

WAVERLEY GATEWAY GUIDE

Connecting International Capital with Emerging & Frontier Markets

PAKISTAN

Asia West

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WHERE AND HOW TO ENTER

KEY INVESTMENT LOCATIONS

Location / Region	Strategic Importance	Priority Sectors
Karachi (Sindh)	Commercial and financial capital; largest port complex (Karachi Port, Port Qasim); Pakistan Stock Exchange	Banking, textiles, logistics, energy
Lahore (Punjab)	Industrial and cultural hub; dense manufacturing base and consumer market	Textiles, light manufacturing, retail, real estate
Islamabad / Rawalpindi	Federal capital and seat of government and military; policy and regulatory center	IT/BPO, telecom, defense-adjacent services
Gwadar (Balochistan)	China-Pakistan Economic Corridor (CPEC) deep-sea port; Arabian Sea trade gateway	Port logistics, free-zone manufacturing, fisheries
Faisalabad (Punjab)	"Manchester of Pakistan"; textile and apparel manufacturing cluster	Textiles, apparel, agro-processing
Khyber Pakhtunkhwa (border belt)	Mineral-rich but adjacent to active militant conflict zones along the Afghan border	Mining, minerals (where security permits)
Reko Diq / Chagai (Balochistan)	One of the world's largest undeveloped copper-gold deposits; Barrick-led joint venture	Mining, critical minerals

INVESTOR ENTRY ROUTES

- Board of Investment (BOI) one-window facilitation for foreign investors, including registration and sector guidance
- Special Technology Zones Authority (STZA) incentives for IT, tech, and export-oriented ventures
- Special Economic Zones under CPEC offering tax holidays and duty exemptions for qualifying manufacturing investment
- State Bank of Pakistan approval required for repatriation of profits, dividends, and capital
- Securities and Exchange Commission of Pakistan (SECP) company registration for standard corporate entry
- Privatisation Commission routes for investment in state-owned enterprise divestitures (energy, banking, industrial)

MARKET-ENTRY OBSERVATION

Pakistan enters the final quarter of 2026 with a genuinely improved macroeconomic picture sitting uneasily alongside an intensifying security crisis on its western border. The FY26 Economic Survey recorded GDP growth of 3.7%, the fastest pace in four years, with large-scale manufacturing up 6.1%, a historic primary fiscal surplus of 3.2% of GDP, and debt-to-GDP falling to 68.5%. The Karachi stock exchange gained over 18% in the July-March period, and a staff-level agreement with the IMF in March 2026 kept the roughly \$7 billion combined Extended Fund Facility and Resilience and Sustainability Facility arrangement on track, with the Fund describing implementation as broadly aligned with commitments through February 2026. A reduced 19% US tariff rate, down from an initially threatened 29%, has also removed a significant overhang on textile and apparel exports, Pakistan's dominant export category.

Set against this, Pakistan was ranked first on the 2026 Global Terrorism Index, and by August 2026 its defense minister was describing the conflict with Afghanistan's Taliban government as an "open war," with cross-border drone strikes, Pakistani airstrikes on Afghan cities, and a State Bank-recorded 34% year-on-year drop in foreign direct investment by mid-July that officials attribute only partly to the security situation. Investors should read Pakistan today as two distinct stories layered on top of each other: a reform-disciplined economy regaining macro credibility under IMF oversight, and a western border region where TTP attacks, cross-border strikes, and

militant financing networks are actively deterring capital, particularly in Balochistan and Khyber Pakhtunkhwa's mineral-rich but conflict-exposed districts.

INVESTOR RISK & MARKET ACCESS

KEY ENTRY BARRIERS

Issue	Potential Impact	Possible Mitigation
Pakistan-Afghanistan border conflict	Defense minister describes an "open war"; cross-border drone and airstrikes, hundreds of reported civilian deaths, active TTP campaign killing hundreds of security personnel in 2026	Avoid Balochistan and KP border districts for site-based investment; prioritize Karachi, Lahore, and Islamabad for near-term entry
IMF program conditionality	Continued fiscal consolidation, tight monetary policy, and energy-sector reform are preconditions for ongoing disbursements	Monitor IMF review calendar closely; energy-sector reforms may directly affect project economics in power and utilities
India-Pakistan water and security tensions	Indus Waters Treaty held in abeyance by India since 2025; Indian officials have stated Pakistan will not receive water it previously relied on	Factor agricultural and hydropower water-security risk into long-horizon project planning, particularly in Punjab and Sindh
Currency and repatriation controls	State Bank of Pakistan approval required for dividend and capital repatriation; rupee remains under managed float	Plan repatriation timelines around SBP approval cycles; hedge rupee exposure where feasible
Energy sector financial distress	Circular debt in the power sector remains a structural drag and a core IMF conditionality area	Favor projects with direct, internationally-financed power purchase agreements over grid-dependent ventures
Security-driven FDI deterrence	State Bank recorded ~34% year-on-year FDI decline by mid-2026, attributed in part to terrorism risk perception	Benchmark entry timing against security trend data rather than headline growth figures alone
Regulatory and bureaucratic friction	Despite BOI one-window facilitation, investors report slow land acquisition, customs clearance, and inter-agency coordination	Engage BOI and SECP early; use experienced local legal counsel for land and customs matters

INVESTOR RISK NOTE

Pakistan's risk profile in October 2026 is unusually bifurcated. On the macroeconomic side, the picture is the most encouraging it has been in years: a historic primary fiscal surplus, falling debt-to-GDP, a surging stock market, and an IMF program broadly on track. On the security side, the picture is close to the most severe in the country's recent history: a first-place ranking on the Global Terrorism Index, an explicitly acknowledged state of open conflict with Afghanistan, and a verified, measurable drop in foreign direct investment tied at least partly to that conflict. These two realities are not simply offsetting; they are geographically segmented. Karachi, Lahore, and Islamabad continue to function as largely ordinary commercial environments, while Balochistan and the Khyber Pakhtunkhwa border belt, which hold some of Pakistan's most attractive untapped mineral resources including the Reko Diq copper-gold deposit, are areas of active militant violence and cross-border strikes. Investors should treat Pakistan as two different country-risk categories depending on location rather than apply a single national risk rating.

MARKET ACCESS

Pakistan is a World Trade Organization member and benefits from the EU's GSP+ preferential trade scheme, which grants duty-free access for roughly two-thirds of tariff lines in exchange for compliance with international labor, human rights, and governance conventions. A reduced 19% US tariff agreed in 2026 preserves access to Pakistan's largest single export market, critical for the textile and apparel sector that dominates exports. The China-Pakistan Economic Corridor (CPEC) provides a framework for Chinese-financed infrastructure and the Gwadar port's long-term ambition as a regional trade and energy transit hub, though CPEC's second phase has moved more slowly than originally envisioned. Regional trade through the South Asian Association for Regional Cooperation (SAARC) remains largely dormant given the frozen state of India-Pakistan relations, meaning most of Pakistan's formal external trade runs through maritime routes via Karachi and Port Qasim rather than overland regional channels.

WHO SHOULD THE INVESTOR MEET?

INSTITUTIONAL LANDSCAPE

Actor	Why It Matters	Waverley Engagement Angle
Board of Investment (BOI)	Primary federal facilitation body for foreign investors; issues sector guidance and registration support	First point of contact for any new market entry
State Bank of Pakistan (SBP)	Monetary authority; approves capital repatriation and administers IMF program monetary conditionality	Essential counterpart for repatriation planning and macro-policy monitoring
Ministry of Finance / IMF program team	Negotiates and implements the ongoing \$7 billion EFF/RSF arrangement	Monitor program review outcomes as a leading indicator of policy direction
Special Technology Zones Authority (STZA)	Administers incentives for IT and tech-sector investment	Primary channel for technology and digital-economy entry
Pakistan Army / security establishment	Dominant actor in Balochistan and border-security policy; conducts counter-militancy operations (e.g., Operation Shaban)	Security clearance and coordination required for any site-based investment near conflict-affected areas
Privatisation Commission	Oversees divestiture of state-owned enterprises in energy, banking, and industry	Relevant channel for investors pursuing SOE equity stakes
Provincial governments (Punjab, Sindh, Balochistan, KP)	Control land allocation, provincial taxation, and local security coordination	Engage provincial authorities directly alongside federal bodies, especially for land-intensive projects

CURRENT INTERNATIONAL BUSINESS CHANNELS

The Overseas Investors Chamber of Commerce and Industry (OICCI), representing multinational investors, and the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) remain the principal business associations for market intelligence and government liaison. The American Business Council and various bilateral chambers (Pakistan-China, Pakistan-UK, Pakistan-Gulf) provide sector-specific networks. Multilateral development partners, the IMF, World Bank, and Asian Development Bank, maintain an active country presence given the ongoing IMF program, and their assessments are closely watched by the investor community as a proxy for policy credibility.

INVESTOR PROFILE BEST SUITED

Pakistan today suits investors with a genuine appetite for frontier-market risk and a clear-eyed view of its geographic bifurcation: export-oriented manufacturers and services firms comfortable operating in Karachi, Lahore, or Islamabad can access a large, English-literate, increasingly digitized consumer and labor market with improving macro fundamentals. Mining and resource investors eyeing Reko Diq and similar deposits need substantially higher risk tolerance and security expertise given the Balochistan conflict environment. Short-horizon portfolio investors have a credible near-term story in the strongly performing Pakistan Stock Exchange, though this carries the same macro-policy and security-sentiment volatility as the broader market. Investors unwilling to actively manage geographic and security segmentation within the country are poorly matched to Pakistan's current environment.

FROM INTELLIGENCE TO ENGAGEMENT

STEP 1: Segment risk by geography, not by country

Treat Karachi/Lahore/Islamabad-based investment and Balochistan/KP border-area investment as fundamentally different risk categories requiring separate due diligence standards.

STEP 2: Monitor the IMF program calendar

Use upcoming EFF/RSF review outcomes as a leading indicator of fiscal and energy-sector policy direction before committing capital tied to subsidy or tariff structures.

STEP 3: Engage BOI and provincial authorities in parallel

Open simultaneous dialogue with federal (BOI, STZA) and relevant provincial authorities, particularly for land-intensive or resource-sector projects.

STEP 4: Build security contingency into resource-sector plans

For any Balochistan or border-area mineral investment, commission an independent security assessment and build in operational contingencies for conflict escalation.

STEP 5: Plan currency and repatriation strategy around SBP cycles

Coordinate dividend and capital repatriation timing with State Bank of Pakistan approval processes, and monitor rupee stability against IMF program performance.

WAVERLEY'S ROLE

- Independent, geography-segmented due diligence distinguishing commercially viable urban centers from conflict-exposed border regions
- Direct liaison with the Board of Investment, STZA, and relevant provincial authorities for market entry structuring
- Ongoing monitoring of the IMF program review calendar and its implications for fiscal, energy, and monetary policy
- Security-risk assessment and coordination support for resource-sector investment in Balochistan and Khyber Pakhtunkhwa

INVESTOR CALL TO ACTION

Engage Waverley for a geography-segmented risk assessment before committing capital to any Pakistani site, distinguishing commercially viable centers from conflict-exposed border areas.

Request a tailored briefing on how the IMF program's energy-sector and fiscal conditionality may affect your specific investment structure.

WAVERLEY INVESTOR INTELLIGENCE & OPPORTUNITY PIPELINE

Pakistan's clearest near-term opportunity lies in IT and digital services, where exports already exceed \$3.8 billion with a government target of \$4.5 billion and freelancer exports approaching \$900 million, supported by Special Technology Zone incentives and a young, large English-speaking workforce. Textiles and apparel remain the structural backbone of exports and stand to benefit from the reduced 19% US tariff rate. A third, higher-risk but potentially transformative opportunity sits in mining, particularly the Reko Diq copper-gold project and other Balochistan mineral deposits, where international partners including Barrick are already committed, though realizing this opportunity at scale depends on a meaningful improvement in the security environment.

POSITIONING

Waverley views Pakistan as a country whose macroeconomic trajectory has genuinely improved in 2026, with fiscal discipline, IMF program credibility, and equity-market performance all pointing in the right direction, even as its security trajectory has moved in the opposite direction along its western border.

For investors able to apply disciplined geographic segmentation, pursuing commercial opportunity in Pakistan's major urban centers while treating its conflict-affected border regions as a distinct, higher-order risk category, Pakistan offers a genuine and currently underpriced opportunity, structured with the security and policy-monitoring safeguards this briefing sets out.

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