First Schedule to these Rules.
- (b) The transferor Zone Enterprise is not in any default and there are no outstanding dues
- (c) The transaction does not amount to real estate activity;

- (d) The prescribed transfer fee has been deposited;
- (e) The respective SEZ Committee has reviewed and recommended the application; and
- (f) Transfer is approved by the respective SEZ Authority.

**6. Cancellation of Sub-Lease of Land of Zone Enterprise**

If a zone enterprise persistently defaults in fulfilling the requirements of the Act or these Rules and after being notified and provided an opportunity of being heard, the developer may cancel the Sub-Lease Agreement on the recommendation of SEZ Committee without prejudice to its right to recover dues, arrears, fines and to take other actions as determined by it.

**35. Application of Law of Land**

All the authorities, organizations and persons engaged in the creation, development, operations and management of a SEZ shall follow the respective applicable laws and standards of Pakistan including but not limited to environment, employment, procurement, building code etc. unless specifically exempted, relaxed or otherwise provided in the Act.

**36. Cancellation of SEZ Status**

In the event that the SEZ status is cancelled, the following shall apply:

If the SEZ has not yet been developed and there are no Zone Enterprises in operation, any land payments made by the Developer shall be returned subject to indemnification, damages and fines provided under the development agreement and the ownership and future use of the land will be determined by the SEZ Authority; and

## **CHAPTER VII – SEZ COMMITTEE**

### **37. Establishment of SEZ Committees**

An SEZ Committee shall be established under Section 23 of the Act and it shall perform the functions as provided in the said Section and as may be assigned by the BOA from time to time.

### **38. Charter of SEZ Committee**

At the time of granting the approval of the Development Agreement, the BOA shall issue a charter for the establishment of a SEZ Committee for the SEZ as provided in the Act.

### **39. Meeting of SEZ Committee**

1. Meetings of a SEZ Committee shall in the ordinary course be held as frequently as required to carry out its functions but not less than once a quarter.
2. Requests for extraordinary meetings may be initiated by any member and shall be submitted to the Chairperson and secretary of the SEZ Committee and shall include the specific agenda items to be considered by the SEZ Committee with details of and reasons for the same.
3. The chairperson shall call a meeting either in the ordinary course or upon the requisition of a member. The secretary shall determine a suitable time and location for the meeting and shall issue notice to the members together with the agenda for the meeting.
4. The presence of not less than seventy five percent of members shall constitute quorum for an SEZ Committee meeting.
  - a) Decisions shall be taken by majority vote.
  - b) Minutes of the proceedings of every meeting shall be recorded. Further, the minutes shall be submitted to the SEZ Authority and the BOI.

### **40. Responsibilities of SEZ Committee for Administration and Oversight**

2. Review and approve zone entry applications from Zone Enterprises as provided in these Rules;
2. Provide for certification of Zone Enterprises as provided in these Rules;
3. Conduct oversight to ensure that Enterprises are meeting their obligations under the SEZ Regulations; and
4. Enforce the building code according to the SEZ by-laws and other applicable regulations.

## **CHAPTER VIII – ZONE ENTERPRISE**

### **41. The Zone Enterprise Admission Criteria**

The Zone Enterprise Admission Criteria shall be as prescribed in Annex-1 of the First Schedule to these Rules. However, specific zone enterprise admission criteria may be prescribed for each type or group of SEZs.

### **42. Admission of Zone Enterprise**

1. Every person wishing to establish a Zone Enterprise shall submit 4 copies of the Zone Enterprise Entry Application to SEZ Committee as prescribed in the Annex-3 along with the prescribed documents as per Annex- 2 of the First Schedule to these Rules.
2. The Office of the SEZ Committee shall issue formal acknowledgement of the Receipt of Zone Enterprise Entry Application. A copy of the Application shall be emailed/faxed/sent to Provincial Investment Promotion Authority, SEZ Authority, SEZ Secretariat/Head Office in Islamabad, Developer, Board of Investment and concerned District Government for information and necessary actions at their end.
3. All Zone Enterprise Entry Applications shall be kept confidential by all persons within the SEZ Committee, the SEZ Authority and the BOA who have access to them.
4. A Zone Enterprise Entry Application shall be examined by the concerned SEZ Committee within Thirty (30) working days. SEZ Committee may seek such additional information/ documents as it may deem appropriate.
5. The Zone Entry Application should meet the Zone Enterprise Admission Criteria, the Zone Regulations and the terms and conditions of the respective Development Agreement.
6. The SEZ Committee shall convey its approval of the Zone Enterprise Entry Application on the prescribed format as per Annex-4 of First Schedule within Thirty (30) working days with intimation to Provincial Investment Promotion Authority, SEZ Authority, SEZ Secretariat/Head Office in Islamabad, Developer, Board of Investment and concerned District Government. The SEZ Committee shall also forward the copy of its approval of Zone Enterprise Entry Application to Developer with recommendation to admit the Zone Enterprise in the SEZ. The Developer, upon receipt of the approval of SEZ Committee shall take necessary steps leading to admission of the Zone Enterprise in the SEZ in accordance with Section 24 of the Act.
7. In case if the Zone Entry Application is not approved by SEZ Committee, SEZ Committee will issue a Rejection Letter within Thirty (30) days stating the reasons of such rejection and that the Applicant has a right of Appeal to the SEZ Authority.

8. The Applicant may file an Appeal to the concerned SEZ Authority against the Rejection Letter within thirty (30) days. Upon receipt of Appeal, SEZ Authority's Sub-Committee delegated with the power of hearing such appeals shall hear such appeal within next thirty days (30) of the date of receipt of such Appeal. The Applicant may appear before the said Sub-Committee in person or through authorized representative. The SEZ Authority's Sub-Committee shall hear the Appeal in accordance with the applicable Zone Regulations and Development Agreement and its decision shall be final in all respects.

#### **43. Building Code Enforcement**

1. Every SEZ Committee shall enforce the building code of the SEZ as referred to under Rule 14(12) and shall designate a panel of qualified, certified engineers to perform this role.
2. The panel shall review the preliminary drawings submitted with the Zone Enterprise Entry Application and ensure that it is in general compliance with the building code of the SEZ. The assessment shall be completed and provided to the SEZ Committee within five working days of receipt.
3. The panel shall review the detailed drawings and grant approval before the Zone Enterprise may be permitted to commence construction within the SEZ. The decision of the panel shall be made within fifteen working days of receipt of the drawings.
4. After the Zone Enterprise has completed construction of its facility, the panel shall inspect the building to ensure that it has been built in compliance with the building code. The panel shall issue its approval before the Zone Enterprise may be certified.
5. When Zone Enterprises build new expansion facilities or conduct substantial renovations, the panel shall conduct inspections to ensure compliance with the building code. Non-compliant facilities shall not be used for operations.
6. The panel shall conduct periodic inspections of facilities within the SEZ to ensure that they remain in compliance with the building code.

#### **44. Operations of Zone Enterprise**

The Zone Enterprise shall be bound to commence construction of facilities within six months and start authorized commercial activities within twenty four months of acceptance of its zone entry application or such period as allowed by the competent authority and after receipt of all required licenses and permits.

## CHAPTER IX- INCENTIVES AND BENEFITS

### 45. Qualification for incentives

The certification of a SEZ shall entitle the Developer of that SEZ, as well as certified Zone Enterprises within that SEZ to the benefits specified in the Act and in this Chapter.

46. **Incentives for Developers** The Developer of a certified SEZ shall be entitled to the benefits specified in section 34 and 36 of the Act.

### 47. Administration of incentives

The administration of incentives shall be set up and managed by the BOA and the Federal Board of Revenue and local revenue authorities.

### 48. Incentives for existing zones

1. Existing zones that are approved as SEZs shall also be granted incentives.
2. The Enterprises already in operation prior to the zone's approval as a SEZ shall not be eligible for incentives as per Section 15 of the Act.
3. New Zone Enterprises entering the SEZ shall be entitled to all SEZ incentives as provided in the Act. Zone Enterprises acquiring the premises from existing operations may be eligible for SEZ incentives as a new Zone Enterprise provided it meets at least one of the following criteria:
  - (a) the nature of the operations on the site will be changed to produce different goods, use different processes, or conduct different activities; or
  - (b) The new Zone Enterprise is not associated with the old enterprise.

49. **Extraterritorial benefits** Extraterritorial zones may be defined by the BOA in conjunction with the Federal Board of Revenue and the State Bank of Pakistan. Additional policies and rules relating to preferential customs within such zones shall be adopted separately.



## **CHAPTER X – OVERSIGHT AND ENFORCEMENT**

### **50. SEZ Certification**

1. The concerned SEZ Authority shall certify the SEZ once it has become operational.
2. The milestones that the Developer is required to achieve in order to have the SEZ deemed operational shall be specified in the Developer Agreement.
3. The SEZ Committee shall inspect the civil works within the SEZ to ensure that they are built to the standards as stipulated under Rule 43. The SEZ Committee shall designate a panel of qualified certified engineers for this task.
4. The Developer may avail the SEZ incentives prior to receiving certification. However, if certification is not attained by a deadline set out in the Development Agreement, then the qualification for incentives shall be suspended until the requirements are met.

### **51. Zone Enterprise Certification**

1. The SEZ Committee shall certify each Zone Enterprise once all of the criteria have been met and such certification shall qualify the Zone Enterprise for entitled benefits.
2. To be certified, the Zone Enterprise shall be required to achieve the following:
  - (a) Commence Commercial Activities no later than twenty four months after approval of Zone Entry Application;
  - (b) Be engaged in the Authorized commercial Activities that are described in its application.
  - (c) The Zone Enterprise may apply to the SEZ Committee to amend or change its authorized commercial activities which may consider the same as per authorized commercial activities as well as prohibited activities list for the specific SEZ and that whether the said change is anyway harmful to the neighboring Zone Enterprises or the overall scheme of the particular SEZ;
  - (d) Meet the investment density requirement;
  - (e) Comply with all SEZ building Codes as certified by the designated panel of the SEZ Committee which shall not issue such certification unless the facilities are compliant with the building code;
  - (f) Comply with the environmental, labor and other applicable laws/standards; and
  - (g) Be in compliance with any other commitments as agreed with the Developer and the SEZ Committee.

## **52. Sanctions for Failure to achieve Certification**

1. The Zone Enterprises that fail to commence construction within six months of the approval of their Zone Entry Applications, shall have their approval revoked.
2. The Zone Enterprises that fail to meet the certification requirements of Rule 51 may remedy the deficiencies as long as the timing requirements of sub-clause (a) of sub-Rule (2) of Rule 51 are met.
3. Zone Enterprises that have commenced construction but fail to meet the timing requirements of sub-clause (a) of sub-Rule (2) of Rule 51 or do not remedy deficiencies in terms of sub-clauses (b) to (f) of sub-Rule (2) of Rule 53 within the time frame shall have the following options:
  - (a) To apply for an extension period by providing the Developer and the SEZ Authority with a formal application containing the reason(s) for delay and the plan for implementation during the extension period. The extension period may not exceed twelve months. A monthly fine shall be assessed on the Zone Enterprise in the amount of ten percent of the total value of the land lease for the duration of the extension period or equivalent in case of sold land. Failure to pay the fine shall result in the revocation of the approval and result in the remedy in sub-clause (c) below;
  - (b) Apply to the SEZ Authority for a No Fault Extension with evidence that the delay was due to a Force Majeure event, a failure of the Developer to provide required infrastructure, or a failure of an agency in processing a necessary approval within the legally allotted time. If it is satisfied with the evidence, the SEZ Authority may grant an appropriate extension without charging a fine; or
  - (c) To abandon the project either clearing the site of any improvements at its own cost or leaving the improvements, depending on the agreement with the Developer.

## **53. Decertification and sanctions for Enterprises in operation**

1. Failure of a Zone Enterprise to comply with standards after it is in operation may result in decertification and sanctions as follows:
  - a) A Zone Enterprise that ceases authorized commercial activity shall be decertified by the SEZ Committee. Decertification shall be done once a Zone Enterprise has not been in operation for six months;
  - b) A Zone Enterprise that changes its activities to those that are prohibited within the SEZ shall be required by the SEZ Committee to cease operations.
  - c) A Zone Enterprise that fails to comply with any requirements under sub-clauses (c) to (f) of sub-Rule (2) of Rule 51 shall have its certification suspended until such violations are remedied. During the suspension

period, the Zone Enterprise shall not be eligible for any SEZ incentives, although the time under suspension shall be counted towards its eligibility period. In this regard:

- i. the Zone Enterprise may remain in operations during the suspension period unless it is ordered by the SEZ Committee to cease operations due to violations of regulations or its violation as aforesaid causes material harm to the SEZ and other Zone Enterprises within the SEZ as determined by the SEZ Committee.
- d) The decertification process shall be included in the land lease agreement and shall include the following provisions:
- i. Decertified Zone Enterprises shall cease to qualify for SEZ incentives;
  - ii. Decertified Zone Enterprises shall have a twelve months' grace period to apply for reinstatement. The reinstatement application shall be evaluated against the same process and criteria as Zone entry applications.
  - iii. Decertified Zone Enterprises shall have the same twelve months' grace period to transfer ownership of the land lease and real property to another person. Any person assuming the lease shall first be approved by the SEZ Committee as meeting the Zone admissions criteria;
  - iv. If the twelve months' grace period expires or if the Zone Enterprise does not elect to avail the grace period, the Developer shall have the right to purchase the land use rights from the Zone Enterprise at the value of the remaining lease term calculated from the cost that was originally paid and the improvements made upon the land at a value assessed by a third party appraiser certified by the SEZ Authority for such purposes. The cost of the appraiser and any other direct costs of the transaction shall be deducted from the payment made to the Enterprise;
  - v. If the Developer does not elect to acquire the property rights at the end of the grace period, the SEZ Committee shall endeavor to sell the property. Upon sale of the property, the original land lease agreement shall be terminated and the value of the remaining lease term calculated from the cost that was originally paid shall be returned to the Zone Enterprise net of any direct costs of the transaction;
  - vi. If the property has not been sold after twelve months, the SEZ Committee may elect to demolish and remove any improvements on the land without the consent of the Enterprise. The Developer shall then terminate the original land lease agreement and return the value of the remaining lease term calculated from the cost that was originally paid, net of demolition costs, to the Zone

Enterprise; and

- vii. If a bank has taken possession of the property and assumed the land lease agreement due to default of the Zone Enterprise, the above process shall still apply;
- e) Zone Enterprises that sell or lease their property to another Zone Enterprise that is approved by the SEZ Committee shall be decertified; and
- f) The SEZ Committee shall immediately notify to the SEZ Authority and the BOA on actions of decertification.

#### **54. Appeals of decertification**

- 3. A Zone Enterprise may appeal its suspension or decertification before the BOA. The BOA shall issue the Zone Enterprise a show cause notice setting out the grounds for decertification and a fair hearing in person or through a duly appointed representative.
- 4. A Zone Enterprise aggrieved by imposition of a sanction or by the suspension or cancellation of its certification shall be entitled to seek relief through alternative dispute resolution forums as set in these Rules and may also appeal before the High Court of the relevant province and in case of Islamabad Capital Territory, Islamabad High Court, as the case may be.

#### **55. Authority of BOA and SEZ Authority**

The SEZ Authority and the BOA may require a SEZ Committee to commence decertification proceedings against a Zone Enterprise for sufficient cause.

#### **56. Oversight of Developers**

- 1. The SEZ Authority shall have primary responsibility for overseeing the performance of Developers.
- 2. The SEZ Authority shall submit to the BOA an annual report on the detailed performance of the SEZs within its jurisdiction. The annual report shall include:
  - (a) Certification that each SEZ is being operated in accordance with its Development Agreement;
  - (b) Summaries of the status of each SEZ, including the number of Zone Enterprises in operation, new Zone Enterprises starting operations in the year and the amount of remaining unsold or un-leased land; and
  - (c) Details of any problems or issues within SEZ that require remediation.

## **CHAPTER XI – BUDGET & ACCOUNTS**

### **57. Annual Budget Statement**

The Secretary BOA/BOI shall, in respect of SEZ Secretariat for each financial year, prepare the annual budget estimates on prescribed formats and dates for BOA's consideration and approval. This annual budget shall be signed by Secretary BOA and another official authorized in this regard. The annual budget document shall comprise of a statement of the estimated receipts and expenditure for allocation of funds for the next financial year.

### **58. Annual Accounts**

5. An annual report comprising of the following items shall be prepared and presented to the BOA with a period of four months from the end of each financial year:
  - a) financial statements;
  - b) external auditors' report;
  - c) SEZs activities, progress and future outlook by Secretary BOA;
  - d) Agreements with other countries/international organizations with regards to SEZs.
  - e) Estimated addition made to exports, GDP, employment and generally acceptable performance indicators.
  - f) Seminars, conferences, training programs organized.
  - g) Investment, implementation of the Act and recommendations report by Chairman BOI.

### **59. Annual Audit of the Accounts**

6. The Annual Accounts of the SEZ Funds shall be audited annually by the Auditor General of Pakistan and copy of the same shall be provided to Secretary BOA for review and comments who shall forward a copy of the same to Head Internal Audit.
7. The Annual Accounts of the SEZ Funds shall also be audited by a reputed international firm of chartered accounts every year to enhance credibility and strengthen confidence of domestic and foreign investors/stakeholders.

### **60. Internal Controls**

The BOA shall establish adequate internal controls including but not limited to maintaining a duly approved organizational chart, clear articulation of duties and job descriptions at different levels of the hierarchy, well defined procedures and a systems of internal audit. The internal controls shall be designed to ensure accuracy and reliability of the reports prepared in the context of SEZ.

## **61. Internal Audit & Compliances**

1. The BOA shall ensure that a proper internal check and internal control mechanism is in place to prevent and detect errors and irregularities and to guard against waste and loss of public money & properties.
  - a) There shall be established a formal Internal Audit and Compliance Department reporting directly to Secretary BOA.
  - b) The Internal Audit Department shall prepare annual internal audit plan for BOA's approval with estimated resources required to perform the same including manpower.
  - c) Internal Audit shall have access to all the records, officers and sites/offices all the time and they shall have the right to have such evidence as they deem appropriate.
  - d) The Internal Audit shall issue its monthly report as well as a consolidated report with its recommendations to the BOA.

## CHAPTER – XII – FINANCIAL RULES

### 62. SEZ Financial Rules

1. a) **Receipt Of SEZ Funds In BOI Fund**

The Receipts/Fund related to SEZs may be collected and kept in separate and distinct accounts within BOI Fund of Board of Investment in accordance with the prescribed Financial Rules, Regulations and Procedures of Government of Pakistan.

b) **Charge of fees by BOI**

The Board of Investment having been assigned various functional and administrative responsibilities under the Act, is authorized to charge fees and charges from various stakeholders as approved by the BOA from time to time.

2. **Disbursement From BOI Fund On Account Of SEZ**

The BOI shall follow the prescribed Financial Rules, Regulations and Procedures of Government of Pakistan for disbursement out of SEZ Funds.

3. **Administration of SEZ Fund**

- a) The SEZ Fund shall be administered by the BOI for performing functions described in the Act. .
- b) Secretary BOA shall be the Principal Accounting Officer (PAO) in the context of SEZ Funds.
- c) Secretary BOA being PAO, shall be responsible for ensuring that the funds are being utilized for the purpose of which the receipts/funds were collected, granted, allocated or otherwise authorized.

4. **Delegation of Powers under Financial Rules**

The Secretary BOA, being PAO under these Rules may delegate all or any of its powers to an officer of relevant and appropriate rank with the approval of BOA.

5. **Payment Instructions**

- a) The following steps shall be followed in making all payments:
  - i. Sanction of expenditure by the competent authority as per delegation of powers.
  - ii. Preparation of claim voucher (bill) for payment.
  - iii. Approval of expenditure by the competent authority as per delegation of powers.
  - iv. Registration of purchase order/claim voucher.
  - v. Issue of cheque by the authorized officers
  - vi. Recording of expenditure in the accounting record.
  - vii. All cheques should be written in indelible ink.

## 6. System of Account

- a) The BOI shall maintain separate accounts for SEZ Funds which shall enable their clear distinction from the BOI's Funds. The system of accounts in the context of SEZ Funds shall be as under:

- i. **Preparation of Accounts:** The accounts shall be prepared as per practice of Controller General of Accounts/Auditor General of Accounts (AGP) and New Accounting Model as amended from time to time.
- ii. **Chart of Accounts:** The BOI shall follow the Chart of Accounts prescribed by the Controller of Accounts for the purposes of Receipts/Funds relating to SEZ.
- iii. **Books of Accounts:** All the prescribed sets of books of accounts shall be kept for funds related to SEZ including but not limited to the following:
  - a. Cash Book (Form TR-4)
  - b. Cheque Book Register
  - c. Cheque Register
  - d. Stock Register, Dead Stock Register
  - e. Register of Contracts
  - f. Register of Assets
  - g. Budget Control Register/Statement of Releases
  - h. Disbursement Register
  - i. Statement of Expenditures
  - j. Register of Advances (Advance Payments)
  - k. Record of Reconciliation with the Bank/AGPR
  - l. Transfer Entry Order Register

### b) **Reconciliation of Receipts and Expenditure**

At the close of each month, the BOI shall reconcile its books of accounts in the context of SEZ funds with the Bank/AGPR records. The reconciliation shall be performed in accordance with the procedure laid down in APPM/GFR and Federal Treasury Rules.

## 7. Closing of monthly and annual accounts

- a) The accounts of the SEZ Fund shall be closed on the last day of each month.
- b) The closing of annual accounts of the SEZ Funds shall be the 30<sup>th</sup> June of each year.



**8. Purchase of Goods and Services**

The Public Procurement Rules 2004 as amended from time to time shall be followed by BOI, where applicable, for purchase of goods and services in the context of SEZs.

**9. Approval/Amendment of Rules**

The BOI may, as empowered under Section 40 of the Act, review these Rules and may prescribe any change/addition or deletion therein as well as may also prescribe any procedure and format under these Rules with the approval of the BOA.

**10. Effective Date of SEZ Financial Rules**

These Rules shall be effective upon their approval and announcement by BOA.

**11. Establishment of Funds by SEZ Authorities**

The SEZ Authorities may establish their own Funds for the purpose of financing their operations. The administration of such Funds shall be as per their respective provincial rules of businesses.

## FIRST SCHEDULE

## **ZONE ENTERPRISE ADMISSION CRITERIA**

**[NAME OF SEZ]**

1. The enterprise is in designated industry/sector as appropriate for the zone; and
2. The sponsors/owners/present management has/is:
  - a) not engaged into any illegal industrial, financial or services business or dealings;
  - b) not defaulted in their loans towards banks along with the companies in which they are director or major shareholder;
  - c) never been convicted of fraud or breach of trust or of an offence involving moral turpitude or removed from service for misconduct;
  - d) neither been adjudged as insolvent nor suspended payment of his debts nor has compounded with his creditors;
  - e) net-worth as per wealth statements submitted with the tax authorities is not less than twice the amount to be subscribed by him personally;

**DOCUMENTS TO BE ATTACHED WITH  
ZONE ENTERPRISE ENTRY APPLICATION**

1. Business Plan especially stating next five years' production, exports, employment generation, domestic raw material consumption, imported raw material, and local and imported machinery.
2. Land, utilities and the services required from SEZ and the time line thereof.
3. Description and sources of employment.
4. Certified copy of the Certificate of Incorporation/Registration of Firm
5. Certified copy of Memorandum & Articles of Association.
6. National Tax Number Certificate and General Sales Tax Number Certificate.
7. List of owners and key managerial staff with their NIC, NTN, cell, email and addresses along with their CVs/profiles. In case of foreigners, their passport numbers are required in place of NIC.
8. Business Profile of the company/firm
9. Financial statements and income tax returns – last 3 years
10. Name, address, NIC, NTN, Phone, Email of Principal Officer
11. Entry card Applications of the persons immediately required to enter into SEZ
12. Application fee of in the shape of demand draft/pay order in favor of the person as may be prescribed.

**FORMAT OF ZONE ENTERPRISE ENTRY APPLICATION**  
**[NAME OF SEZ]**

[The application should be submitted in six copies along with Demand Draft of Rs.\_\_\_\_\_-/-]

Date:

Reference:

The Chairman  
 SEZ Committee  
 SEZ [full name]  
 Address

Dear Sir/Madam

**ZONE ENTERPRISE ENTRY APPLICATION**

We, the (name of the Organization)\_\_\_\_\_  
 hereby apply for admission into SEZ (full name of SEZ)\_\_\_\_\_. We hereby  
 undertake to abide by all the Rules and Regulations of SEZ and all the applicable laws of  
 Pakistan. The necessary particulars are given below and the requisite documents are attached.

**PART ONE**

- 
- |      |   |
|------|---|
| 1.1  | Name and Address of the Applicant organization        |
| 1.2  | Status of the Applicant (company/firm/proprietorship) |
| 1.3  | Address of the Applicant                              |
| 1.4  | Email Address of the Applicant                        |
| 1.5  | Website   |
| 1.6  | Telephone   |
| 1.7  | Fax No.   |
| 1.8  | National Tax Number                                   |
| 1.9  | General Sales Tax Registration Number                 |
| 1.10 | Name of Principal Officer for all practical purposes  |
| 1.11 | Email, Phone, fax and address of Principal Officer    |

## PART TWO

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- 2.1 Nature of Business
- 2.2 Small Scale/SME/Large scale
- 2.3 Total Project cost
- 2.4 Equity
- 2.5 Loan
- 2.6 Other such as grant etc
- 2.7 Foreign investment & type i.e. equity/loan/machinery (please specify core terms)
- 2.7 Details of foreign technical collaboration
- 2.8 List of machinery to be imported & possible countries of import

## PART THREE

---

- 3.1 Annual production capacity
- 3.2 Products to be produced
- 3.3 Similar local products
- 3.4 Similar imported products
- 3.5 Expected yearly values for five years of the products to be produced
- 3.6 Are the products to be produced for local market or export or both?
- 3.7 If products are to be produced for export, values for five years in \$ terms
- 3.8 Name of the raw materials to be consumed
- 3.9 Yearly expected value of raw materials to be consumed for five years
- 3.10 Net foreign exchange inflow/outflow over first five years on yearly basis
- 3.11 Annual projected profits for the first five years
- 3.12 Annual employment generation - first five years (separately specify male and female)
- 3.13 Foreigner employee are required and if so how many and their expected induction

## PART FOUR

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- 4.1 Land requirement in Acres
- 4.2 Need Warehousing/storage facility and if so nature and area required in sq meters?
- 4.3 Electricity requirement (Please quantify)
- 4.4 Will you set up your own generator and if so, of what capacity and fuel?
- 4.5 Gas requirement
- 4.6 Water requirements (annual) and if possible for the next five years
- 4.7 Landline Phone requirements
- 4.8 Nature of water to be drained in SEZ Sewerage (annual outflow estimates for first five years) and its treatment status.
- 4.9 Quantum and nature of effluents and their mode of disposal
- 4.10 Wastes and their disposals

I/We hereby declare that the above statements and attached documents are true and correct to the best of my/our knowledge and belief. I/We shall abide by any other condition, which may be stipulated by the SEZ Committee/Developer.

I/We fully understand that Approval/Admission granted to me/us on the basis of these statements and attached documents and in case they are found incorrect or false, the Approval/Admission is liable to cancellation or any other action that may be taken having regard to the circumstances of the case.

You are requested to kindly process the Application in due course of time and meanwhile issue us an acknowledgement and oblige.

Thanking you

Sincerely

Signature\_\_\_\_\_ [stamp]

Name of the Authorized Signatory

Email Address

Phone No.

Fax No.

---

**For Official Use Only**

Application No. \_\_\_\_\_

Demand Draft/Pay Order No. \_\_\_\_\_ dated \_\_\_\_\_ Bank \_\_\_\_\_

Received by \_\_\_\_\_ dated \_\_\_\_\_ Time \_\_\_\_\_

**Attachments:**

1. Business Plan especially stating next five years' production, exports, employment generation, domestic raw material consumption, imported raw material and local and imported machinery.
2. Land, utilities and the services required from SEZ on the time line.
3. Preliminary architectural drawings.
4. Description and sources of employment.
5. Certified copy of Certificate of Incorporation/Registration of Firm
6. Certified copy of Memorandum & Articles of Association.
7. National Tax Number Certificate and General Sales Tax Number Certificate
8. List of owners and key managerial staff with their NIC, NTN, cell, email and addresses along with their CVs/profiles. In case of foreigners, their passport numbers are required in place of NIC.
9. Business Profile of the company/firm
10. Financial statements and income tax returns – last 3 years
11. Name, address, NIC, NTN, Phone, Email of Principal Officer
12. Entry card Applications of the persons immediately required to enter into SEZ
13. Application fee of Rs. \_\_\_\_\_ in the shape of demand draft/pay order in favor of the person as may be prescribed.

**FORMAT FOR LETTER OF APPROVAL  
OF ZONE ENTERPRISE ENTRY APPLICATION  
OFFICE OF SPECIAL ECONOMIC ZONE [FULL NAME OF SEZ ZONE]**

Date

Reference No.

Mr/Miss/Madam [full name as per Application]

Designation

Organization name

Full address

Dear Sir/Madam

**APPROVAL OF ZONE ENTERPRISE ENTRY APPLICATION**

Please refer to your Zone Enterprise Entry Application No. \_\_\_\_\_ dated \_\_\_\_\_.

We are pleased to inform you that your Application has been accepted, entitling you to all the applicable benefits as provided under the Special Economic Zones Act, 2012 subject to fulfillment of applicable conditions.

Plot No. \_\_\_\_\_ measuring \_\_\_\_\_ has been marked for your enterprise. Please deposit Rs. \_\_\_\_\_ as lease/sale price payment for the land so that the Pre Sub-Lease/Sale Agreement may be initiated. The formal Sub-Lease/Sale Agreement shall be executed in your organizations name only after you have performed business operations in the SEZ for at least six months. Please note that there shall be no real estate activities in the zone as this would result in withdrawal of the title of land and termination.

This approval is subject to following terms and conditions:

1. You will engage in the requested line of business [specify nature of business & products].
2. This letter of Approval is valid for a period of six months unless extended. You must begin construction of facilities within six months and assume regular business operations within twenty four months of this approval and after receipt of all required licenses and permits. Please provide us a project implementation schedule within 45 days of the date of this letter and monthly implementation status thereafter by 10<sup>th</sup> of following month.
3. You will fulfill your obligations under this Approval Letter, SEZ Act 2012 and Rules, Regulations, policy and procedures framed there-under.
4. You will conduct proper management and strictly follow the Zone Regulations and other applicable provisions of law.
5. You will comply with all the directions of the SEZ Committee, SEZ Authority and other incidental authorities.



6. You will comply with all the applicable laws of Pakistan including Labor, Employment and Environment etc.

Please confirm the acceptance of the above terms and condition within 14 days of receipt of this Approval and oblige.

If you fail to comply with the conditions stipulated above, this Letter of Approval shall be cancelled as per the provisions of the Special Economic Zones Act, 2012 and Rules and regulations made there-under.

Should you need any further assistance or clarification, please do not hesitate to contact the undersigned.

Best of luck and welcome to [full name of SEZ]

For and on behalf of  
SEZ Committee

[signature + stamp]

Full name

Designation

Email address

Phone no.

- CC:
1. Secretary, Board of Approvals
  2. Secretary, SEZ Authority concerned
  3. Executive Head, Provincial Investment Promotion Authority
  4. Secretary, Board of Investment
  5. District Coordination Officer, Local District Government
  6. Developer [full name]

**QUALIFICATION AND APPROVAL CRITERIA  
FOR APPROVAL OF ZONE APPLICATION**

1. SEZ shall have a minimum size of at least fifty acres;
2. The SEZ, upon development, shall generate economic activity in terms of exports, employment and other performance indicators at least equal or more than total overall capital cost incurred over a period of 15 years.
3. SEZ will provide import substitution and generate direct and indirect exports.
4. SEZ will not target any industry or product which is being banned in the world.
5. SEZ will not target any industry material/input of which is being protected by other countries in the larger national interest.
6. The respective Federal and Provincial Governments have committed corresponding resource on the time line to materialize the SEZ under consideration.
7. Zone Application shall be in conformity with the provisions of the Act, any applicable regulations issued under the Act and other applicable provisions of law.
8. 70% of the SEZ land area will be used for purpose of operations of zone enterprises.
9. Developer will be obliged to undertake to comply with all the environmental, labor and other applicable legislation in force in Pakistan.
10. Developer will be obliged to undertake to take all necessary approvals to start construction activities within six months of signing of development agreement.
11. Developer to be engaged for the particular SEZ shall be a body incorporated under the laws of Pakistan.
12. Articles of Association of the developer shall be approved by the Provincial/Capital SEZ Authority
13. Developer shall ensure that the zone enterprises start construction of facilities within six months and assume regular production within twenty four months after receipt of all required licenses and permits.
14. Developer will be obliged to undertake that title of land shall only be registered in the name of zone enterprises after they have performed business operations in the SEZ concerned for at least six months;
15. There shall be no real estate activities in the zone.

## **DOCUMENTS REQUIRED WITH ZONE APPLICATION**

1. A basic business concept or model for the proposed SEZ.
2. Master Plan
3. A preliminary zone development plan which shall:
  - a) Define the geographic boundaries of the proposed SEZ;
  - b) Set out the basic infrastructure development requirements, both inside and outside the proposed SEZ necessary for the proper functioning of the proposed SEZ;
  - c) Set out the land requirements of the proposed SEZ;
  - d) Set out the details of the current ownership of the proposed land;
  - e) A detail analysis of prices as per sale deeds executed & registered within last five years as per official record;
  - f) Set out the manner in which land required shall be procured, including specifically whether land will need to be acquired under the Land Acquisition Act 1984;
  - g) Set out a geotechnical study and topographical survey of the proposed land;
  - h) SEZ Plan encompassing Development Plan, Marketing Plan, Financing Plan and Management Plan;
  - i) Cost of preparing the land based on the basis of technical estimates including but not limited to geotechnical and topographical survey etc.
  - j) Set out what criteria shall be applicable to the admission of zone enterprises into that SEZ.
4. Execution plan developed in Primavera.
5. Industrial mix and authorized commercial activities;
6. Parameters for zone admission criteria;
7. In case of zone application is being forwarded on the behest of non-recourse developer who already owns the land, proof of title/ownership land.
8. Feasibility Study containing the following minimum components:

- a) A market assessment of demand of targeted industries;
  - b) Assessment of the market price for industrial land and analysis for land pricing strategy;
  - c) Assessment of the suitability of the local area to support the targeted industries and the required infrastructure and amenities;
  - d) Financial model of the costs and revenue streams of the SEZ, along with sensitivity analysis; and
  - e) Economic impact analysis including estimates for job creation, export generation, and other benefits.
9. Infrastructure commitments for road, electricity, gas, water, sewerage/drainage, waste water treatment, communication, security, firefighting, hospital and school as provided in Rule 14 of Special Economic Zones Rules, 2013.
10. Criteria and plan for selection of developer.
11. Draft Development Agreement.

**FORMAT OF ZONE APPLICATION  
NAME OF SEZ AUTHORITY**

The Secretary  
Board of Approvals  
SEZ Secretariat  
Ataturk Avenue, Sector G-5/1  
Islamabad - Pakistan

Date:  
Reference:

Dear Sir

**ZONE APPLICATION**

We, the (name of the SEZ Authority) \_\_\_\_\_ hereby apply for the approval of above captioned SEZ and attach the documents required as per Annexure-6 of the First Schedule to the Special Economic Zone Rules, 2013.

Briefly, the proposed SEZ shall cover an area of \_\_\_\_ Acres and its total estimated cost is Rs. \_\_\_\_\_. It will generate commercial activities worth Rs. \_\_\_\_\_ including exports of Rs. \_\_\_\_\_ and \_\_\_\_\_ number of jobs in the first five years of operations.

We hereby undertake to abide by all the Rules and Regulations of SEZ and all the applicable laws of Pakistan.

You are requested to kindly process the Application in due course of time and meanwhile issue us an acknowledgement and oblige.

Thanking you

Sincerely

Signature \_\_\_\_\_ [stamp]

Name of the Authorized Signatory

Email Address

Phone No.

Fax No.

Encls: As above.

## CONTENTS OF DEVELOPMENT AGREEMENT

1. **Introduction** of parties
2. **Preamble** of agreement
3. **Project site and related rights** encompassing leasehold rights, execution of indenture of lease period, acceptance of project/lease rights, consequences of acceptance and scope of project.
4. **Rights, protections and entitlements of the developer** with respect to the SEZ concerned, established or allowed under the Act or any other applicable law;
5. **Conditions precedent for developer**, preparation and submission of Master Plan, design and drawings etc.
6. **Financial closure** encompassing clearances and approval, specific formats of lease and sub-lease agreements, extension or termination of agreement if conditions precedent not complied or satisfied and consequences of non fulfillment of conditions precedent.
7. **Financial considerations to SEZ Authorities**, land premium for leasehold rights, annual lease premium, midterm development fee, penalty for failure in achieving milestones and penalty for the late payment of any sum etc.
8. **Milestones** that the Developer is required to achieve in order to have the SEZ deemed operational.
9. **Project development & Operations** encompassing obligations of development, construction and development, implementation plan and progress reports, marketing and sub-lease arrangements, operations & maintenance, payments to SEZ Authority, appointment of contractors, general obligations and responsibilities of the developer and obligations of the SEZ Authority.
10. **Restriction in changes in developer**, insurance, audit & accounts and change in law.
11. **Force Majeure** encompassing non political events, indirect political events, political events, notice of force majeure events, reporting requirements, performance of obligations and termination due to a force majeure event.
12. **Representations and warranties** from developers and SEZ Authority.
13. **Event of default & termination** encompassing developer's event of default, SEZ Authority's event of default, consequences of developer's default & termination procedure, lenders' step in, termination of force majeure and divestment requirements.
14. **Remedies for non-performance**: Based on undertakings that the Developer commits to, the parties shall agree to remedies and financial and nonfinancial sanctions for the

Developer's failure to perform. Similar terms shall be in place for failure of the government signatories to deliver on their commitments.

15. **Transfer of rights:** The Developer shall be allowed to transfer its ownership of the SEZ or the rights for operation in whole or in part to one or more parties that are approved by the BOA and the SEZ Authority subject to such conditions as may be imposed by either or both.
16. **Dispute resolutions** encompassing governing law, amicable resolution, alternative dispute resolution, arbitration, arbitrators, procedure, place of arbitration, language, enforcement of award, fee & expenses and performance during arbitration. This segment will also encompass the provisions relating to disputes on behalf of the zone enterprises through arbitration.
17. **Miscellaneous Provisions** encompassing third party agreements, articles to survive termination, proportionate responsibility, several obligations, severability, notices, waiver, amendments, modification, violation of terms, independent right, counterparts, no assignment, consequential loss, expenses, no agencies, no third party beneficiaries, employees of the developer and exclusion of implied warranties etc.
18. **All Undertakings of the developer** regarding the development and operations of the SEZ, with the zone development plan and business concept of proposed SEZ model;
19. **All authorities conferred on the developer** with respect to the SEZ concerned, including specifically any provisions pertaining to the developer's authority to:
  - a) 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;
  - b) Act as a liaison and facilitating agency between the relevant SEZ authority and zone enterprises;
  - c) 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; and
  - d) Clear provisions regarding the responsibility of maintenance of infrastructure and utility services.
20. **Rights protections and entitlement of zone enterprises** in the SEZ concerned established or allowed under the Act or any other applicable law, together with a prescribed procedure for the invocation of such rights, protections and entitlements by the developer;
21. **Rights or titles and other legal authority of the Provincial SEZ Authorities** superior to it in terms of the provisions of this Act.

## NAME OF SEZ AUTHORITY BID EVALUATION CRITERIA

### 1. Technical proposal evaluation

1. The technical proposal shall comply with the criteria and methodology approved with the Zone Application.
2. The technical proposal shall include at a minimum:
  - (a) Detailed plans and methodologies for the execution of the SEZ Master Plans. The bidder may propose changes to the SEZ Master Plans;
  - (b) Details of the relevant experience of the bidder; and
  - (c) CVs for the proposed management team.
3. The evaluation criteria shall include the following factors:
  - (a) The quality of the bidder's Plans for the SEZ;
  - (b) The quality and relevance of the experience of the bidder; and
  - (c) The experience of the bidder's team members.

Additional factors and sub-factors may be added to the proposed criteria as appropriate.

4. The criteria shall be evaluated using a weight-rank methodology. Each criterion shall be assigned a relative weight then assigned a score during evaluation. The products of the weight and scores will be summed to determine the total score for the proposal. The methodology used shall include the following components:
  - (a) Criteria and sub-criteria as described in clause (3) above;
  - (b) Weightings for each criteria, including justification for the designation of the relative weightings;
  - (c) Standards for how to assign scores for each criteria; and
  - (d) Setting of a minimum threshold total score that is required for qualifying for the short list.
5. The technical proposals that are scored as exceeding the minimum threshold shall be qualified for the short list. If no proposals exceed the threshold, the SEZ Authority may repeat the process.

### 2. Financial proposal evaluation

1. The financial proposal shall include at least the following components:
  - (a) Land acquisition: Where the land is required to be acquired from the government or through the Land Acquisition Act, 1894, the bidder shall specify the amount it shall pay for the land. The amount shall reflect its



best offer based on prevailing rules governing such acquisitions;

- (b) Financing plan: The bidder shall provide details on how it will fund the development and operations of the SEZ. Evidence shall be provided for cash financing or bank financing;
- (c) Terms and conditions: The bidder shall indicate acceptance or proposed modifications to the terms and conditions in the draft Development Agreement.

2. The evaluation criteria shall include the following factors:

- (a) The quantum of the bid for the acquisition of land;
- (b) Adequacy of planned budget;
- (c) Quantum and standing of financial commitments; and
- (d) Agreement on the draft Development Agreement terms.

Additional factors and sub-factors may be added to the proposed criteria as appropriate.

3. The criteria shall be evaluated using a weight-rank methodology. Each criterion shall be assigned a relative weight then assigned a score during evaluation. The products of the weight and scores will be summed to determine the total score for the proposal. The methodology used shall include the following components:

- (a) Criteria and sub-criteria as described under clause (3) above;
- (b) Weightings for each criteria, including justification for the designation of relative weightings; and
- (c) Standards of how to assign scores for each criterion.