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Pakistan  
Horticulture  
Investment Forum



Investment Forum

FROM  
LAHORE CHAMBER OF COMMERCE AND INDUSTRY  
LAHORE - PAKISTAN

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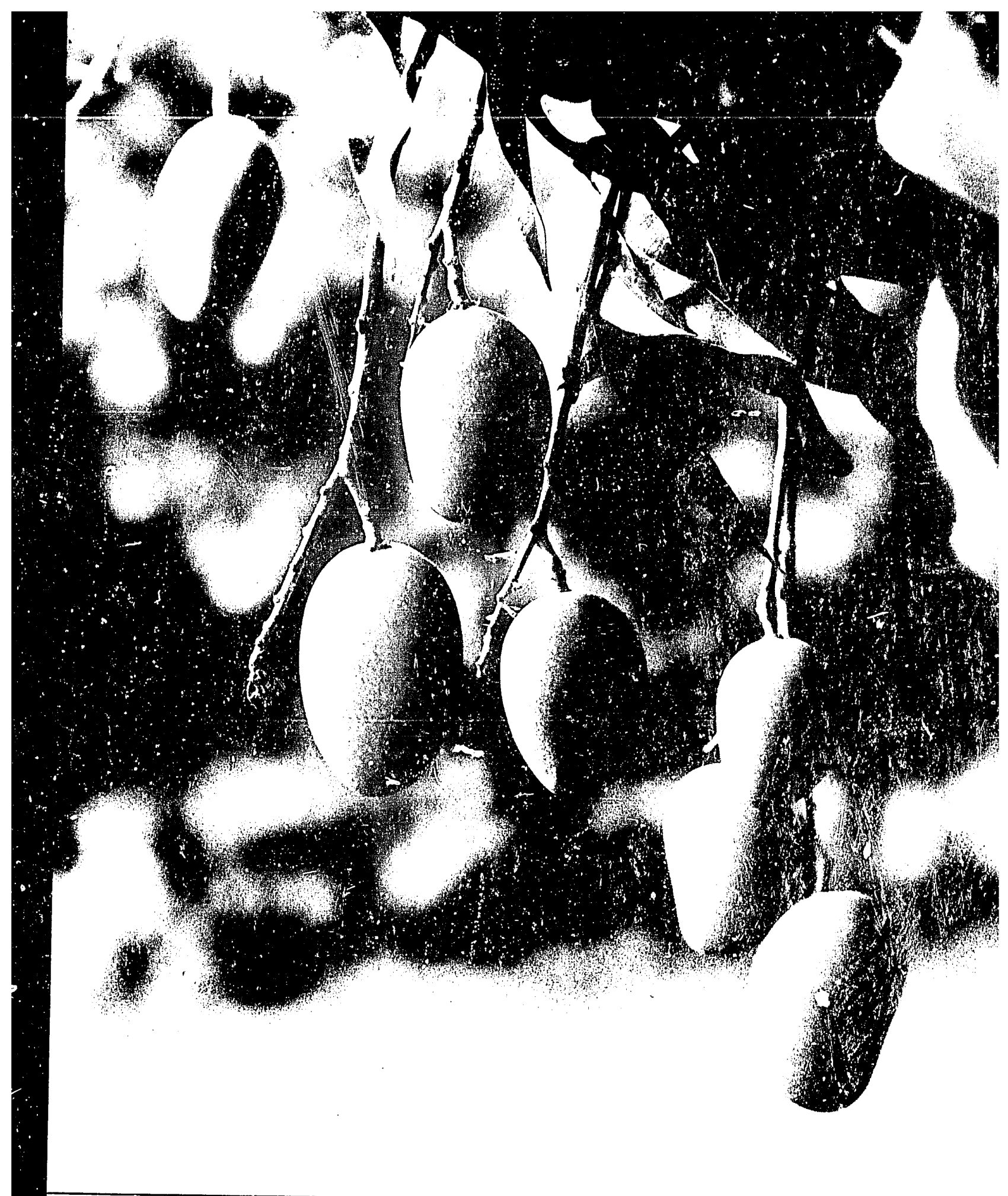
*Pakistan  
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*Foreign Investment Guide*

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## *Introduction*

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*Left & above: Anwar Ratol is a popular variety of mangoes. It is abundantly grown in Sindh and Punjab and is famous for its exquisite taste & flavour.*

In terms of horticulture, Pakistan's "Grow Anything" ability should provide it with an edge in important international markets. It's many dynamic industrialists who are keen to diversify, and abundant supply of inexpensive labour should help in attracting foreign investment to its expanding horticulture industry.

"Exotic" fruits and vegetables are gaining popularity in European markets. In 1987, Western Europe imported nearly U.S. Dollar 100 Million worth of fresh tropical and off-season fruits and vegetables from developing countries like Pakistan. The International Trade Forum reported that the last few years have seen dramatic increases in imports of such crops as avocados, mangoes, papaya and pineapples in major European markets. High volume, off-season fruits and vegetables imported into Western Europe include bell peppers, strawberries, melons, green beans and table grapes. Northern Europe also accounts for nearly one-half of the world market for tomatoes, apples and citrus and is a net importer of pitted fruits such as peaches and apricots. The fruit-juice market in North America continues to expand by 4-5 percent per year, and according to The World Food & Drink Report should reach 3 billion gallons by 1992.

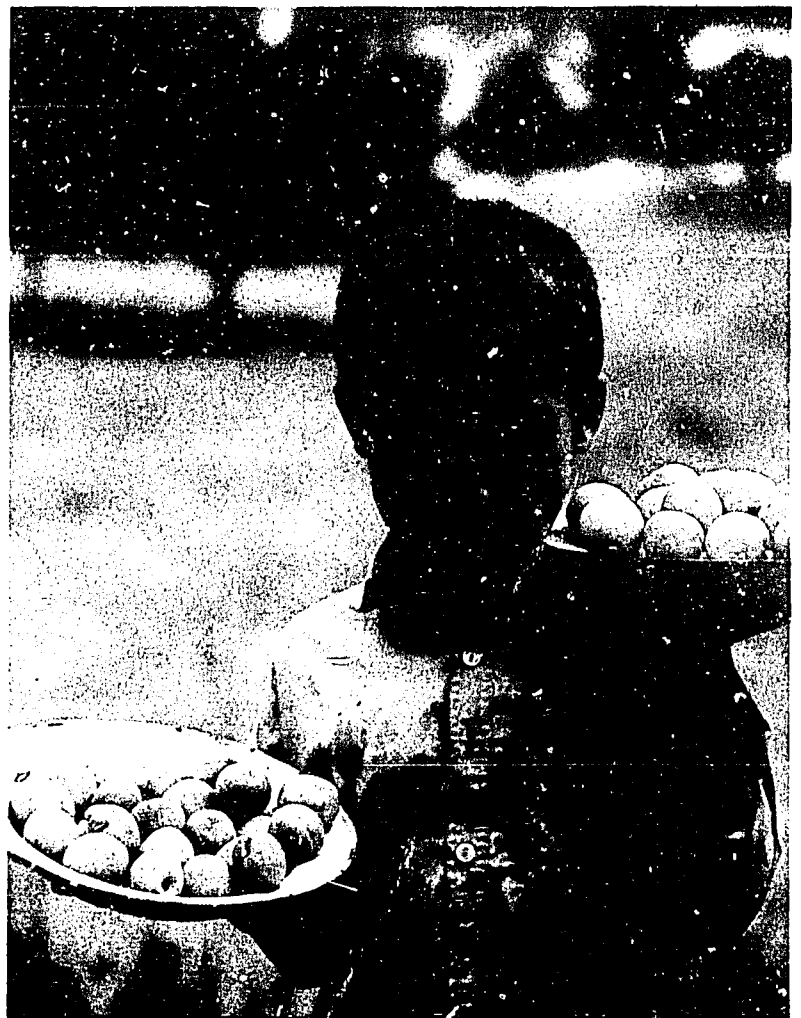
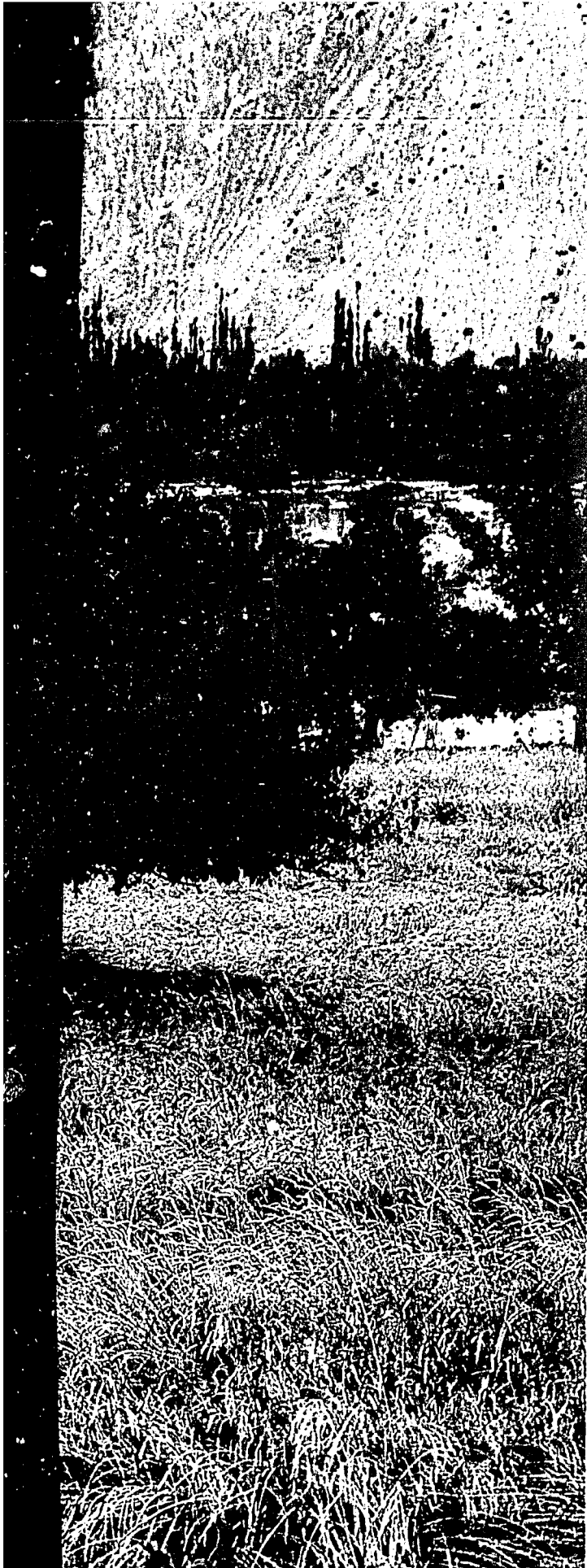
It is remarkable that Pakistan can produce all the temperate, sub-tropical and tropical fruits and vegetables cited above, in addition to such high-value items as asparagus, kiwi fruit, ornamental flowers and plants which are being successfully produced and marketed by Asian competitors located much further than Pakistan from key markets.

The goal of the new government in Pakistan is to increase production to 500,000 tonnes of high quality, exportable horticultural produce by 1993. To do this, Pakistani officials fully understand that the production and post-harvest technology and marketing expertise of foreign companies is sorely needed. The Government is determined to encourage foreign cooperation to exploit the country's competitive advantage in horticulture, and is providing the necessary incentives in the form of tax holidays, tariff reductions, profit repatriation allowances and infrastructure improvements which are described in the following pages.



The Lahore Chamber of Commerce and Industry (LCCI) has prepared this investment guide to encourage foreign participation in the development and expansion of the Pakistan horticulture industry. It is a preliminary background document for the Pakistan Horticulture Industry Investment Round-table which LCCI will host in November 1989. The Industry Council for Development (ICD), a private, non-commercial development organization supported by international industry and USAID/Pakistan are assisting the Lahore Chamber to organize and prepare for this meeting. At the request of Pakistani officials and USAID, ICD assessed the Pakistan horticulture industry and provided expert assistance to a national workshop on development and expansion of the industry held in 1986. This process identified tremendous potential for expansion of Pakistan horticulture for both domestic and foreign markets.

*Left: Among the many kinds of fruits found in the Hunza Valley, apricots are grown on a very large scale.  
Below: A Hunza boy selling apricots on the road side.*









Left: An orange orchard near Mingora in Swat.

## *Executive Summary*

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### *Introduction*

Pakistan has been compared to California in its ability to grow a complete range of horticulture crops. Over the years the country has gained considerable experience in producing internationally acceptable varieties of fruits and vegetables.

### *Area and Location*

Pakistan having an area of about 796095 square kms -- has an unlimited potential to add to its cultivated area. The country is centrally located in Asia, bordered by Iran, Afghanistan (both represent great business potential after the end of Iran - Iraq war and normalization in Afghanistan).

### *Market*

Pakistan is a growing consumer market of about 102 million people with per capita income of about US\$ 390 (1988). It is ideally situated to market products internationally, especially to Europe, Far East and the Middle East.

### *Political Stability*

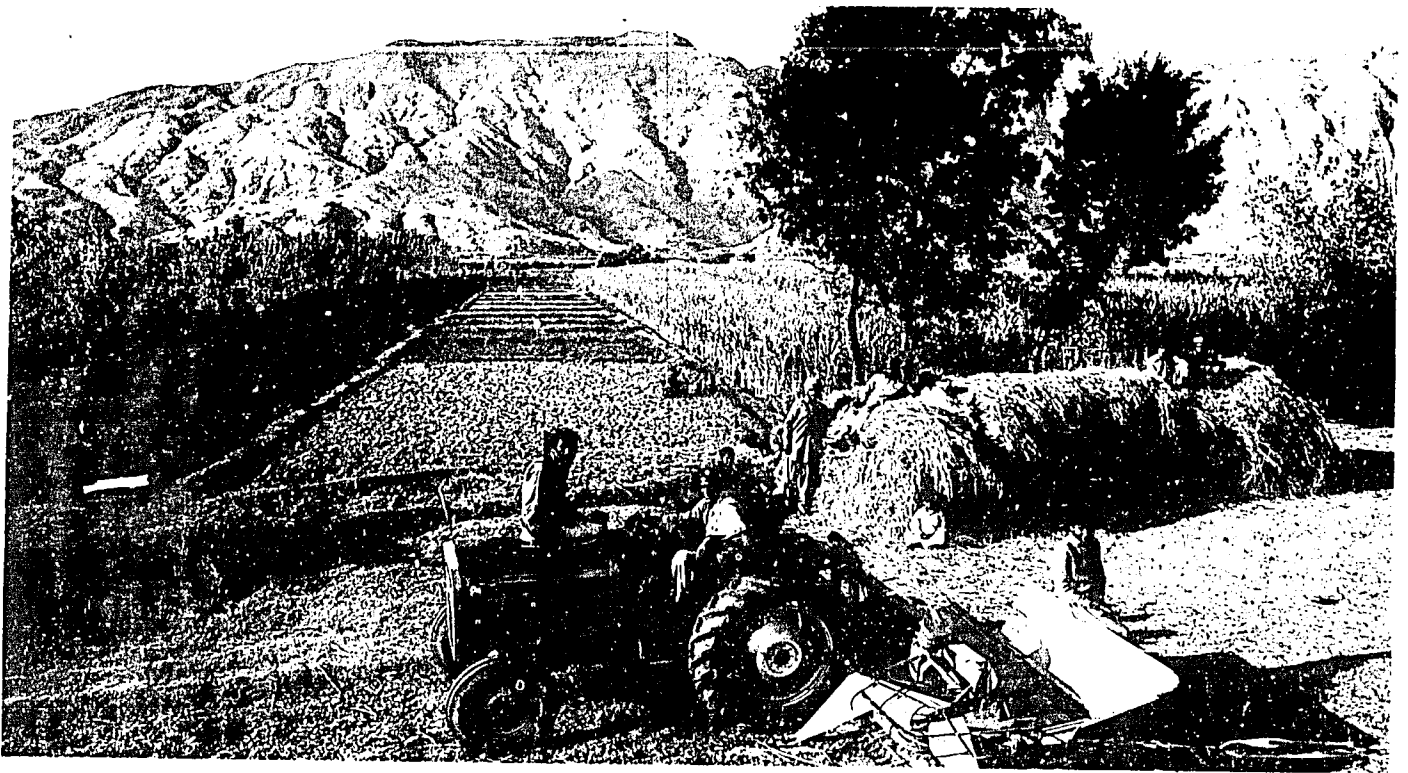
As a result of general elections held in November 1988, a democratic government was formed in the country. Mandate of the new government is to create a more open economy with a leading role for the private sector, and to encourage foreign investment.



*An inquisitive face of a girl from one of the northern regions of Pakistan.*

*A typical fruit shop of Pakistan displaying a variety of fruits.*





*The farmers of Pakistan have switched to modern implements. Here a group of farmers enjoying their leisure time in the Swat valley.*

### *Infra-Structure*

Pakistan's infra-structure is being upgraded at a brisk pace to cope with the challenges of the 1990s. Roads, rails, air and sea transportation facilities are convenient and are being constantly modernised. Telephone/Telex/Fax networks are widely used for business.

### *Education*

Pakistan has a network of modern universities, teaching all aspects of agriculture, business, economic, engineering, etc. Further training is often undertaken in Western universities.

### *Agro-based Potential*

Agriculture is the mainstay of Pakistan's economy accounting for over 23% of GDP. Main crops of the country are cotton, wheat, rice, sugarcane and maize. Pakistan is extremely well endowed with excellent soil, climate and irrigation facilities to produce a wide variety of fruits and vegetables. The main fruits include apples, melons, mangoes, citrus, apricots, guavas, bananas, lychees, figs, berries, etc., whereas the important vegetables are onions, tomatoes, potatoes, peas, carrots, etc. (see annexures 1, 2 and 3 and Maps 1 & 2).

## *Investment Incentives*

In order to accelerate industrial development in the country, a number of tax concessions have been provided such as exemption from customs duty on all imported machinery, defrayal of duty, sales tax concession, income tax relief, super tax rebate, investment tax credit, liberal depreciation allowances, profit repatriation facilities and protection from imports to deserving industries.

## *Language*

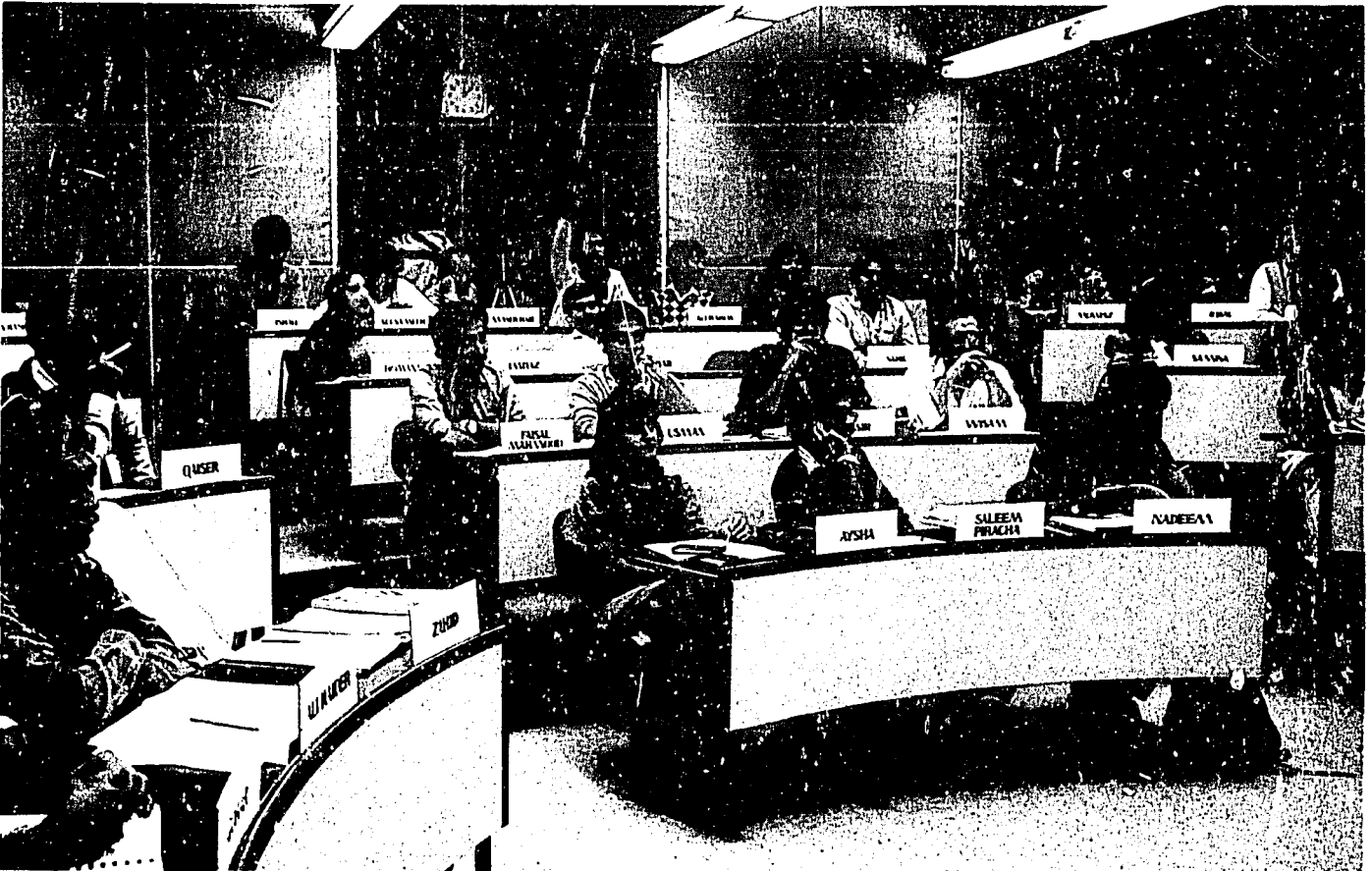
The national language is Urdu with local languages used in the Provinces. English is widely understood and is the official language of the Government, business and banking.

## *Currency*

Major currency of the country is a rupee. Exchange rate is:-

21.51 Pak Rupees	=	1 US Dollar	} Recent Figure
33.00 Pak Rupees	=	1 Pound Sterling	

*The Lahore University of Management Sciences provides high quality management education.*

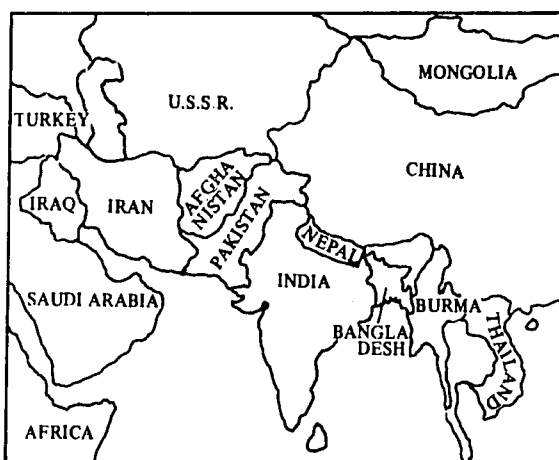


*Pakistan's territory encompasses eight of the world's ten highest peaks. This is a view of the Mt. Rakaposhi seen from the Karakorum Highway.*



# Geography

## Area and location



Pakistan has an area of 796,095 square kilometres (79.61 million hectares). The total cultivated area is 20.8 million hectares (13.05 million irrigated and 7.75 million unirrigated). The area under forests is 3.15 million hectares.

The country is centrally located in Asia. Along the northern areas of Pakistan is the Chinese Province of Sinkiang. Towards the west and north-west are the states of Iran and Afghanistan and on the east and south are the borders with India. The coast line of Pakistan runs along the Arabian Sea between the borders with Iran and India.

## Topography

There are 4 provinces in Pakistan, namely Punjab, Sind, NWFP and Baluchistan. The Federal Capital is Islamabad and the main sea-port is Karachi.

The northern region of Pakistan is famous for its high mountain ranges, the Himalayas and Karakorams, which abound in places of great scenic beauty. The highest peak in the area is Godwin Austin (K-2) which is 28,250 feet (8692.3 metres).

## Population

Pakistan has a number of 102.23 million. Rate of growth is 3.1% per annum and density is 106 persons per square kilometre.

(In million)

Region/ Province	Total Population	Male	Female	Urban	Rural
Pakistan (Total)	102.23	53.67	48.60	28.90	73.30
Islamabad (Federal) Capital	0.42	0.23	0.18	0.24	0.18
Punjab	57.40	30.16	27.22	15.83	41.55
Sind	23.09	12.13	10.95	10.00	13.08
NWFP (excluding) FATA*	13.42	6.99	6.43	2.03	11.40
FATA	2.70	1.38	1.28	---	2.70
Baluchistan	5.25	2.77	2.48	0.82	4.43

\* Federally Administered Tribal Areas

*Mechanical harvesting in progress in the Punjab.*



## *Economy*

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Since its inception in 1947 Pakistan has passed through over four decades of progress. In the process, the economy has altered significantly, from a predominantly agricultural one to a semi-industrialised one. The size of national product has grown substantially, its structure has become more diversified and developed, and techniques of production have been modernised. Pakistan's Gross National Product (GNP) at current prices has reached a level of US\$ 5,397 million in the financial year 1987-88. GDP growth of 5.8 percent during 1987-88, comprised sectoral growth rates of 5.4% in Agriculture and 7.6 percent in Manufacturing.

### *Foreign Trade*

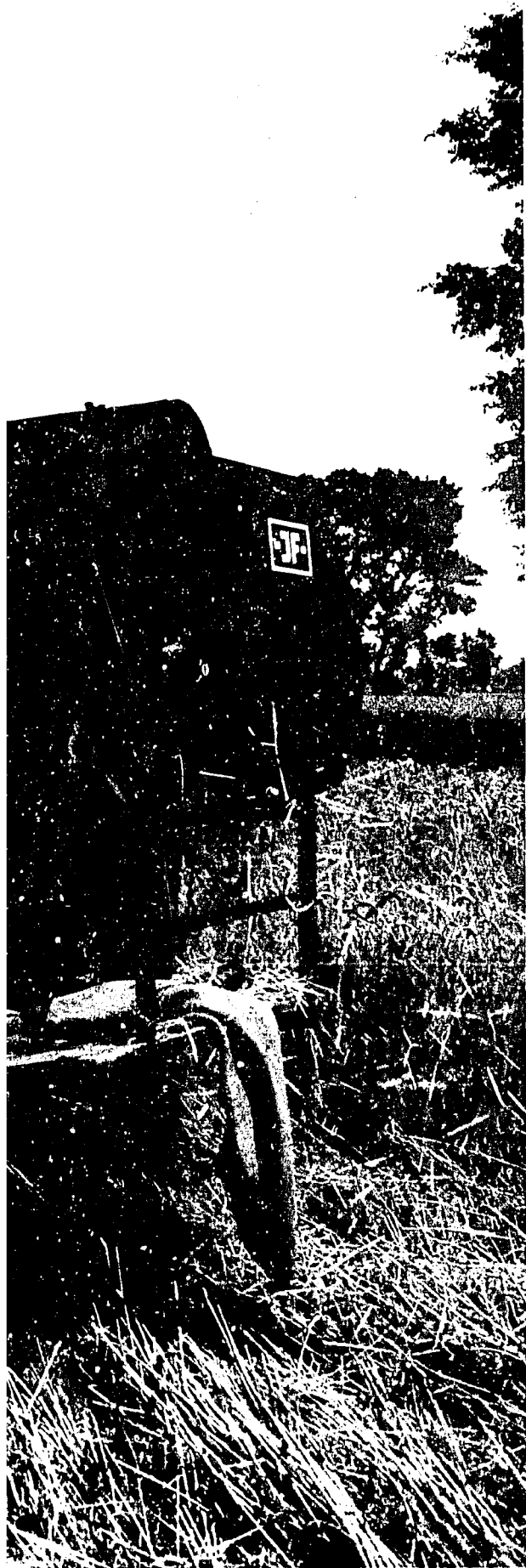
Pakistan has an open economy. The growth performance of foreign trade of Pakistan has been its most notable feature during the recent period. Its total merchandise exports during fiscal year of 1986-87 were US\$ 3,498 million whereas total merchandise imports during 1986-87 were US\$ 5,792 million. The export items are rice, cotton and cotton products, fish, carpets, leather and products of small industries such as sports goods and surgical instruments.

Pakistan's largest individual trading partners are the United States of America, the United Kingdom, Japan, Middle Eastern countries, France and West Germany. This provides an excellent base for export trade in horticulture.

### *Industry*

Average growth rate in large scale manufacturing in the past few years has been around 14% per annum which was one of the highest amongst developing countries. Industrialization in Pakistan has passed from the initial concentration in textiles to the manufacture of sugar, cement and vegetable ghee and later, to more sophisticated chemical and engineering industries. Local entrepreneurs are energetic, capable, outward-looking, and responsive to new opportunities in business. They have a great deal of faith in themselves and in the men and women who work with them. Therefore, the country now has substantial production capacities in cotton textile, sugar, cement, fertilizers, leather and leather products, carpets, vegetable ghee and some engineering goods.

Pakistan's competitiveness is strongest in semi-customised, small batch, fast-response activities. Industrial strategy relies primarily on the expansion and technological upgrading of Pakistan's skill base.



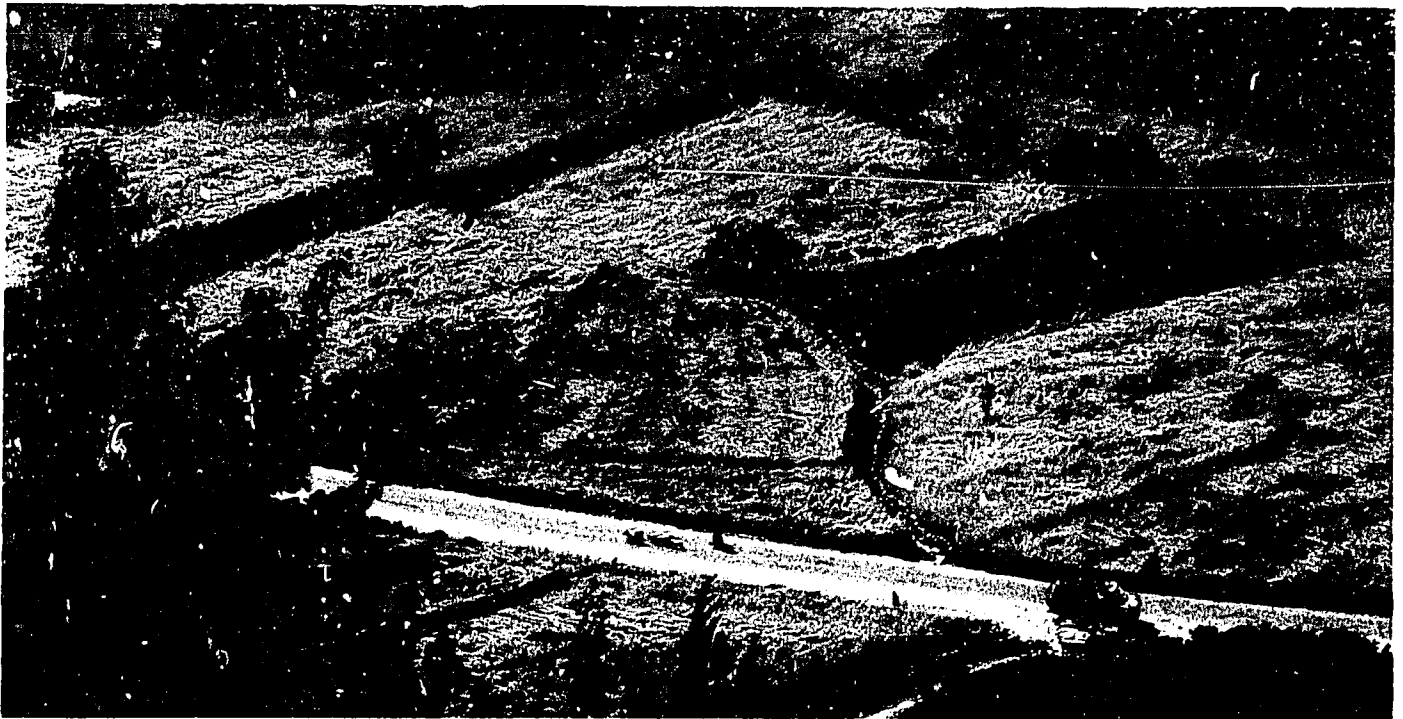






Left: The Kalash Valley near Chitral has many orchards of apples, mulberries, pears & grapes. Above: Two Kalash girls in their traditional dresses.

An off-shoot of the Karakorum highway runs through the fertile valley of Hunza.



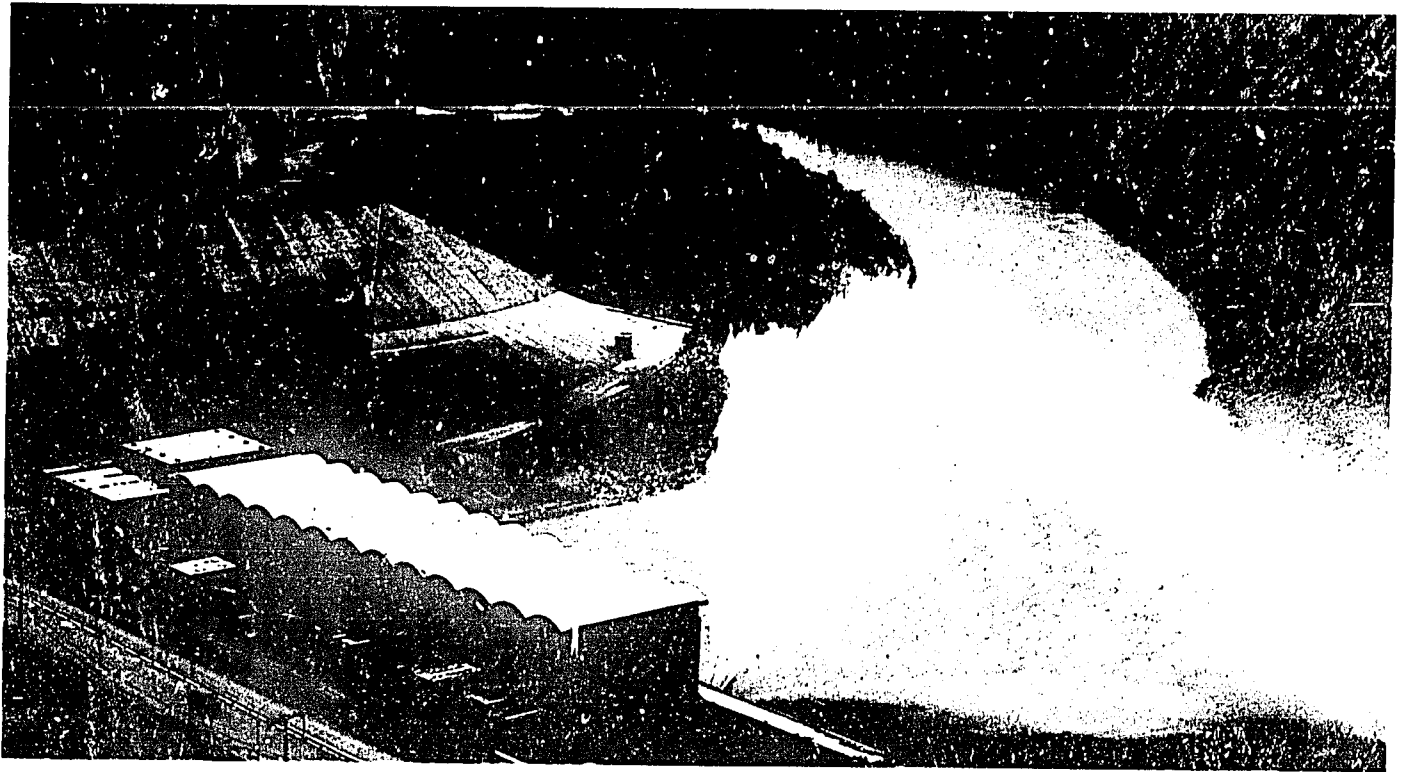
Policy-makers are strongly aware of the need for a steady flow of direct, foreign investment to help the country acquire further technical and marketing know-how.

### *Agriculture*

Agriculture is the mainstay of Pakistan's economy accounting for over 23% of gross domestic product (GDP), employing about 50% of the labour force, and about 70% of export earnings, including processed agricultural exports. Although its share in GDP has declined over the years due to diversification towards industry, agriculture continues to remain the most important sector of the economy providing a livelihood to over 70% of the rural population. Over the last two decades, agriculture has advanced rapidly and has maintained an average growth rate of 3.3 percent per year. The principal agricultural crops are wheat, rice, sugarcane, tobacco and cotton.

### *Physical Infrastructure*

Pakistan's infrastructure is being upgraded at a brisk pace to cope with the challenges of the 1990s. Reliable air, sea, rail and road links connect the country with the rest of the world. Pakistan has approximately 110,000 kilometres of metalled roads. Railways, spread over 8,800 route kilometres are the principal means of transportation. Road transport consists of an expanding fleet of buses and trucks which supplement the railway network. 60% of the transportation of goods has been containerised.



*The Mangla Dam provides irrigation and power to distant areas.*

Extensive conventional and roll on/roll off services by international shipping lines, among them Pakistan National Shipping Corporation, carry freight and cargo from Pakistan to all international ports. All major container lines also call at the Karachi Port.

Two national ports and harbours promote Pakistan's pre-eminence as a pivotal centre for the transportation of goods to destinations around the world. Pakistan's telecommunications system enables direct international link by telephone, telefax and telex. The socio-economic development of the country entails rising levels of energy consumption. The present installed generating capacity is 6,653 MW.

In order to eliminate power shortage as well as to meet the growing electricity requirements for industrial, agricultural, rapid urbanization and rural electrification, medium and long-term measures are being taken.

### *Social Infrastructure*

Pakistan's system of education caters to the requirements of students at all levels. The Punjab University in Lahore is the oldest in the sub-continent. It has a long tradition of scholarship and research in most disciplines and awards degrees in the Liberal Arts, Business Management and Education. The Engineering Universities and Medical Colleges in Pakistan award degrees in Architecture, Civil Engineering, Electrical Engineering, Mechanical Engineering, Computer Sciences, Electronics,

The kinno is grown on a very large scale in Pakistan.



Medicine and Surgery. To provide skilled workers for industry, polytechnic institutes exist near the industrial areas. The secondary school system is extensive. Students are prepared for international or local school leaving examinations, such as the U.K. General Certificate of Education at "A" and "O" levels offered by London University, Oxford University and the Associate Board of Examinations.

For the expatriates working in Pakistan, international schools (U.S.) are situated in Lahore, Islamabad, and Karachi. The quality of education available in Pakistan attracts students from the African and the Middle Eastern countries.

Medical facilities available in Pakistan are continually improving. U.S. and U.K. specialists trained in the fields of surgery and medicines are available in the country. Besides a well-organized public health system, private medical facilities, particularly in urban areas, also provide medical care. There are about 12,000 doctors, 250 hospitals and 9,000 clinics operating in the Private Sector.

### *Political*

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Pakistan is a Republic with a President as Head of the State. Executive authority of the federation is exercised in the name of the President by the Federal Government consisting of the Prime Minister and his/her cabinet who are collectively responsible to the National Assembly. Parliament which comprises two houses, the Senate and the National Assembly, is the supreme law-making body in the country.

In November 1988, general elections were held. As a result of these elections, a new democratic Government was elected with a mandate to move towards a free economy, liberalization of trade, and development of industrial strategy based primarily on the leading role of private sector investment including investment from overseas.

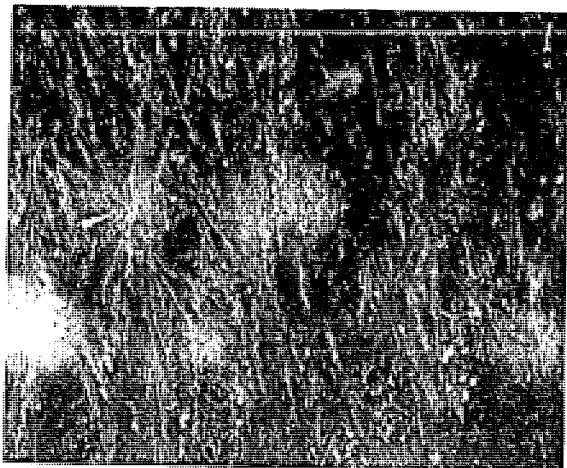
### *Pakistan's Strategic & Economic Importance*

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Pakistan has good relations with the muslim countries of the region and Middle East. Pakistan can and does play a role of centre for an entrepot trade with Middle Eastern and neighbouring countries.

With the normalization of the situation in Afghanistan, Iran and Iraq, Pakistan can play a pivotal role in international efforts for relief and reconstruction of the countries. Pakistan is a natural base for the supply of food and agricultural products to these countries.

## Agro-based Industry



Melon is a popular fruit in the summers.

As the domestic market of processed fruits & fruit drinks is rapidly growing, there is also a vast scope of their export to Middle East, Europe & South East Asia.

The main fruits include apples, mangoes, citrus, apricots, guavas, melons, water melons, berries and nuts whereas the important vegetables are onions, tomatoes, potatoes, peas, beans, cabbage, carrots, gourds, garlic, most of which are consumed fresh within Pakistan. The installed capacity for the production of fruit preserves, canned fruits, tomato products, syrups, squashes and processed vegetables is estimated at 25,000 tons per annum. Production and exports of fresh fruits is given in Annexure I.

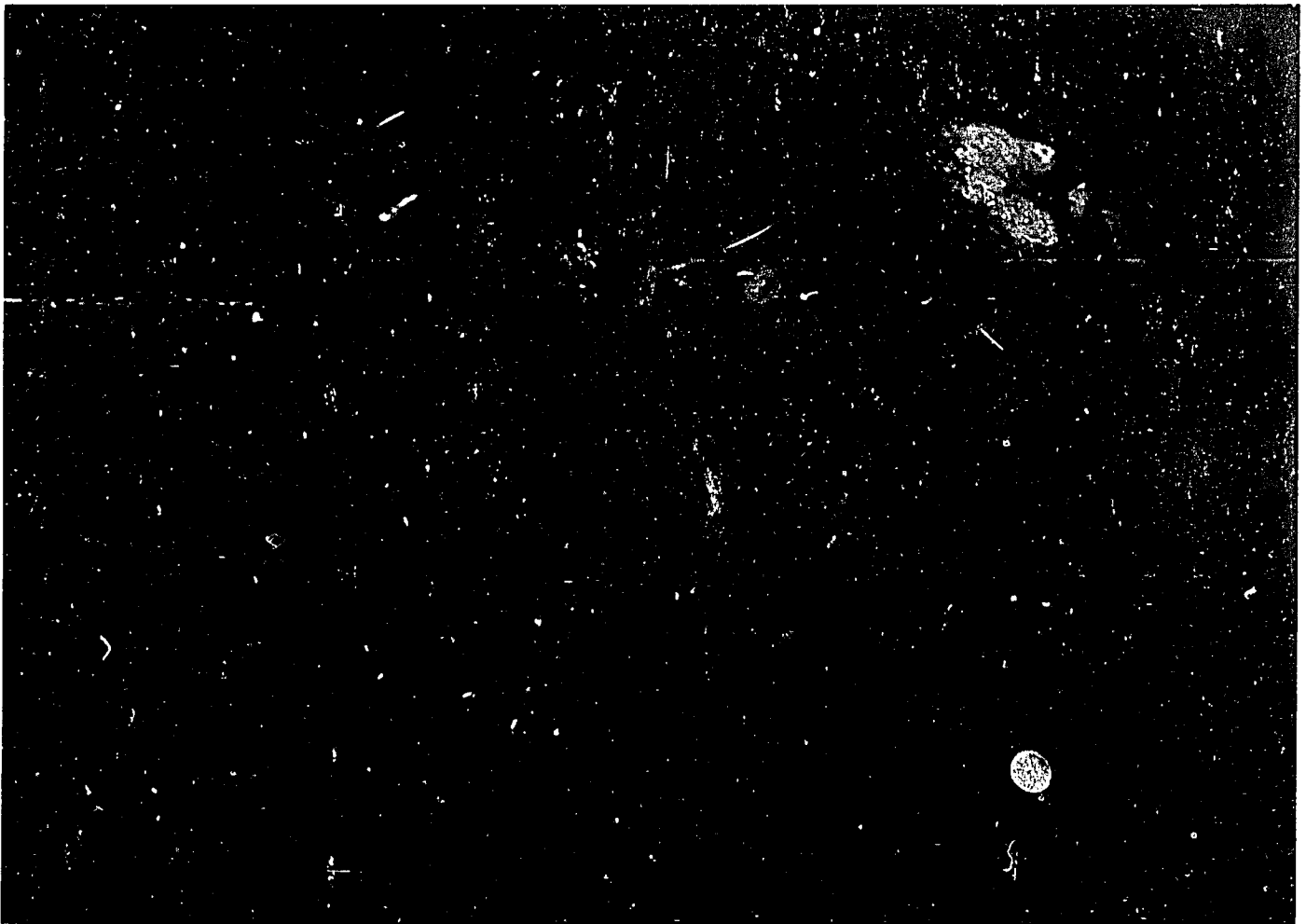
The domestic market for processed fruits, fruit drinks is rapidly expanding. With the improvements in standards of living it is envisaged that this sector will continue to grow. There exists vast scope for the export of processed fruits and vegetables to markets of Middle East Europe and South East Asia.



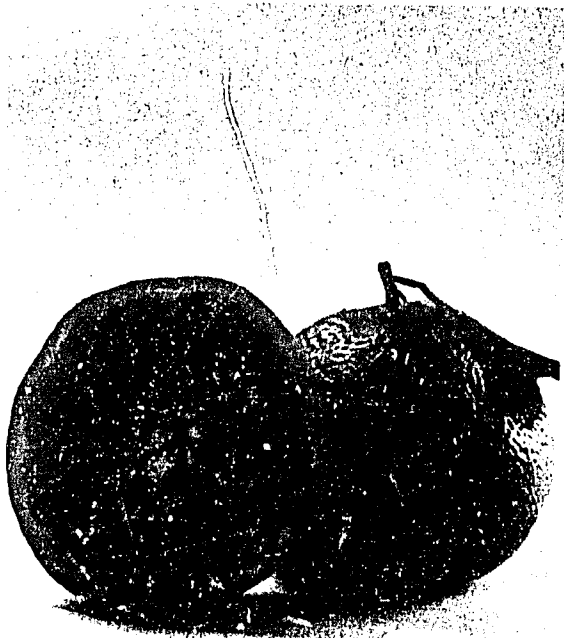
## *Horticulture Industry*

The Horticultural Industry of Pakistan is one of the major growth areas in the economy. The country is very fortunate that it has tropical, sub-tropical and temperate climates. Vast areas are fed by irrigation channels which draw water from the many rivers of the country. It is possible to grow a wide range of fruits from tropical mango, papaya, guava to temperate apples, pears and cherries. There are many micro-climate areas where crops can be grown at altitude. The major fruits produced by areas are citrus and mango in Sind and Punjab, temperate crops at altitude in Baluchistan and North Western Frontier Province. Citrus production increased over 100 percent in the last decade and nearly two million tons are produced annually. Similarly production of apples has doubled in the same period. New high yielding varieties of various fruits are being introduced in the country. Apricots, persimmons, strawberries and asparagus are examples of this type of development. The range and quantity of products can be substantially increased provided markets can be established or strengthened.

*The blood orange.*



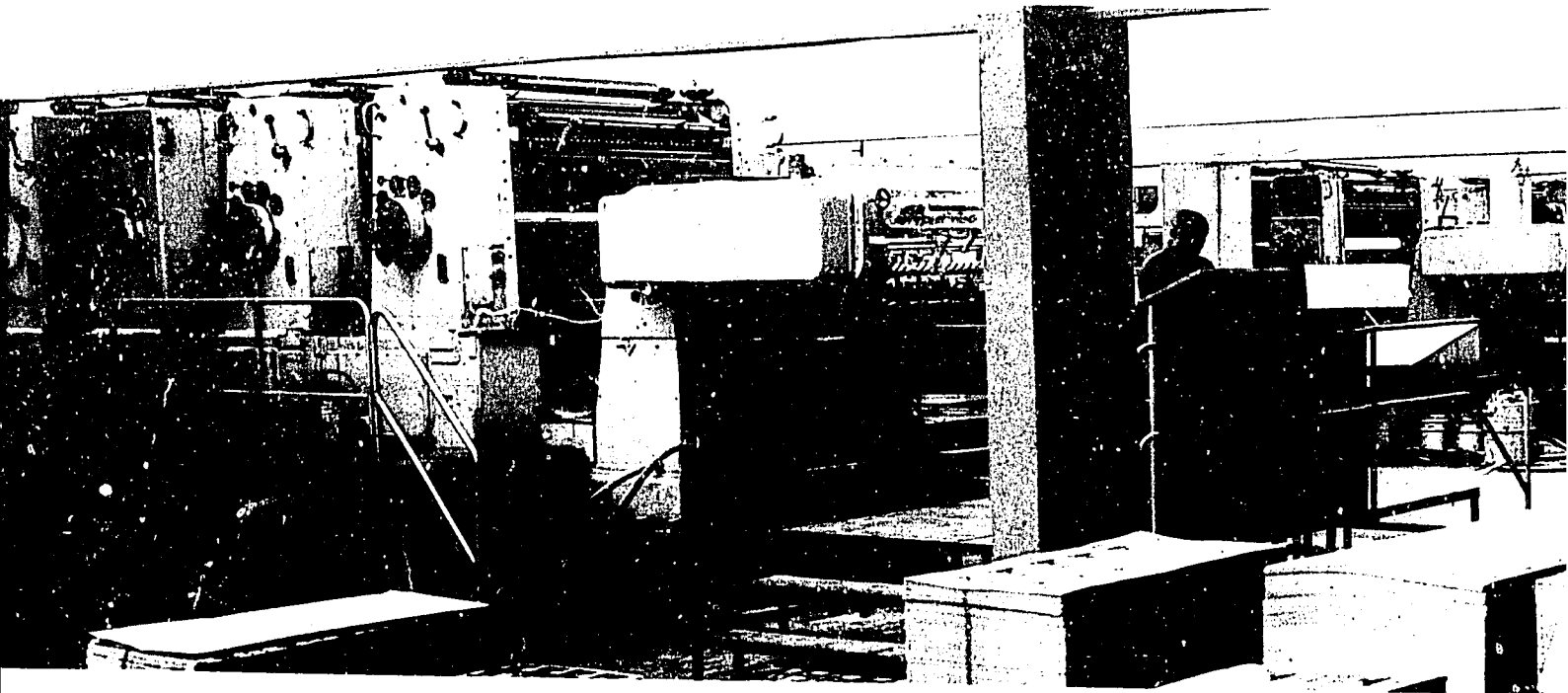
*Citrus production increased over 100 percent in the last decade and nearly two million tons are produced annually.*



Vegetable production is carried out throughout the year with onions and other vegetables grown in the winter in the tropical south, and in the spring and summer in the north. Tropical vegetables are grown in the south in summers. A calendar of fruits and vegetables is given in Annexure I.

The National Commission on agriculture report 1988, has recommended a number of steps for the promotion of Horticultural Industry in the country. The Commission says:-

*"Fruits, vegetables, condiments and spices are high value crops with three times the value-added per hectare compared to other crops. Currently there are 800,000 hectares producing 7 million tons of these products. The area under these crops is projected to increase by 1.15 million hectares and the production to 15 million tons by the year 2000. Production of fruits is a small scale business with 96% of the 215,000 orchards being 5 hectares or smaller in size. Pakistan's progress in production of quality mangoes, citrus, bananas and apples has been particularly good. Pakistani mangoes and kinno (oranges) has found good demand in export markets but vegetables exports have not yet been developed. Suitable producer incentives have to be combined with adequate marketing, processing and transport arrangements in order to realize the potential for production and export of horticultural crops".*





## *Allied Industries*

### *i) Packaging*

The packing industry for fresh produce has improved over the past decade. The major improvement is in the fiberboard box sector. The print and graphics design have come up to international standards with many companies offering multi-colour printing. The use of plastic in the packing industry is being developed. As export of fresh produce increases there will be need for this sector to be built up to meet the demand of modern packing. Plastic containers will be needed for cold storage once the cold storage industry is modernized. Plastic nets for vegetables are widely used internationally and this industry should be developed in Pakistan to replace the heavy jute sacks at present used on the domestic market and the hessian sacks used in the export sector.



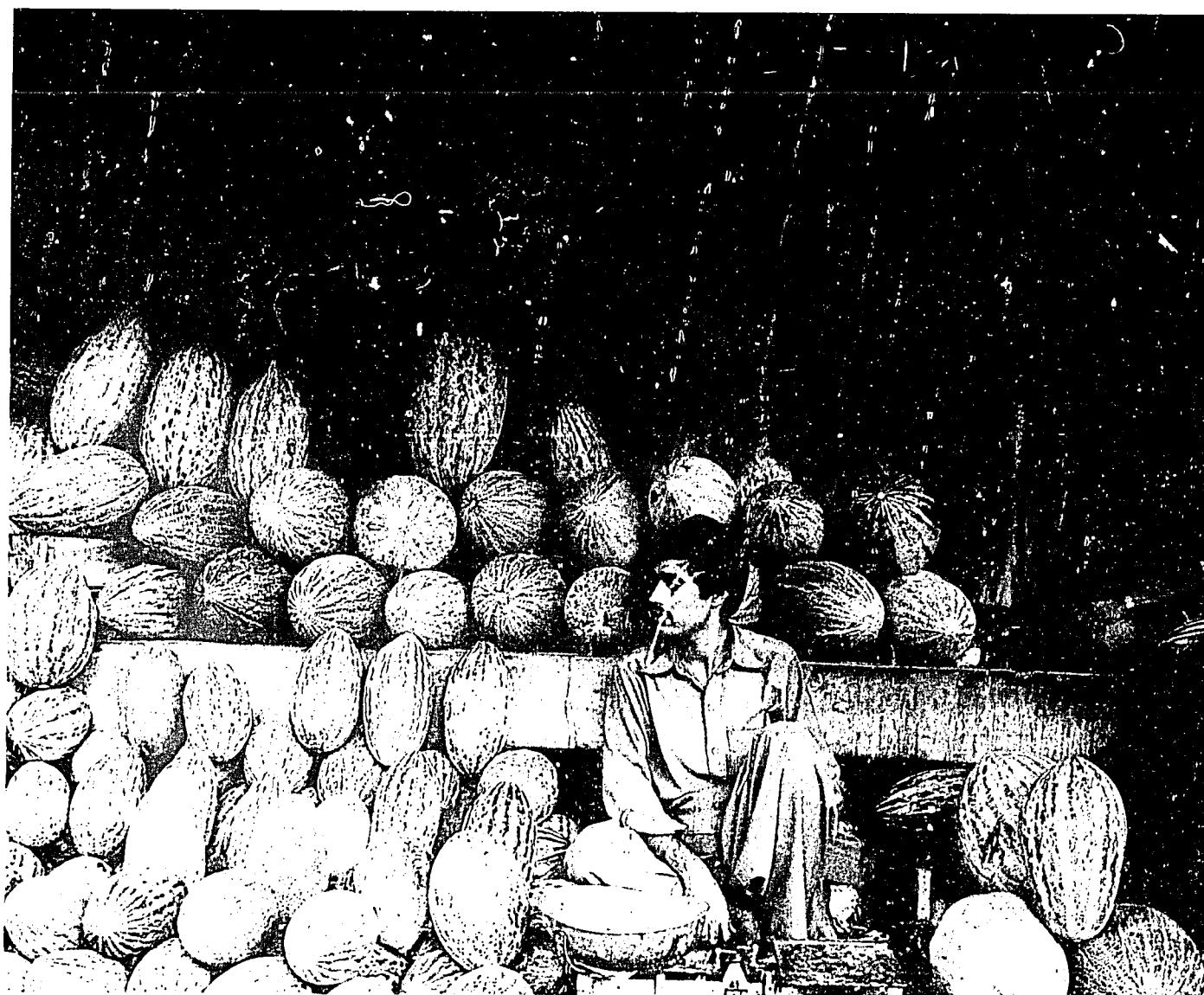
*The print and design of the fibreboard box sector has come up to the international standard.*

*The offset printing hall of Packages Ltd. Lahore where many multicolour printing units are used for high quality printing.*

### *ii) Transportation*

There is a need for a company to join with a Pakistan company to develop refrigerated lorry units suitable for the Pakistan road conditions. This type of transport could be used in other sectors as well as the fresh produce sector.





*A fruit shop in Peshawar.*

### *iii) Cold Storage and Cooling*

The cold stores in Pakistan are nearly all ammonia based. With the increase in production and demand both at home and overseas, there will be a need for modernising the cold storage facilities to reduce wastage. At present pre-cooling is not practiced either for the domestic or export market. The latest techniques including vacuum, hydro and blast air cooling will need to be developed at the new integrated grading stations.

### *iv) Grading Facilities*

At present there are a few grading stations that have modern grading facilities. In order to improve the export potential and domestic quality, modern integrated grading stations will be needed with combined pre-cooling, grading and cold storage facilities.

## *Related infrastructure*

### *i) Marketing*

Fruit marketing is currently in the hands of contractors and wholesalers. Over the past three years there has been a marked increase in the number of growers wishing to improve returns on their crops by using new market strategies. These growers are forming commodity based growers marketing associations. Loans have been approved for training growers and improving post-harvest technology. Another part of the aid program is to set up a national price reporting structure which will incorporate overseas price information. There are plans to develop new, and improve existing wholesale markets in the country.

### *Communications*

#### *Roads*

A major component of the Federal Government's policy is to assist growers by building farm to market metal roads. This is an ongoing development which is being funded by various international donor agencies. This programme will allow cold chain distribution to be practiced from production to the consumer.

#### *Rail*

Refrigeration containers have been built and used to transport frozen fish from the sea ports to the hinterland. Similar containers could be used to transport fresh produce from production areas to docks.

#### *Air*

Karachi, Islamabad and Lahore are international airports from where it is possible to export fresh produce. In 1988 the Federal Government permitted foreign charters to be used as and when required to export fresh produce. The cargo rates for fresh produce are kept lower than other rates in order to encourage exports.

#### *Shipping*

Most major shipping lines using Karachi docks offer refrigerated container facilities to ship fresh produce to the Far East, Americas and Europe. Pakistan Shipping Corporation offers reduced rates for the transportation of fresh produce.

The five hundred mile long Karakorum Highway, also known as the Silk Route, is an all weather road which connects Pakistan with China through the 16000 ft high Khunjab Pass.



## *Other*

### *Electricity*



*Due to fast expanding electrification in the villages, many areas have been brought into production by the use of ground water irrigation.*

One of the major reasons for the improved living conditions in the villages and on the farms has been the Federal Government's policy assisted to bring electricity to vast areas. With electrification, areas have been brought into production by the use of groundwater irrigation. Cold storage facilities can now be constructed in all major growing areas.

### *Educational and Technical Support*

Higher agricultural education in Pakistan is provided by three universities (one each of Peshawar, Faisalabad and Tandojam) and three colleges. Another college is being established at Quetta in Baluchistan.

Pakistan has developed a sound base for effective research in agriculture, particularly in horticulture. The following institutions are actively engaged in research activities:

- 1- Ayub Agriculture Research Institute, Faisalabad, Punjab.
- 2- The Horticulture Research Institute, Mirpur Khas, Sind.
- 3- Nuclear Institute for Agriculture and Biology, Faisalabad, Punjab.
- 4- Agriculture Research Institute, Sariab, Quetta, Baluchistan.
- 5- Agriculture Research Institute, Tarnab.

In addition, it has been proposed to :-

- a) Establish multi-disciplinary mango and citrus research institutes at Shujabad, Multan, Bhalwal and Sargodha.
- b) Set up a National Institute for Horticulture in N.W.F.P.

## *Industrial Investment Incentives*

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In order to accelerate industrial development in the country, a number of tax concessions have been provided such as exemption from custom duty, deferral of duty, sales tax concession, income tax relief, super tax rebate, investment tax credit, liberal depreciation allowances, profit repatriation facilities and import protection to deserving industries.

### *Custom Duty Concessions*

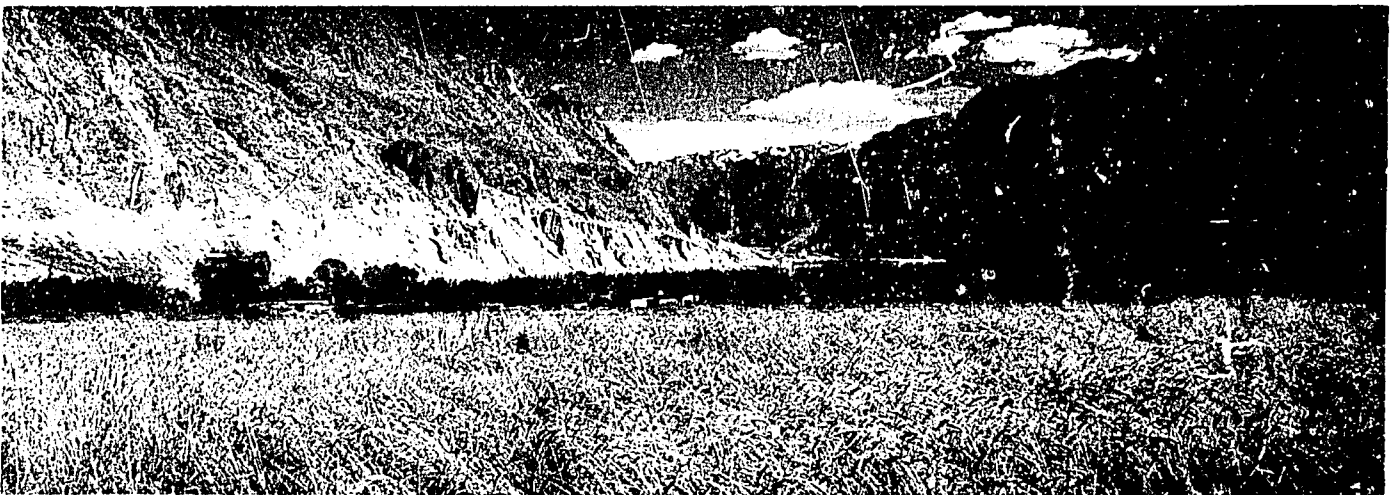
There are two broad categories of customs concessional duties: 1) by specific area and 2) by specific industry. Both the concessions are aimed to dispersal of industry to the backward areas. The industry specific concessions are given to such industries as are considered essential to the economy.

#### *1) Area specific*

In the area specific category, complete exemption of customs duty and sales tax is provided on import of machinery other than that manufactured locally for setting up of industrial projects approved by the Government in the following areas:

- i) Province of Baluchistan (excluding Hub Chowki area).
- ii) North-West Frontier Province.
- iii) Federally administered tribal areas.
- iv) Northern areas, (administered by administrator).
- v) Azad Kashmir

*A view of the fertile fields near Gilgit.*





### *Area Specific Sales Tax*

All goods produced or manufactured by such industries which are set up between the 1st July, 1988 and the 30th June, 1991 in the areas of Baluchistan, N.W.F.P., FATA, Northern areas and Azad Kashmir, shall be exempt from the sales tax for a period of eight years commencing from 1st July, 1988.

### *2) Industry Specific*

In the industry specific category, complete exemption from custom duty and sales tax is available upto 30th June, 1991 on import of plant and machinery for industries using more than 70% local raw materials, fertilizer plants (e.g. Horticulture), engineering industries, electronics and other high-tech industries as may be notified by the Government.

### *Balancing Modernisation Replacement (BMR) Concession*

Complete exemption of custom duty is available on the machinery if imported under the BMR scheme for the textile processing industry, made up garments, hosiery and towel industry and tanning industry, leather garments and glass manufacturing industry and sports goods industry, surgical goods industry and cutlery industry.

### *Income Tax Concession*

A four-year tax holiday has been allowed throughout Pakistan to those key industries established between 1st July, 1988 and 30th June, 1991. The tax holiday will be admissible for key industries i.e. fertilizer, textile, engineering goods, electronics, high-tech products and other industries using 70% of raw materials produced locally. This includes horticultural processing projects.

In order to encourage industrial development in less developed areas, the income tax holiday stated above has been extended to eight years for all industries proposed to be located in NWFP, Baluchistan (except Hub Chowki area), FATA, Northern area and Azad Kashmir set up between 1st July, 1988 to 30th June, 1991.

*The production of lychees has grown manifold in the last few years.*





## Foreign Private Investment



*During the year 87-88, Pakistan produced an estimated 208000 tons of bananas.*

Government of Pakistan gives great importance to the inflow of direct foreign investment, particularly in areas where it brings advanced technology, managerial and technical skills, and market expertise. The Foreign Private Investment (Promotion and Protection) Act provides for security against appropriation and adequate compensation in case of acquisitions. The Act also guarantees the following :-

- i) remittances of profit and capital;
- ii) remittances of appreciation of capital investment;
- iii) foreign private investment shall not be subjected to more burden of taxes on income than those applicable to investment made in similar circumstances by citizens of Pakistan; and
- iv) relief from double taxation in cases of those countries with which Pakistan has agreement for avoidance of double taxation.

Foreign investment is also entitled to the following facilities :-

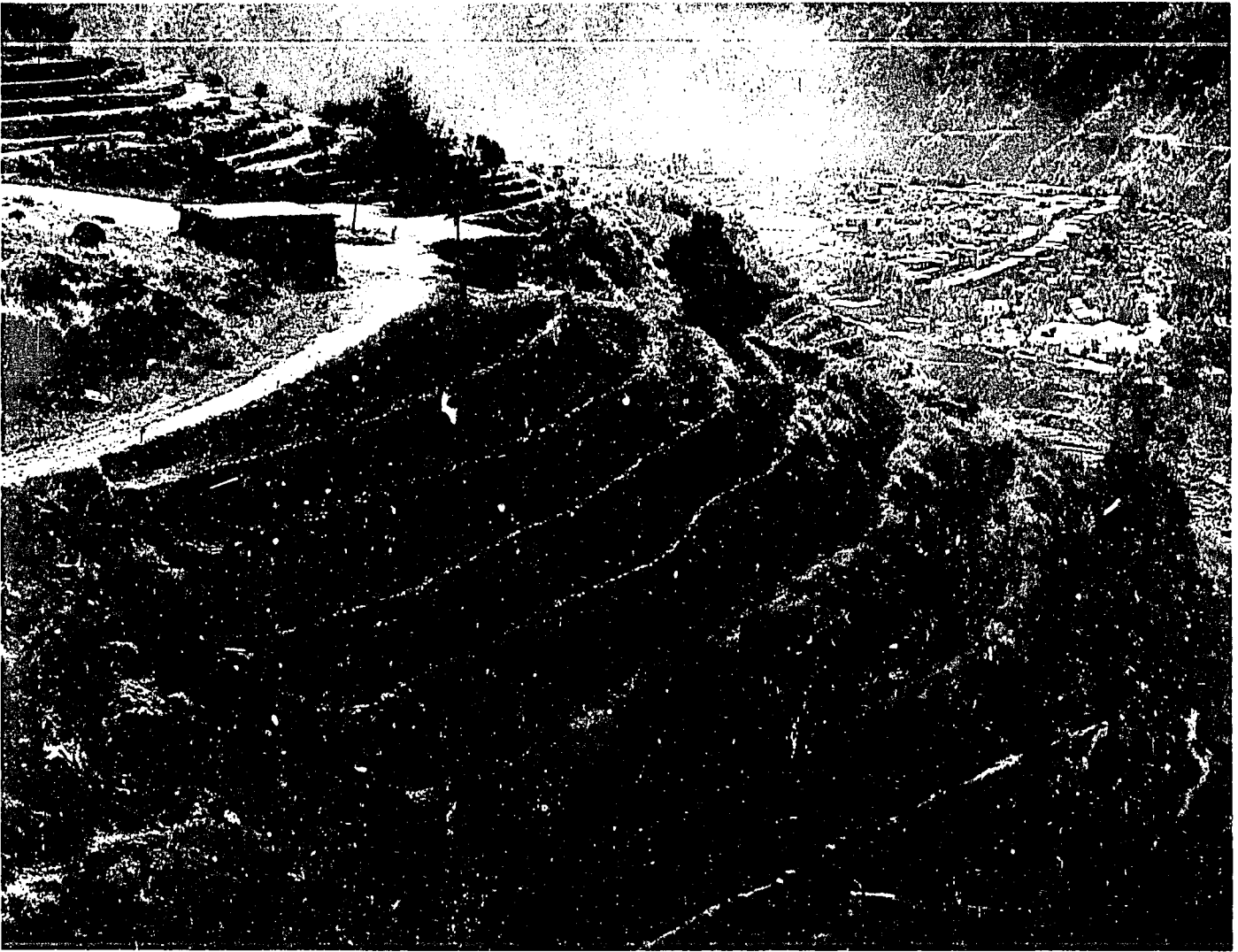
- i) foreign nationals employed in Pakistan are permitted to send monthly remittances to the country of their domicile upto 50% of net income; and
- ii) foreign nationals on returning from Pakistan are permitted to transfer their savings.

Pakistan offers a very safe, liberal and smooth economic base with attractive package of concessions and incentives for foreign investors.

### **A) *Procedure For Approval Of Foreign Investment***

#### ***Foreign Private Investment Proposals :***

Projects involving foreign private investment are required to be submitted to the Investment Promotion Bureau. Normally, such projects are approved within



*The famous terraced farming as seen in Hunza along the Karakoram Highway.*

a period of 60 days. The following types of applications for industrial investment are considered by the Investment Promotion Bureau:-

- i) Foreign Private Investment.
- ii) Non-repatriable foreign private investment (NRI)
- iii) Projects under Pay-As-You-Earn Scheme.
- iv) Foreign Private Loans
- v) Foreign technical collaboration agreement.

### ***B) Foreign Private Loans***

The Government welcomes foreign private loans and suppliers' credit to facilitate the inflow of foreign private loans and suppliers' credit, the Government has prescribed standard terms. These terms may be revised from time to time keeping in view the changes in the international capital markets.

### **C) Guidelines For Foreign Loans/Credits**

<b>I- Rate of Interest</b>	<b>Rate/Limit for which sanction is not required</b>
a) Interest on loans from banks/commercial institutions.	Not exceeding 1.5% above LIBOR.
b) Interest on Suppliers Credits:	
i) Foreign Credits negotiated through Development Financing Institution viz PICIC., IDBP, etc.	At the rates negotiated by the institution concerned.
ii) In other cases	Not exceeding 1.5% above LIBOR.
<b>II- Approval of Government of Pakistan will be required where credit for export is provided at concessional rate by the banks/financial institution under the instructions or policy of foreign governments:-</b>	
i) Committee fee	Not exceeding 1/2% per annum
ii) Management fee	Not exceeding 1/2% of loan amount for syndicate loans only.
iii) Legal Expenses:	
a) Single Bank Loan	At actuals not exceeding US\$ 5,000/-
b) Syndicated Loan	At actuals not exceeding US\$ 10,000/-
<b>III- Down Payment</b>	Subject to maximum of 15%.
<b>IV- Repayment Period:</b>	
Pay As You Earn Scheme	Not less than 5 years.
Other Loans	Not less than 7 years.

LIBO Rate will be applicable in cases where loans are obtained from Euro-Currencies market. For loans and credits secured from other markets in the respective centre. For example in the case of a Japanese Yen loan obtained from Japanese domestic market, the margin will apply with reference to Japanese Long-term Prime Rate.

## D) *Guidelines For Agreements For Transfer Of Technology*

### 1. *Royalty*



*Pakistan's climatic conditions are suitable for the production of a large variety of vegetables.*



#### i) Definition of Royalty:

Royalty is a fee paid by a local firm to the foreign collaborator in consideration of :-

"Licence to use the foreign manufacturer's patent/brand name for marketing the product(s)."

#### ii) No Royalty would be allowed:

- (a) On consumer goods for home market; and
- (b) In cases where more than 50% shares are held by the owners of the patent/trade mark/brand name.

#### (iii) In other cases, the royalty shall be allowed as under:-

- (a) Upto 3 percent on capital goods manufactured for exports;
- (b) Upto 2 percent and on consumer goods manufactured for exports; and
- (c) Upto 1 percent on capital goods manufactured for home market.
- (d) Royalty shall be for a period not exceeding 5 years.
- (e) Royalty will be calculated and certified by the applicants' auditors on the basis of ex-factory price less Excise Duty and Sales Tax, if any, for home market and F.O.B. price for exports.

### 2. *Technical fee*

#### i) Definition of Technical Fee:

It is a fee paid by the local firm to the foreign collaborators in consideration of :-

- (a) Engineering and Technical Services including assistance on manufacturing process, testing and quality control, assistance by way of making available patent process and/or secret know-how, and rights to avail of the technical/confidential information resulting from continuous technical research and development, etc; and
  - (b) Technical Training of local personnel.
- ii) No technical fee shall be allowed on consumer goods or for simple conventional process goods, which are being produced in the country without foreign technical collaboration.
- iii) Technical Fee may either be determined in lump sum to be paid in instalments or be allowed as under :-
  - (a) Upto 3% on engineering goods and for such basic manufacture which requires sophisticated technology.
  - (b) Upto 1.5% for product(s) other than (a) on new products only.
  - (c) The aggregate rate of Royalty and Technical Fee should not exceed 5 percent.
  - (d) Technical Fee shall not be allowed for more than five years.
  - (e) Lump-sum technical fee will not exceed 5% of foreign exchange cost of plant and machinery and will be admissible only for items (a) and (b).
- iv) For basic manufacture, Technical fee will be calculated and certified by the company's auditors on the basis of ex-factory price

- v) For assembly/manufacture, Technical Fee may be calculated on F.O.B. price of deleted components or parts of the product(s) which would be manufactured by local licensed firm or ex-factory price of locally produced components or parts of the product(s) whichever is less.
- vi) While calculating technical fee, the Excise Duty, Sales Tax and the value of imported components and parts should be deleted from ex-factory price. Documentary evidence in support of the above may be called for from the applicant/s.
- vii) In the agreement no provision should be made for any compulsory minimum payment of royalty/technical fee.
- viii) In case of payment of Technical fee in lump-sum it should be spread over a number of years and should be linked with transfer of technology/services rendered. Further the supplier of technology should affirm that the price is in line with the agreement made in other countries.
- ix) There should be no requirement for purchase of raw material components from a particular source.
- x) Agreements should be under the Pakistan Law.
- xi) Arbitration should be held in Pakistan under Pakistan Law.

Bell-top chillies.



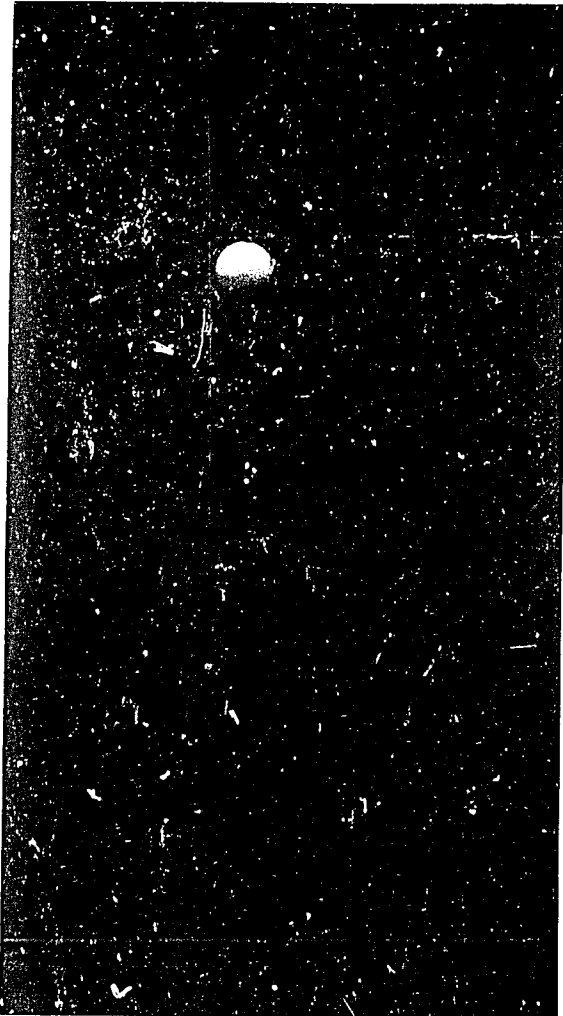
### 3. *Guidelines For Engagement Of Expatriates*

Foreign experts/technicians may be employed without reference to any government agency for rendering such services as supervision of installation, commissioning of the plant, and training of personnel.

### 4. *Avoidance Of Double Taxation Agreement*

The relief from double taxation is available for foreign investors from countries with which Pakistan has concluded agreements for the avoidance of double taxation.

## Export Processing Zone :



*Sunset at the busy Karachi Harbour.*

Government of Pakistan established an Export Processing Zone in Karachi (KEPZ) in the Landhi Industrial Training Estate Extension covering an area of approximately 500 acres. The site is about 15 to 20 km from the international airport and the two sea ports.

### *A) Type of industries*

The basic philosophy is to attract foreign capital and technology. The export-led investment in the zone should serve as a vehicle of growth for the rest of the economy. Following strategy would, therefore, be adopted in sanctioning the investment proposals in the KEPZ:-

- i) Preference would be given to those export industries which :-
  - a) export highest 'value-added';
  - b) require sophisticated technology and modern management and marketing techniques;
  - c) use or process local raw materials; and
  - d) are labour intensive and would upgrade technical skills of Pakistanis.
- ii) Supporting enterprises which would provide essential services to industrial undertakings located in the Zone.
- iii) Consignment and distribution services for receiving and storing foreign goods meant for re-export.
- iv) Flexibility would be allowed to foreign investors in setting up an industry of their choice in the Zone.

### *B) Mode And Type Of Investment*

All investments would be in foreign convertible currency, currencies. It is necessary to safeguard against undesirable or illegal diversion of foreign exchange earnings of the country.



The investor would have the option to set up public/private limited company or sole proprietorship. They would, however, not be eligible for foreign or local currency loans from Pakistan's resource i.e. from financing institutions/banks located in Pakistan.

**C) Incentives :**

Industrial undertakings shall be allowed the following incentives:-

**i) Banking and insurance :**

Foreign and Pakistani banks and insurance companies will be permitted by the State Bank of Pakistan to open branches in Karachi Banks and insurance will conduct all transactions in foreign convertible currency like any industrial undertaking of the Zone.

**ii) Free exports :**

Exports from KEPZ will be completely free from exchange control which mean exemption from 'E' form procedure enabling exporters to sell goods abroad in whatever manner they like without the obligation of repatriating the export proceeds to Pakistan. Supplies from KEPZ to tariff area of Pakistan would, however, be subject to the same controls and regulations as are applicable to imports in Pakistan. There will be no duty or tax on exports.

**iii) Free imports :**

Imports of machinery, component, spare parts and raw materials for the industrial undertakings of the zone and goods for re-export, would be freely allowed and shall be exempted from all taxes and duties of both Federal and Provincial Governments such as customs, excise, sales tax, provincial and municipal taxes.

**iv) Income tax relief :**

Investors in KEPZ would be allowed following package of Income Tax Relief:-

a) Total exemption from tax on profits and on income of foreign personnel attached to occupant enterprises for five years from the date of start of commercial production.

- b) After five (5) years/termination of the holiday period, income tax will be charged at 25%.
- c) Capital gains including gains arising on sales of shares will not be taxable.
- d) Trading losses will be allowed to be carried forward indefinitely.
- e) All reasonable expenses on overseas advertising, market research, etc. would qualify for deduction for income tax purposes.
- f) No tax would be levied on income arising abroad when remitted to KEPZ.

**D) Facilities :**

Fully developed land with essential infra-structural facilities like lease land, lease building, electricity, water, gas, telecommunication, transport, etc. are available in the KEPZ.

**E) Low cost of production :**

Factors of production cost in the Karachi Zone are substantially lower than international costs. The cost of production include land, building, power services, labour, white-collar staff, communications, transportation, etc. The Zone's proximity to the rich markets of the Middle East means that shipping costs to these Middle East Markets will be dramatically lower than cost from any other part of the world. Industries based in the Zone will, therefore, be able to market quality goods at internationally competitive prices.

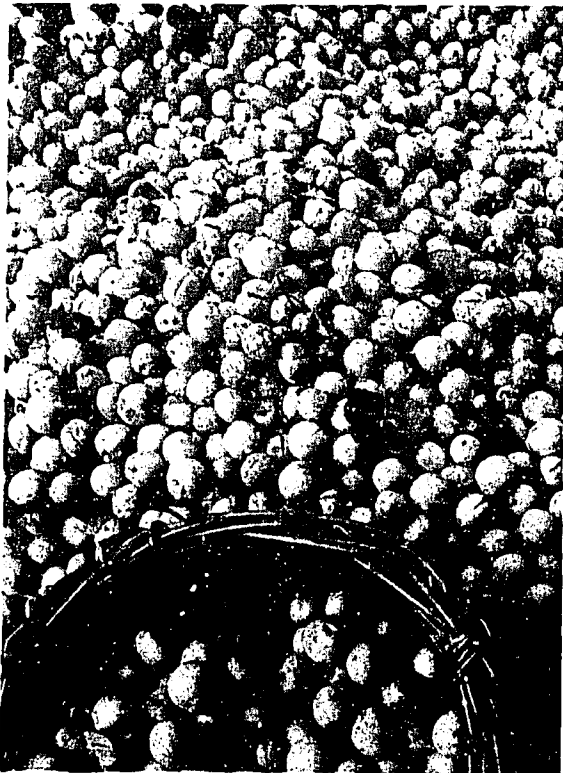
**F) No customs duty, no tax on imports :**

No custom duties or taxation of any kind will be levied on items imported into the Zone. Normal import and export restrictions are not applicable for these items.

**G) Full repatriation of profits and capital :**

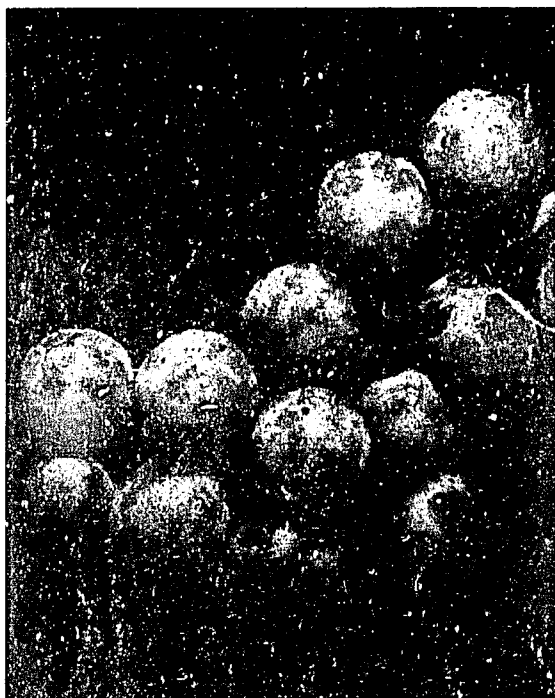
The Government of Pakistan offers a number of incentives to encourage potential investors in the Export Processing Zone. Foremost amongst these is the guarantee of full repatriation of profits and capital.

*There are vast orchards of apricots throughout the northern regions of Pakistan.*



## *Export Incentives*

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*Pakistani grapes.*

### *A. Export Finance Scheme*

The Government has provided facility to exporters to plan their production for export and reduce pre-shipment cost of production by using government provided credit at concessional rates on interest (6% p.a.).

### *B. Scheme for Financing Locally Manufactured Machinery*

Under this scheme concessional finance is provided to promote export of locally manufactured machinery i.e. water pumps, tube wells, oil expellers, telecommunication equipment, complete plants and capital goods etc.

### *C. Pre-shipment Finance*

This scheme provides for pre-shipment finance upto the amount of the contract/Letter of Credit, less down payment received by the shipper for a period not exceeding 360 days.

### *D. Post Shipment Finance*

The State Bank of Pakistan subject to certain limitations may allow the deferred payments in case of complete plant (including ships) with a value of US\$ 10 million and above in 20 half yearly installments with a grace period not exceeding 2-1/2 years. In case of smaller amounts the period may not exceed five years.

### *E. Special Licensing Facilities*

Certain exporting industries may enjoy special licensing facilities to import raw materials, etc. Other facilities may be BMR licences and duty draw backs.

### *F. Opening of Offices Abroad*

Pakistani Business houses may get approval for opening their offices abroad.

### *G. Export Credit Guarantee Scheme*

This scheme backed by the Federal Government offers security to the exporters against the risk of non-realization of sales proceeds from abroad.

### *H. Indirect Facilities*

These may include participation in trade fairs and trade delegations which may be product-specific and market-specific. Export Promotion Bureau in collaboration with International Trade Center, United Nations Conference on Trade and Development and General Agreement on Trade and Tariff also holds Training Workshops and Seminars to train the people in the fields of export marketing, costing, pricing and management, etc.

*Damsons and plums are commonly grown in the Hazara region.*



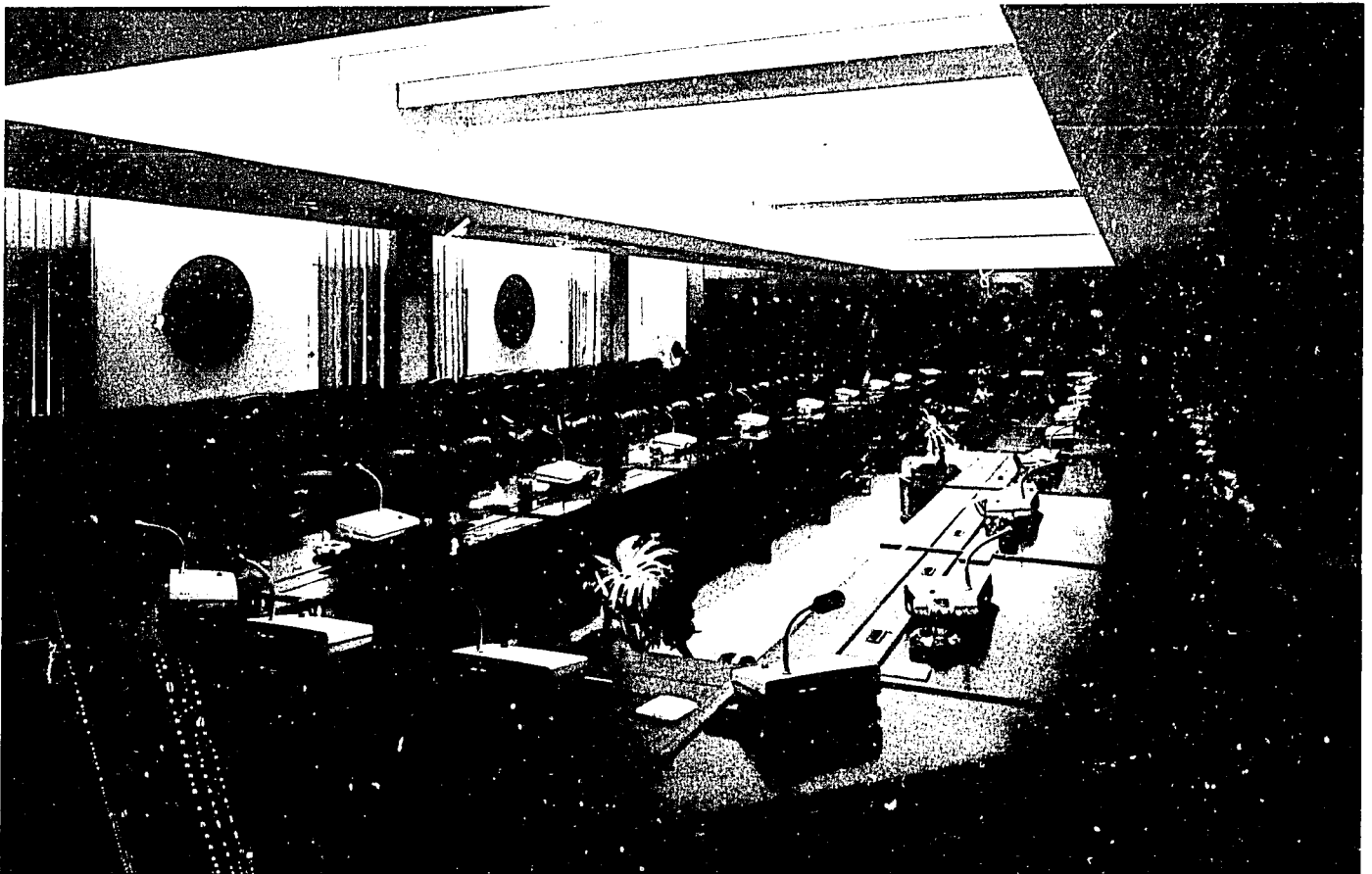
## *Lahore Chamber of Commerce and Industry*

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The Chamber maintains a well-stocked business library and the Research and Statistic department provides update information to its members.



*The main conference hall of the Lahore Chamber of Commerce and Industry.*



### *General*

The Lahore Chamber of Commerce and Industry is constituted on the world-wide pattern of regional Chambers. Like any other Chamber in the country, the Lahore Chamber of Commerce and Industry has the sole aim of promoting and protecting trade, industry and commerce in the region in particular and in Pakistan in general.

### *Managment*

The Chamber is governed by an Executive Committee consisting of 30 members. The members of the Executive Committee elect the President, who heads and administers the Chamber. The President's tenure is for 12 months, while the Executive Committee members stay in the office for three years. The President is helped in his task by a Senior Vice-President, Vice-President and Conveners of various Standing Committees on subjects of trade, industry, banking, finance and taxation, etc.

## *Services*

The Chamber provides a number of services to its approximately six thousand members.

- i) The Research and Statistics Department of Lahore Chamber of Commerce and Industry provides update information and advisory services to its members which include: banking, income tax, foreign trade and investment.
- ii) A weekly Chamber circular, annual report and classified directory of members are the publications of Lahore Chamber which serve as medium of information of dissemination.
- iii) The Chamber serves as a liaison body between the members and the Government.
- iv) The Chamber nominates suitable persons for Trade Delegations sent by Government abroad. Chamber also recommends persons suited to participate in trade fairs and exhibitions in foreign countries.
- v) Chamber provides an opportunity of discussing business proposition/problems between the members and visiting foreign trade delegations.
- vi) The Chamber issues recommendatory letters to foreign diplomatic missions in Pakistan for the issuance of visas to the members who wish to go abroad on business tours.
- vii) The Chamber recommends to the State Bank of Pakistan for grant of foreign exchange to businessmen going abroad.
- viii) The Chamber maintains a well-stocked business library.

## *Standing Committee on "Agro-Based Food Industry".*

The Standing Committee on "Agro-based food industry" looks after the affairs of agro-based industry in the country. The Committee after receiving suggestions and comments, from the member, on any particular government policy affecting agro-based industry, place before the Government with a view to seek requisite modification on revision of the policy. The Committee also help identifying problem areas hindering investment in the field of Agro-based food industry.

## *List of Agro-based Industries set up with Foreign Collaboration*

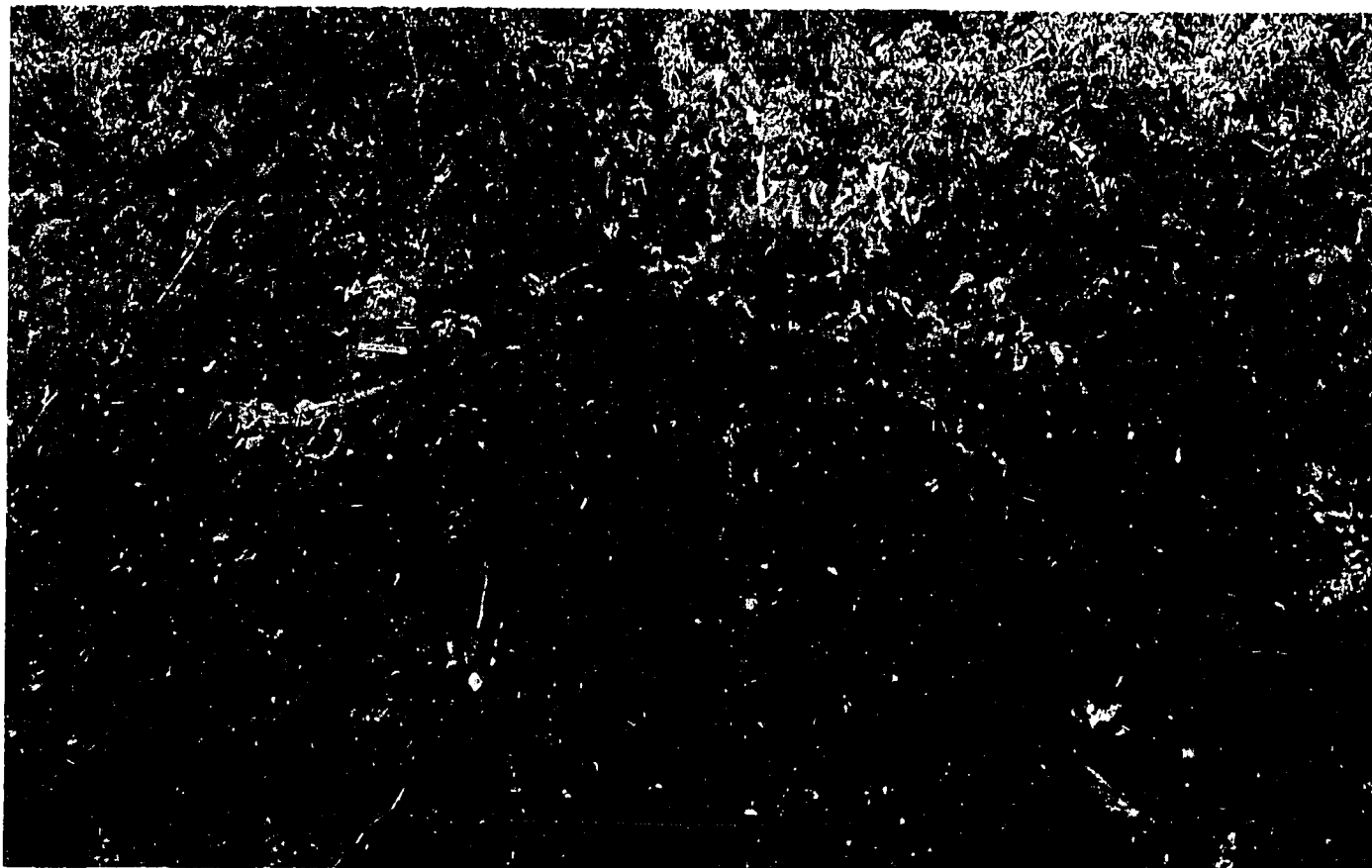
S1. NO.	NAME OF UNIT AND ADDRESS	NAME OF FOREIGN PARTICIPANTS	% AGE OF FOREIGN EQUITY	TYPE OF UNIT
(1)	(2)	(3)	(4)	(5)
1-	M/s. PIA - Shaver Poultry Breeding Farms Ltd., Karachi Airport	Shaver International (Canada)	33	Poultry Farming
2-	M/s. Packages Ltd. Shahrah-e-Roomi Lahore	AB Akerlund & Rausing Lund, Sweden	25	Paper and Board
3-	M/s. Rafhan Maize Products Co. Ltd., Rakh Canal, East Road, Behind Municipal College Faisalabad	Knorr Zurich A.G. and Monda Alimenta A.G. Zurich, Switzerland	51	Maize Starch Glucose
4-	M/s. Pakistan Gum & Industries Ltd., Insurance House No. 1, (2nd floor), M.A. Jinnah Road, Karachi	Franchem A.G. and Isalag A.G. Switzerland	60	Guar Gum
5-	M/s. Pakistan Gum & Chemical Ltd., S.I.T.E. Monghopir Road, P.O. Box 3639, Karachi	Myhall Chemicals AG: Sonnenuiesen- Strasse Kreuzlingen, Switzerland	60	Guar Gum
6-	M/s. Forbes Colloids Ltd., Ebrahim Building, West Wharf Karachi	Nodia SA, W.R.E. Bankwalla, Switzerland	49	Guar Gum
7-	M/s. Milkpak Ltd., 28 KM Lahore- Sheikhupura Road, Sheikhupura	Nestle, Switzerland	40	Dairy



(1)	(2)	(3)	(4)	(5)
8-	M/s. Mitchell's Fruit Farms (Pvt) Ltd. Renala Khurd, Distt. Okara.	Cadbury's Schweppes Ltd., U.K.	30	Juice and Confectionery
9-	M/s. Lever Brothers (Pakistan) Ltd., Mackinnons Bldg., I.I. Chundigar Road, Karachi	Unilever Ltd., London (U.K.)	61	Vegetable ghee
10-	M/s. Brooke Bond Ltd., S.I.T.E. P.O. Box 2705, Karachi	Brooke Bond Ltd., Thames Queen Street Palace, London (U.K.)	51	Tea packing
11-	M/s. Lipton (Pakistan) Ltd., P.O. Box 7035, Shafi Court, Mereweather Road, Karachi.	Unilever Ltd., U.K.	75	Tea Packing
12-	M/s. English Biscuit Manufacturers Ltd., Plot No. 1-4 Sector 23, Korangi Industrial Area, Karachi	Associated Biscuit Ltd., (Nabisco) U.K.	25	Biscuits
13-	M/s. Glaxo Laboratories Pak. Ltd., Press Trust Building, I.I. Chundrigar Road, Karachi	Glaxo Holdings P.I.C. London U.K.	70	Starch Glucose
14-	M/s. Rafhan Maize Products Ltd., Faisalabad	Corn Products Co. U.S.A.	51	Maize Produces
15-	M/s. Coca-Cola Export Corporation, 1-H, Gulberg III, Lahore	Coca-Cola Export Corporation, Atlanta Georgia, U.S.A.	100	Coca-Cola Concentrate

(1)	(2)	(3)	(4)	(5)
16-	M/s. Arbor Acres Pakistan Limited, 7-Kothari Mansion, Abdullah Haroon Road, Karachi.	Agro Associates	52	Hatcheries & poultry breeding farms.
17-	M/s. Habib General Ltd., United Bank Ltd. Bldg., I.I. Chundigar Road, Karachi	General Mills Chemicals Inc., U.S.A.	60	Guar Gum
18-	M/s. Cargill (Pak) Limited	Cargill Inc. U.S.A.	25	Hybird Seeds
19-	M/s. Baluma Date Packing	Marcus Trading International Div. of Horizon Trading Co., 56, Irving Place, New York 10003, U.S.A.	49	Date Packing

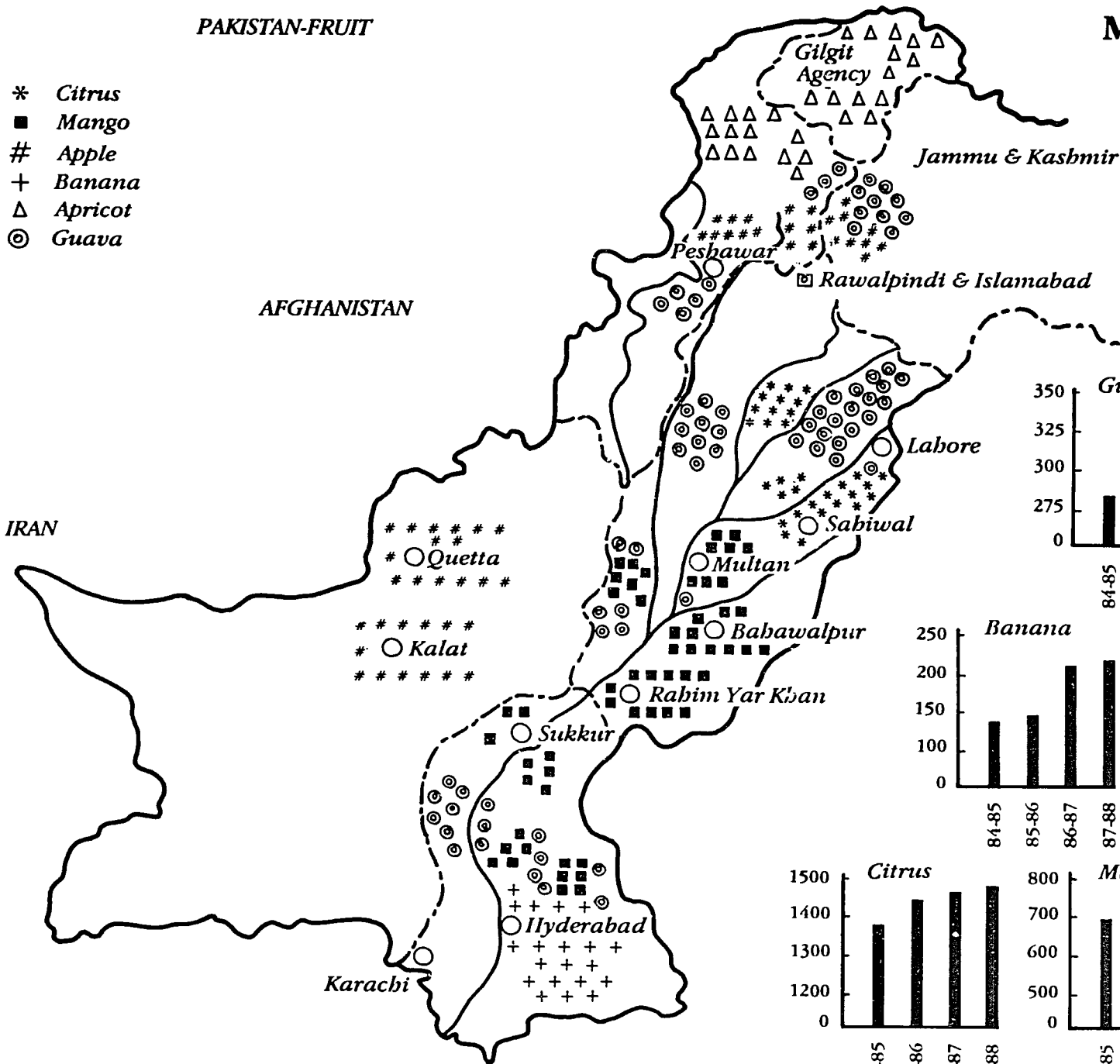
*An apricot-laden tree in Haripur.*



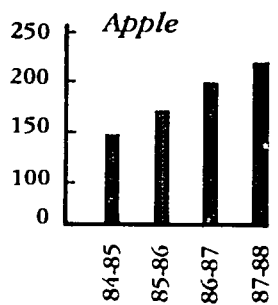
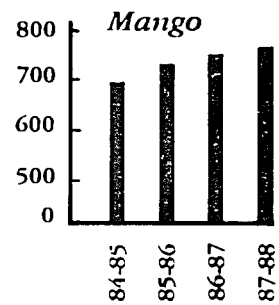
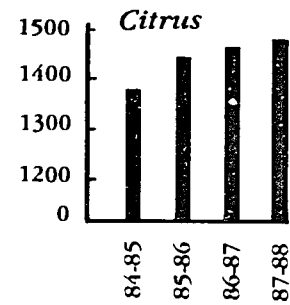
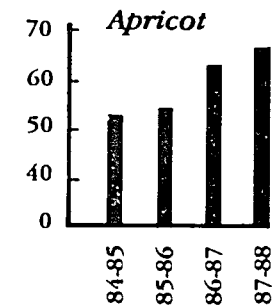
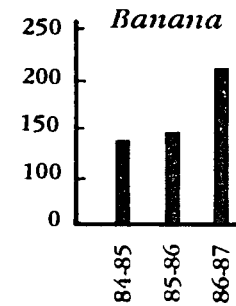
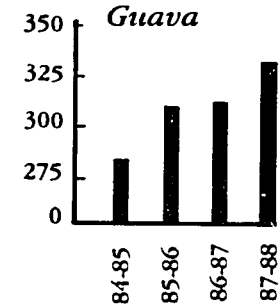
PAKISTAN-FRUIT

MAP I

- \* Citrus
- Mango
- # Apple
- + Banana
- △ Apricot
- ⊙ Guava



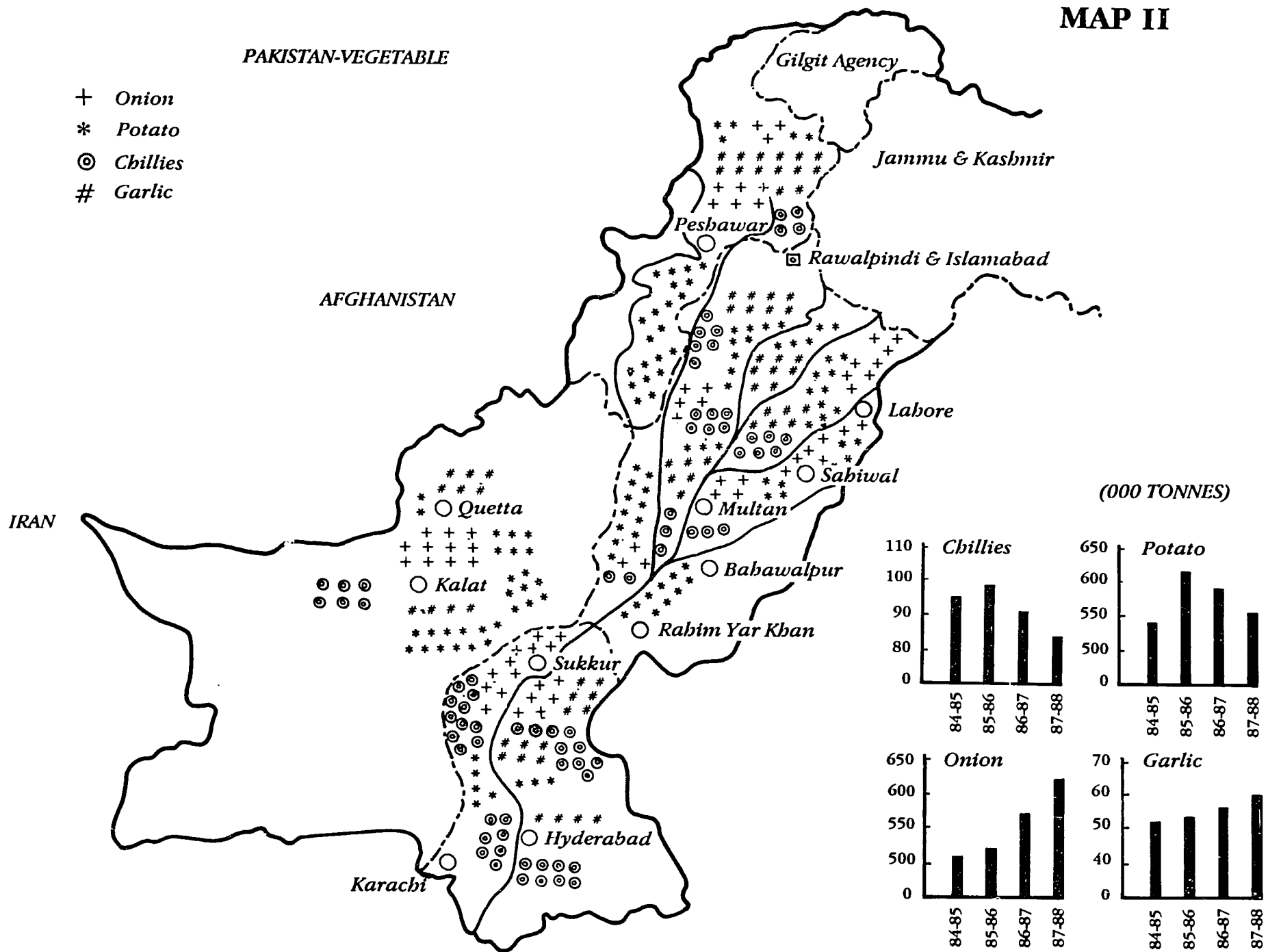
(000 TONNES)



# MAP II


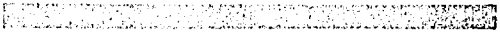

## PAKISTAN-VEGETABLE

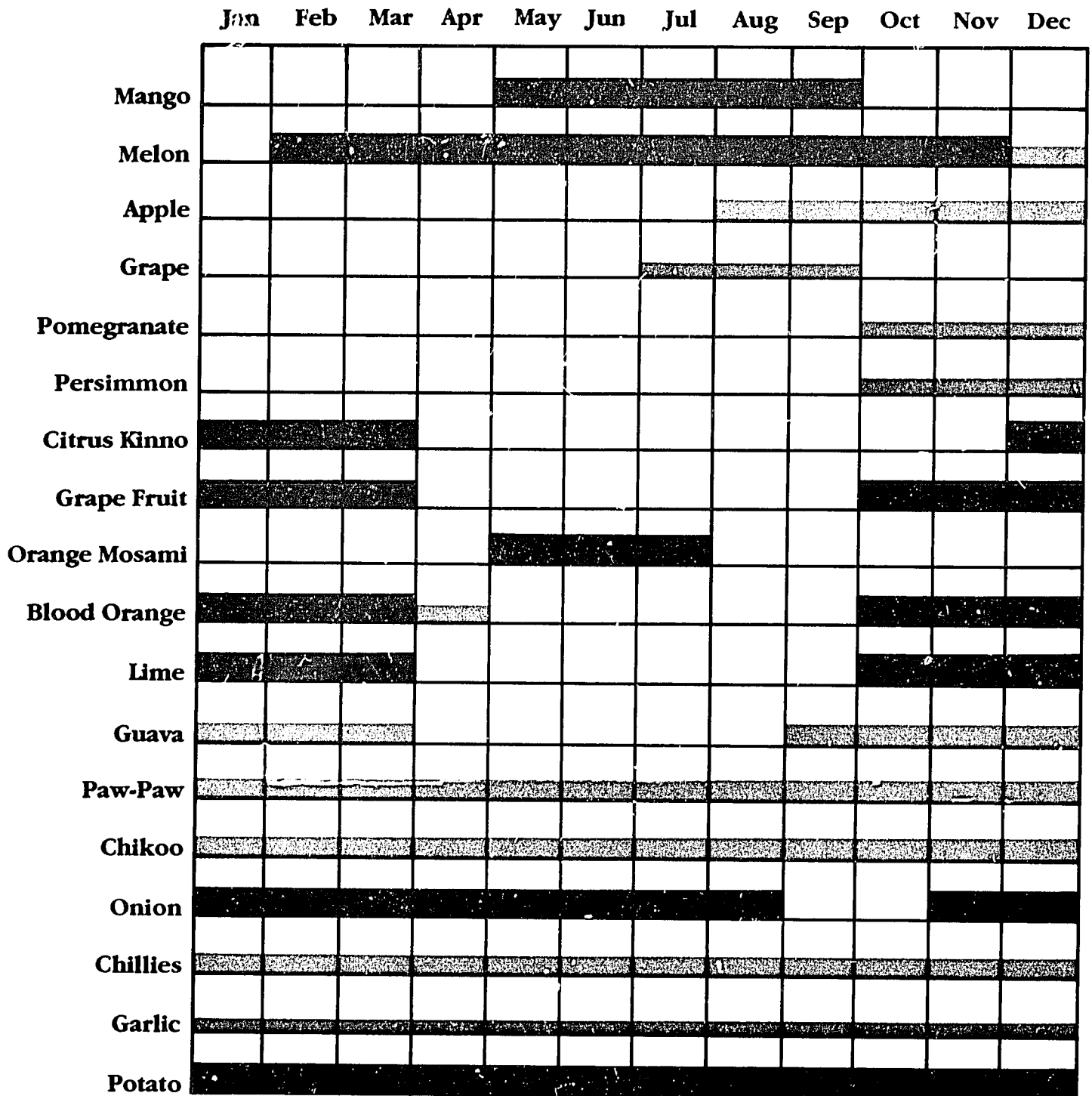
- + Onion
- \* Potato
- ⊙ Chillies
- # Garlic



# ANNEX "I"

## SUPPLY CALENDAR OF PAKISTAN FRESH PRODUCE

**Production more than 0.5 million tonnes**   
**Production more than 0.1 million tonnes**   
**Production less than 0.1 million tonnes** 



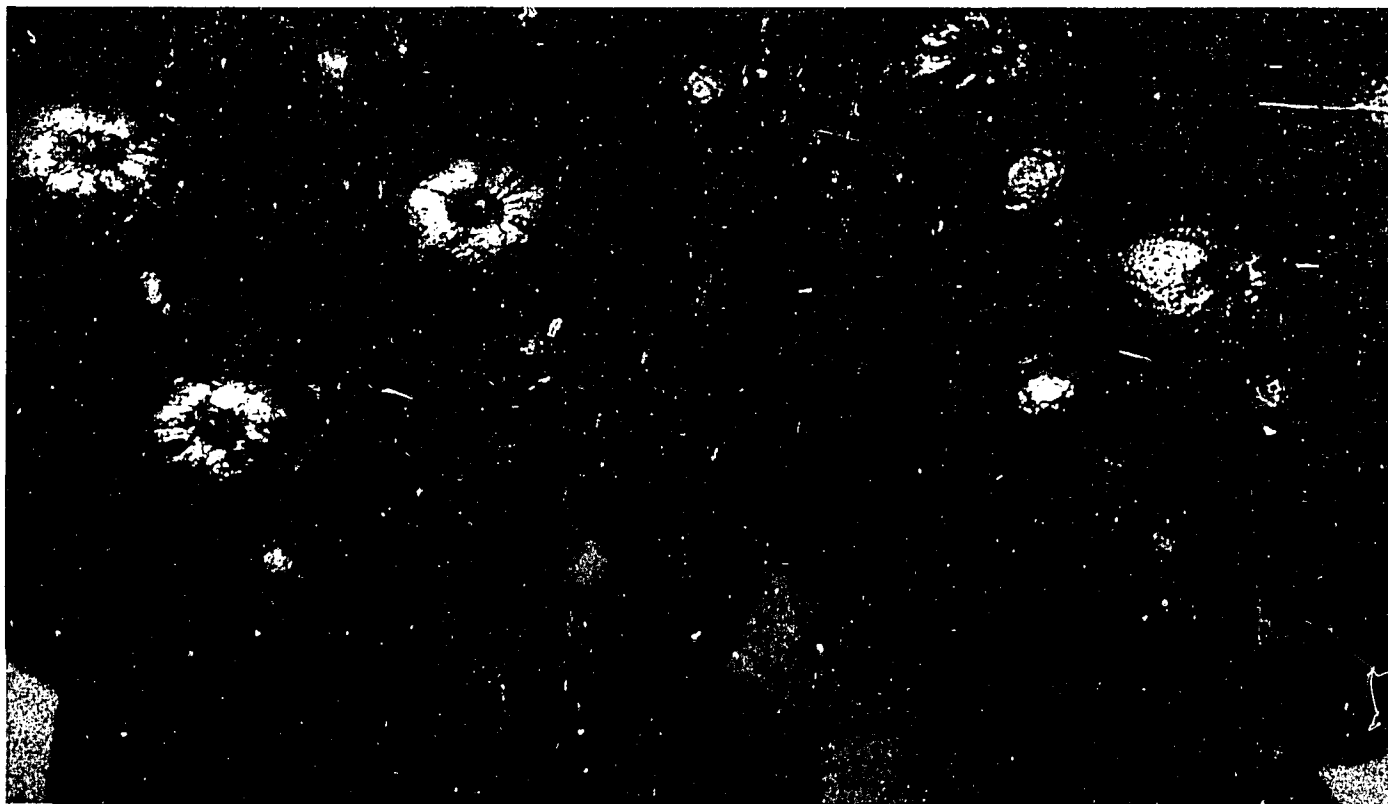
## ANNEX "II"

### *Production of Fruits*

(000 tonnes)

<u>YEARS</u>	<u>CITRUS</u>	<u>MANGO</u>	<u>APPLE</u>	<u>BANANA</u>	<u>APRICOT</u>	<u>GUAVA</u>
1980-81	926	546	107	131	36	124
1981-82	1160	652	114	132	37	198
1982-83	1245	683	129	134	44	253
1983-84	1300	673	128	135	47	276
1984-85	1373	692	143	137	52	288
1985-85	2000	713	166	140	54	313
1986-87	1467	737	196	202	62	319
1987-88	1470	750	212	208	66	335

*Export quality kinnos.*



*Production of Important Vegetables*

(000 tonnes)

<u>YEARS</u>	<u>ONION</u>	<u>GARLIC</u>	<u>CHILLIES</u>	<u>POTATO</u>
1980-81	448	37	106	394
1981-82	452	41	100	477
1982-83	475	51	104	518
1983-84	503	51	97	510
1984-85	515	53	96	543
1985-85	525	54	99	618
1986-87	577	57	92	594
1987-88	633	61	84	563

*A typical vegetable shop of Lahore showing the vast variety of vegetables.*

