INDUSTRIAL INCENTIVES IN PAKISTAN

A STUDY FOR THE
USAID, ISLAMABAD

ZAHID ZAHEER & ASSOCIATES
Management Consultants

JULY 1991

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2

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CONTENTS

		Page No's
	Executive Summary	(i) & (ii)
Chapter I	Preamble	1 to 2
Chapter II	Overview of Pakistan's industrial development of policies and the Pattern of incentives that have been created	3 to 7
	Schedule A - Income Tax	8 to 19
	Schedule B - Customs Duty	20 to 37
	Schedule C - Sales Tax & Surcharges	38 to 51
	Schedule D - Other Incentives	52 to 53
	Schedule E - Export Incentives	54 to 56
Chapter III	Criteria used for making available incentives	57 to 62
Chapter IV	Impact of incentives in promoting industrial investment and Review of policies	
	Section 1 - Industrial performance	63 to 65
	Section 2 - Economic performance	65 to 67
	Section 3 - Status of Policy performance	67 to 77
	Section 4 - Analysis of Past Policies	78 to 80
	Section 5 - Direction of Future Policies	81
Chapter V	Administrative, regulatory and fiscal impediments/constraints to industrial investments	82 to 83
	Schedule F - Sanctioning Criteria	84 to 88
	Schedule G - Procedures for starting new business	89 to 91
	Schedule H - Interface with Government Agencies	92
	Schedule J - Bureaucratic procedures for existing businesses	93
	Other impediments	94
Chapter VI	Recommendations for administrative and policy reform	95 to 104
Annexures		I to XX

INDUSTRIAL INCENTIVES IN PAKISTAN

EXECUTIVE SUMMARY

. Overview

Pakistan has like other developing countries sought the way out of economic malaise through industrialization. Barring the first few years of the process and the 80's, the industrialization effort has been very regressively implemented.

Investment allocative decision taken by a strongly entrenched bureaucracy have shown distinct disadvantages.

The inability to :

(i) asses market demand

(ii) determine inter and intra industry priorities;

and to :

(iii) opt for inappropriate and obsolete technology

(iv) operate behind high tariffs

(v) heavily over invoice credit requirements

(vi) obtain wilfully obsolete and redundant machinery in lieu of what has been approved,

are some of the economic weaknesses that have been witnessed.

2. Incentives

Pakistan has experimented with difficult incentives at different times in its effort to accelerate industrial development. Since 1980 the Government of Pakistan has taken significant steps to deregulate the domestic economy and to liberalize its foreign trade regime. These liberalisation measures are intended to move away from restrictions on investment, mobility, growth, and interfirm rivalry in the domestic economy, and to expose domestic firms to greater levels of foreign competition. The current domestic deregulation and trade liberalisation measures are part of a general program of economic reform intended to lead to a more efficient and competitive industrial sector. These reforms should reduce reliance and direct administrative controls in favor of trade and deregulatory policies that influence performance through indirect forces. The progress so far has been slow and often inadequate to achieve the objectives. Industrial development has been hampered with low public investments in infra structure.

3. Impediments to Investment

Industrial Investment continues to be hampered due to following:

(i) Credibility in the continuance of present government policies of economic reforms.

(ii) Deteriorating law and order situation particularly in the province of Sindh.

(iii) Poor physical infra structure and inadequate social infrastructure.

(iv) Over protective labour laws, which result in poor productivity.

4. Recommendations

The long term objective has to be to establish an incentive structure compatible with Pakistan's comparative advantage to enable investors to respond to these incentives.

Increasing the efficiency and international competetiveness of the industrial sector is an important aspect of adjustment with growth. To achieve these objectives, sectorial policies that enable market signals to guide efficient shifts in investment are essential, and public sector participation in manufacturing & financial services needs to be curtailed.

The government has to encourage private investment through a number of measures briefly listed below :

(a) Reduce administrative controls in the private sector.

(b) Redesign incentives to channelise private investment into competitive areas which employ resources in more efficient and innovative manner.

(c) Encourage exports for the invaluable externalities they generate at home and for business discipline they exert on firm conduct.

(d) Move away from the philosophy of "import substitution" or "Producing for the home market" by reducing the bias of incentives in favour of producing for the home market and expose domestic markets to international competition.

INDUSTRIAL INCENTIVES IN PAKISTAN

CHAPTER 1

I. PREAMBLE

The illusion that an industrial society is a desirable one is predominant in the less developed countries (LDC's) Those with a high population need a sector which can absorb large employment. Policy makers take it upon themselves to undertake measures to accelerate industrialization. In succeeding years industrialization's lack of progress adds to the incentives schemes of the government, in some cases to the benefit of the entrepreneurs. Incentives, reliefs, concessions and protection become part of Industrial Development strategy. Early entrants take advantage of the protection offered to their industries from restricted competition arising out of the barriers to entry and all kinds of other incentives.

A bureaucracy unaware of product requirements feels it can marshal the economy in terms of investment. Their preoccupation with industrialization in many cases has led to a permanent institutional framework to look after inefficient and unprofitable industry. This leads to various anomalies. The market system has an in-built corrective mechanism, which is missing in the bureaucratic alternative. Governments of the day consider that they have a duty of care towards their countrymen and the nation. Although most of them have laudable objectives, the actual action seems to fall short. We have seen the result of volatile policies which have retarded industrial progress and increased uncertainty. We have seen policies that have been based on rhetoric and moral injunctions, clearly the advocacy of such policies have meant insurmountable hurdles in actual implementation. Some policies have been such that governments have been unable to see them through resulting in considerable loss of time, effort and financial loss.

Pakistan has like other developing countries sought the way out of economic malaise through industrialization. Barring the first few years of the process and the 80's, the industrialization effort has been very regressively implemented. Investment allocative decision taken by a strongly entrenched bureaucracy have shown distinct disadvantages.

The inability to :

(i) asses market demand
(ii) determine inter and intra industry priorities;

and to :

(a) opt for inappropriate and obsolete technology
(b) operate behind high tariffs

Chapter I

Preamble continued....

(c) heavily over invoice credit requirements
(d) obtain wilfully obsolete and redundant machinery in lieu of what has been approved,

are some of the economic weaknesses that have been witnessed.

Pakistan has experimented with difficult incentives at different times in its effort to accelerate industrial development. The present study of industrial incentives policy has been undertaken to provide an analysis of responsiveness to incentives and industry performance in the context of the deregulation process. Since 1980 the Government of Pakistan has taken significant steps to deregulate the domestic economy and to liberalize its foreign trade regime. These liberalisation measures are intended to move away from restrictions on investment, mobility, growth, and interfirm rivalry in the domestic economy, and to expose domestic firms to a greater levels of foreign competition. The domestic deregulation and trade liberalisation measures are part of a general program of economic reform intended to lead to a more efficient and competitive industrial sector. These reforms should reduce reliance on direct administrative controls, (which are complex, costly to administer and have had only mixed success in achieving their stated objectives) in favor of trade and deregulatory policies that influence performance through indirect forces.

The Government has been implementing trade, industrial and financial policy changes in the past few years, but progress has been slow and often inadequate to achieve their objectives. Industrial development has been hampered with low public investments in infra structure.

INDUSTRIAL INCENTIVES IN PAKISTAN

CHAPTER II

OVERVIEW OF PAKISTAN'S INDUSTRIAL DEVELOPMENT POLICY AND THE PATTERNS OF INCENTIVES THAT HAVE BEEN CREATED :

It is necessary to examine the manner in which entrepreneurs were induced towards industrial activity. The first act in 1947 was to call upon the faithful to come back to Pakistan, to help the country through the initial difficulty. During the first three years these personal calls abounded. Industrial policy was so widely interpreted that anyone who came forward, irrespective of the project was allowed to invest.

Environment plays a crucial part in not only inducing entrepreneurs but also in specific industry investment. The entrepreneurial response is dependent on how lucid and widely circulated the perceived incentive policy is.

In this context, in Pakistan the Government did play a very crucial role. Policies were devised and implemented differently in successive periods. The responses will be ascertained by time periods and these can be compared.

I. Historical Perspective. 1948 - 1988

The evolution of Pakistan Industrial Development policy can be described in three phases :

First Phase - 1948 - 1970

The Industrial policy of 1948 was geared to stimulate rapid development of the industrial base to change the agricultural character of the economy. To overcome the absence of industrial infra structure and an entrepreneur class, policies afforded high protection from import competition, large incentives for investment, relatively few domestic regulations and easy access to international capital goods and inputs.

The revised Industrial policy instituted in 1959 was based on the experience of more than a decade of actual progress and emerging pattern of industrialization in the country. During this period private sector continued to be the major vehicle for industrial investment and an industrial base was established quickly and industrial output grew rapidly, which inadvertently led to concentration of ownership in a few large family groups described in Pakistan as the "22 families".

Chapter II

Second Phase - 1970- 1977

The second phase started in early 70's partly as a reaction to this concentration of wealth. Between 1972-1977 assets in a number of industries were nationalized and the state owned enterprises developed a major role in industry, as a result of direct investment by the public sector in setting up new industries. Government control over new investments was tightened in part as a measure to avoid further concentration. In addition as both imports and level of protection for domestic production grew, a number of regulatory controls were introduced, to defend the exchange rate, by rationing foreign exchange, and to set prices or profit margins for certain protected commodities. Government attempted to regulate many facets of the economy and industrial performance deteriorated.

Third Phase - 1977 - 1988

In the third phase the industrial policy has been turned around in stages. The June 82 policy placed a social responsibility on the industrial sector, both public and private, to ensure reasonable prices, maintain quality of products and provide high standard of service. The primary goal being the welfare of the people by providing them employment and higher incomes.

The policy statement of 1984 renewed the role of the private industrial sector alongwith continued public sector participation. In June 1985 a national deregulating commission was formed. A variety of policies ranging from deregulating investments and price controls, exposed industrial firms more and more to market forces at home, as competition became more intense. In response to the new industrial policy framework and incentives, the economy improved as industry grew at about 9% per annum in this period, as had characterized the post independence period of the 1950's & 1960's. The Government decided to review the entire incentive structure to boost investment and an Industrial Commission was set up in Feb 1987. The Government adopted the view that many policy objectives could be achieved through appropriate price signals and fiscal incentives rather than through detailed administrative controls

A new Industrial policy package of 1988 was propounded to coincide with the 1988 Federal budget under the personal direction of the then President Zia ul Haq, which was based on the primacy of the private sector, and was more comprehensive than the earlier policies which were announced and implemented piecemeal. Unprecedented and new incentives were provided in the New Industrial Package. Events however overtook this policy, before it could be implemented, and in July 89 the new Government of Peoples Party came into office, resulting in yet another policy initiative called the Industrial Policy Package of 1989.

Chapter II

II. Current Perspective 1989 to Mid 91

This period has been characterized by changes in Government first, by the twenty month rule of the Peoples Party Government, followed by six months of the present IJI government. The industrial policy package of 1989, was an attempt to further liberalize investment opportunities for entrepreneurs,in selecting industries which could form the core for future development, generate employment opportunities and provide balanced regional growth. Efforts were also made to streamline and minimize the areas of investment when Government sanction would be required. Special investment incentives were provided to new comers, and for all the hidden wealth without revealing the source of funding.

Towards the end of June 88, the deteriorating resource position caused a financial crisis. The budget deficit reached 8.5% GDP, inflation accelerated, the external debt service ratio reached 28% of export earnings, and FE reserves depleted to a low level, equal to less than three weeks of imports.

In response to this crisis and the concerns about sustainability of growth, the Government of Pakistan has begun to implement a medium term adjustment & structural reform program, which is aimed at restoring resource balances to sustainable levels and to improving efficiency of the economy. The structural objectives of the program were to be attained through policy reform in public finance, industry & trade, the financial sector, agriculture and energy. This program has been supported by IMF, the World Bank, ADB and several bilateral donors and a structural adjustment agreement signed with IMF on 5th Nov 1988.

The impact of the Gulf crisis accentuated an already existing deterioration in Pakistan's economic and fiscal performance. While macro economic balances deteriorated in the first half of 1991, the new Government that came into office in Nov 1990, has declared that the economic policy reform will be pursued. The Government announced a series of investment incentives and liberalisation that included tax holidays and exemptions, and equal treatment to foreign & domestic companies many of these are now in force. The focus of the measures, that have been announced thus far, is on liberalising and supporting economic activities in the private Industrial sector. Reductions have been made in the non tariff barriers and in the maximum tariff, investment sanctioning has been virtually abolished for both domestic and foreign investors. The Government has also announced a program to privatise public enterprises. The implementation of the financial sector reform has been stepped up, including the auction of Government securities. These are initial steps in an ambitious reform agenda, which when fully implemented would provide a significantly more liberal policy environment for the Industrial sector.

Chapter II

III. Review of Developments

For most of the 80's, Pakistan's GDP continued to grow at a high 6.5% per annum in real terms. Manufacturing, growing at an average of 8-9% per year has been the largest contributor to GDP growth. These manufacturing growth rates are higher than earlier years and are largely attributed to new policies that stressed the leading role of the private sector, the new measures that deregulated some activities and investment rules, and reduced import restrictions. Other successful countries have shown that higher growth rates can be achieved in manufacturing exports but only after adjustment in the structure of incentives.

The latest economic survey 1990/91 shows that the industrial sector has grown at a mere 6% . Figures for the industrial sector comprise of two separate elements, large scale industries and the small scale or informal industrial sector. The behavior of these two is vastly different. For last two years large scale industries have shown no significant increases in growth (see Annex I.XII) while the small scale industries in the informal sector have shown consistent better growth. It would therefore appear that the incentives have been partially successful.

The reason for this limited growth despite some reform initiatives, was that the economy suffered from structural weaknesses like ;

(A) Heavy regulation of economic ctivity through price control, industrial licensing and Government ownership

(B) A trade regime that provided a high level of protection and created distortions, thus inhibiting competitivness and export growth

(C) A weak public resource position due to a narrow and inelastic revenue base, high consumption expenditure, particularly defence, and inadequate development expenditure, resulting in an excessive budget deficit.

(D) An inefficient financial sector with mostly public ownership, directed credit, and week commercial banks

(E) A high and growing debt service burden resulting from the country's heavy reliance on external borrowings to finance its growth in the 80's.

Chapter II

The pattern of incentives that have been created over the years can be classified under the following headings :

Fiscal Incentives :
Direct Taxes

Income & Super Tax	Sch A (Pages 8to19)

Indirect Taxes

(i) Customs Duty	Sch B (Pages 20to37)
(ii) Sales Tax & Surcharge	Sch C (Pages 38to51)

2. Other incentives: Sch D (Pages 52to53)

(i) Availability of Import Licences for plant & machinery.

(ii) Concessional credit for locally manufactured machinery.

(iii) Concessional rate of interest for fixed investment loans.

3. Export Incentives; Sch E (Pages 54to56)

(i) Concessionary credit for exports

(ii) Rebates administered to give effect to refund of duties & taxes.

(iii) Compensatory rebates

(iv) Raw material replenishment scheme

(v) Export Bonus Scheme (abandoned in the year 1968).

Schedules A, B, C D & E that follow show the details of these incentives

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE – A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
I. Corporate Tax Rate						
1. Income Tax	30%	30%	30%	30%	30%	30%
2. Super Tax Banks Co's Other Co's	 35% 25%	 35% 25%	 35% 25%	 35% 25%	 30% from 1/7/88 15% from 1/7/88 Public Co 15% from 1/7/88	 35% 20% Public Co's 15% W.e.f 1/7/89
3. Super Tax Rebate :						
(a) Any Public Co. Other than Banks	5%	5%	15% for Public listed co. and where Gop share-holding at least 50% (other than banks) w.e.f. 1/7/88	15%	Reduced from 15% to 5% w.e.f. 1/7/88	15%
(b) Any Public Co where paid up capital +free reserve < 500,000	5%	5%	5% For companies listed b/w 7/84-6/86 capital limit raised to Rs. 5,000,000	5% period extended to 7/84-6/88 for Co listing	5%	No Change 5%
(c) Industial Public Co's provided Paid up capital+Free Reserve<1,000,000.	5%	No Change - 5%	5% Limit of PC+FR raised to 10,000,000 for Co's listed b/w 7/84 to 6/86	5% same as before Listing Period extended 7/84-6/86	5% same as before	5% same as before

Abbreviations : W.e.f. = With effect from

63

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE – A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(d) Industrial Public Co with PC + FR (excluding land) < 3,000,000 and est b/w 7/75 to 6/80	5%	5% Set up period extended to 7/75 - 6/83 and asset limit enhanced to Rs. 5,000,000	5% production b/w 7/75 & 6/83	Nil Withdrawn	Nil	Nil
(e) Industry Specific Food Ind. - food, veg, fruit processing, canning including fish and poultry.	10%	No Change - 10%	10% also available to Mineral Exploration	10% same as before	10%	10%
(f) Income accuring outside Pakistan	15%	No Change - 15%	No Change - 15%	No Change - 15%	No Change - 15%	15%
4. Inter-corp. Tax						
(a) Dividend received by Public Co and paid by Public Co provided capital issued after 14/08/47	10%	No Change - 10%	Reduced from 10% to 5% w.e.f. 1.7.83	No Change - 5%	No Change - 5%	No Change - 5%
(b) Dividend received by a foreign Co/association	15%	No Change 15%	No Change 15%	No Change 15%	No Change 15%	No Change 15%
(c) All Other Cases	30%	No Change 30%	Reduced from 30% to 20% w.e.f. 1.7.83	No Change 20%	No Change 20%	No Change 20%

Abbreviations : FR = FREE RESERVE, PC = PAID UP CAPITAL, b/w = Between

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
5.Tax on Bonus Shares :						
Public Co Others Co	10% 15% Upto Sept. 1977	Tax Exempt Nil Wef 9/1977 upto 6/82	Tax Exempt period extended 9/77-6/85	No Change - Exempted upto 30/06/89	No Change - Exempted Upto 30/06/90	No Change - Exempted Upto 30/06/91
6. Capital Gains Tax.	Exempted upto 30.06.81.	Exempt but date extended to 30.06.83	Exempted upto 6/85	Exempted upto 1988-89	Exempted upto 30/06/90	Exempted upto 6/91
II Concessions & Tax Holidays.						
[a] Area Specific						
7. Full Tax Holidays						
(i) All Pakistan (Sec. 119E)	Not Available	Not Available	Not Available	Not Available	Not Available	3 Yrs 250 1/10/90
(ii) Rural Areas - As defined (Sec 118D)	Not Available	Not Available	Not Available	Not Available	Not Available	5 Yrs Setup 1/12/90-6/95
(iii) Management of Industrial Estates Setup 7/84-6/88 (Sec 120A)	Not Available	Not Available	5 Yrs	5 Yrs	5 Yrs	5 Yrs

Abbreviations : W.e.f = With effect from

15

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(a) Balochistan (Sec 119)	5 Yrs Set up b/w 1/3/79-6/83	5 Yrs same as before	5 Yrs -Setup b/w 3/78-6/88			
Sec 118A (excl Hub)				8 Yrs (Excl Hub) Setup b/w 7/88-6/91	8 Yrs - Setup 7/88-6/93 Setup changed 7/86-11/90 (Sec 118A)	8 Yrs - Sec 118A withdrawn w.e.f.11/90 Setup 12/90-6/95. (Sec.118C)
(b) NWFP						
D.I.Khan & Malakund Dist. (Sec 120)	5 Yrs Setup b/w 1/4/78-6/83	5 Yrs - same as before	5 Yrs setup b/w 4/78-6/88	Not Available	Not Available	Not Available
Manshera & Kohistan distt. (Sec 121)	5 Yrs Setup b/w 1/7/79-6/83	5 Yrs same as before	5 yrs -Setup b/w 6/80-6/88	(Sec 118A) Not Available	Not Available	Not Available
Gadoon Amazai (122C)	Not Available	Not Available	Not Available	10 Yrs if b/w 1/87-6/88	10 Yrs as before Setup 1/[illegible]-6/93	10 Yrs as before
All NWFP approved industrial Estates (8 approved Estates) (Sec 122)	5 Yrs -Setup b/w 1/3/79-6/83	5 Yrs Setup b/w 7/83-6/88	5 Yrs Setup b/w 6/80-6/88	5 Yrs as before	5 Yrs as before	5 Yrs as before
Whole NWFP (Sec 118A/Sec 118C)	Not Available	Not Available	Not Available	8 Yrs Setup 7/88-6/91	8 Yrs Setup 7/88-6/93	8 Yrs Setup 12/90-6/95
(c) Azad Kashmir (Sec 121)	5 Yrs Setup b/w 1/7/79-6/83	5 Yrs- same as before	5 Yrs - set up 7/79-6/88			
Sec 118A/Sec 118C				8 Yrs -b/w 1/7/88-6/93 (Sec 118A)	8 Yrs -if Setup b/w 1/7/88-6/93	8 Yrs (Sec 118C) if Setup b/w 12/9-6/95 (Sec 118A withdrawn 11/90)
(d) Northern Areas (Sec. 121)	5 Yrs Setup b/w 1/7/79-6/83	5 Yrs - as before	5 Yrs - setup b/w 7/79-6/88			
Sec 118A/118C				8 Yrs -b/w 1/7/88-6/93 (Sec 118A)	8 Yrs -if Setup b/w 1/7/88-6/93	8 Yrs (Sec 118C) if Setup b/w 12/9-6/95 (Sec 118A withdrawn 11/90)

Abbreviations = b/w = between, Yrs = Years, NWFP = North Western Frontier Province, Excl = Excluding

15

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(e) Tribal Areas (Sec 121)	5 Yrs Setup b/w 1/7/79-6/83	5 Yrs -Same as before	5 Yrs - Setup b/w 7/79-6/88			
Sec 118A/Sec 118C				5 Yrs -b/w 1/7/88-6/93 (Sec 118A)	8 Yrs -if Setup b/w 1/7/88-6/93	3 Yrs (Sec 118C) if Setup b/w 12/9-6/95 (Sec 118A withdraw 11.90)
(f) Punjab Dera Ghazi Khan Div. (Sec 118A)	Not available	5 Yrs if Setup b/w 1/7/83-6/88	5 Yrs Setup 7/80-6/88 Extended to Rahimpur	Not Available	Not Available	Not Available
(g) D.G.Khan & Bahawalpur Div. (Sec 118A)	Not available	Not available	Not available	Not available	8 Yrs Setup 7/88-6/93 (Sec 118A)	3 Yrs Setup 7/88-6/93
Industrial Estates in (2 Approved Estates) D.G.Khan.Mianwali & Khushab (Sec 120)	Not Available	5 Yrs added Rajanpur Setup 7/80-6/88	5 Yrs Setup b/w 7/80-6/90 extended to Bhakkar	5 Yrs (Sec 120D) areas notified by Punjab Govt. 05A/LAC/3025 Dt. 25/03/87 Setup 3/87-6/88	5 Yrs	5 Yrs
(h) Sindh Excl Karachi	5 Yrs Setup 5/79-6/83	Not Availace	Not Available	Not Available	Not Availacle	Not Available
Sukkur & Larkana Div. (Sec 118A)	Not Available	Not Available	Not Available	Not Available	8 Yrs Setup 7/88-6/93 (Sec 118A)	8 Yrs Setup 7/88-6/93 (Sec

Abbreviations = Div. = Division, Yrs = Years, b/w = between, D.G.Khan = Dera Ghazi Khan

17

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(i) Industrial Estates in district of Shikarpur/ Jacobabad (Sec 122) (3 approved Estates)		5 Yrs - Setup 1/7/83-6/88	5 Yrs Setup b/w 6/80-6/88 Extended to Tharpur, Dadu & Sukkar W.e.f 6/83	5 Yrs Available if Setup by 6/88	5 Yrs Available if Setup by 6/88	5 Yrs Available if (Sec 122E) Setup after 30/3/80 & remaind in operation till 6/88. Areas notified by Sindh Govt. AD(3C) II -6-02 dt 12/04/83 Setup revised 1/07/88-6/93
(j) EPZ (Sec. 126)	Not Available	Full exemtpion 5 Yrs 2nd five years - 25% of the rate	Available as before	Available as before	5 Yrs - Full Exempt. Next 5 yrs - 25% Part II(ii)	Available as before
(k) EPZ - Karachi (Sec 126A)	Not Available			Full exemption available upto Yrs 2000	Available as before	Available as before
8. Partially Exempt						
(a) Income tax upto indicated extent for new industrial undertaking in Tax Holiday areas and in industrial estates for manufacture of goods. and Shipbuilding. navigation.generation/ supply electricity. Energy & Hydraulic Power. Exclusions : Karachi. Hyderabad. Faisalabad & Lahore. (Sec. 48)	New units exempt upto 10% of capital employed Setup b/w 1/7/75 to 30/06/83	New units exempt upto 10% of capital employed Setup b/w 1/7/75 to 30/06/88	New units exempt upto 10% of capital employed Setup b/w 1/7/75 to 30/06/88	10% as before	10% as before	10% as before

Abbreviations = b/w = between . EPZ = Export processing Zone. Yrs = Years

18

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(b) Investment in share captial of industrial undertaking (Sec. 106)	Available to Company	Available to Company	Available to Company	Available to Company Excl Banks & DFI	Available to Company Excl Banks & DFI	Available to Company Excl Banks & DFI
	- 30% of amount invested located in Balochistan. Tribal Area. Northern Areas. Azad Kashmir.	-30% No before	-30% of amount invested -located Balochistan Tribal Area.Northern Area. Azad Kashmir.	-30% No before	-30% No before	-30% No before
	- 15% other areas excl. Karachi. Hyderabad Faisalabad. Lahore	-15% No before	-15% located anywhere excl. Karachi. Hyderabad. Faisalabad. Lahore.	-15% No before	-15% No before	-15% No before
			-20% of amount invested- Located Mansehra. Tonk.Khan. D.I.Khan. Bannu Karak. Dera Ghazi Khan.Rajanpur. Jacobabad. Sh.Karpur.	-20% No Change Excluding Banks	-20% as before	-20% as before
(c) Investment in Shares Debentures of E.P.F. (Sec. 105)		50% Tax Credit of amount investment	50% Tax Credit of amount investment	50% Tax Credit of amount investment	50% Tax Credit of amount investment	50% Tax Credit of amount investment

Abbreviations = Excl. = Excluding, DFI = Development Finance Institutions , EPF = Employee Participatory Fund

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(d) Investment in Debentures or Negotiable bonds issued by GOP or corporation amount by government. (Sec. 105A)		5% Tax Credit available for 15 Yrs.	5% Tax Credit available for 15 Yrs.	5% Tax Credit available for 15 Yrs.	(d) 5 % Tax Credit	(d) 5 % Tax Credit
[b] Industry Specific						
9 Full Tax Exemption						
1. Industry exempted for 8 Yrs						
Tourism project for 8 Yrs. (Sec. 118F)						Setup b/w 1.7.90 to 30.06.95 Province of Balochistan Excl. Hub. NWFP FATA Northern Area Azad Kashmir Dera Ghazi Khan Div. Bhawalpur Div. Sukkur Div. Jacobabad Div.

Abbreviations : Yrs = Years, Excl.=Excluding, Div. = Division (Administration unit), NWFP = North West Frontier Province, Fata = Federally Administrated Tribal Area.

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE – A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
2. Industries Exempted for 5 Yrs						
(a) Garment from Pakistan Cloth Industries (Sec 125)	Not Available	Setup 7/78-6/83	Setup 7/78-6/85	No Change	Setup (7/78-6/91)	Setup 7/78-6/91
(b) Poultry, Dairy Farming, Fish Catching, Cattle/Sheep Breeding.	Setup 7/75-6/82	Commenced before 6/83	Setup (7/75-6/88)	No Change	Not Available	Set up 7/88-6/93
(c) Agri-Machinery & Implements (Sec.98)	Not Available	1st July 88 Commenced before 6/93	Setup 7/85-6/88	As before	Not Available	Not Available
(d) Mineral Extration Exploration. (Sec 128)	Not Available	Not Available	Setup 7/81-6/86 1st 5 Yrs - Full 2nd 5 Yrs - Half Part II	No Change	Setup extended to 7/81-6/93 5 Yrs - Full 2nd 5 Year - Half	Available
(e) Pioneer Industrial Unit as approved by CBR: See clause 121 (A) of second schdule.	Not Available	Not Available	Management of Ind estates 7/84 - 6/89	Available	Available	Available
(f) Leather Garments. from Pakistan Leather (Sec 125A)	Not Available	Not Available	Not available	Setup 7/85-6/88	Setup (7/85-6/91)	Setup 7/86-6/91

Abbreviations : b/w = between, Yrs= Years, CBR = Central Board of Revenue, Ind. Estates = Industrial Estates

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(g) Engineering Goods as in SRO 786(1)/86 (Sec 125B) dt. 11.08.86 Part(a) of Part I of second schedule	Not Available	Not Available	Not Available	Setup 7/88-6/89 Specified items (22) in SRO 786(1)/86	Setup 7/86-6/89 Specified 22 items SRO 786	Setup 7/86-6/89 Specified items
(h) Electronic Equipment/Component manufacturing 5 Yrs (NWFP & Islamabad Capital Territory)	Not Available	Not Available	5 Yrs.	Not Available	5 Yrs. Commencing product.	Not Available
(i) Tourist Accomodation (Sec. 118g)						Setup 1/7/90 to 30/06/95 in National Park or Lake approved area and for Company formed for the purpose
3. Industries Exempted for 5 Yrs with restriction						
(j) Exploration /Extraction of Coal (Sec. 123A) (Locations as defined in Sec 119 to 122) Exempted for 5 Yrs	Not Available	Not Available	Not Available	Not Available	5 Yrs Lease dt. 31/07/87	Available

Abbreviations : SRO = Statutory Regulatory Order, Yrs = Years, NWFP = North Western Frontier Province

22

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE - A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(k) Date processing, manufacture of chipboard straw board, refining edible oil (Only in Sukkur) Exempted for 5 Years. (Sec 124)	Setup (5/76-6/83)	No Change	Setup (5/79-6/88)	Available	Available	Available
(l) Defence related Industry Wah, Gadwal, Sanjwal Hasan Abdal (4 approved Industral Estates) Sec. 122B	Not Available	Not Available	5 Yrs Setup 7/85-6/88 W.e.f 1/7/85	5 Yrs Setup 7/85-6/91	5 Yrs	5 Yrs
4) Key Industries Exempted for 4 Years				Fertilizer, Engg. Electronics & other High tech. Industry. Extended to 44 Items Setup 7/85-6/91	List reduced to 8 Items as W.e.f. 7/89: Set up 7/88 - 6/93 Biotech Rice Fibre Office Computers & Software Electrolic Solar Energy Equipment Fertilizers	8 items as before W.e.f. 1/7/89.
5. Industry Exempted for 2 years						
(m) Income from hiring of Agri-Machinery Exempt for 2 Years (Sec. 96)	Not Available	Not Available	Not Available	Not Available	Not Available	Setup 7/76-6/90 Exempted for 2 years

Abbreviations : W.e.f. = With effect from

INCENTIVES TO INDUSTRY

A) INCOME TAX CONCESSIONS

SCHEDULE – A

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
[c] Others/General						
10. BMR Tax Credit (Sec.107)	15% of cost if done 7/76 to 6/83.	15% No Change	15% No Change period extended 7/76-6/88	15% No Change Period extended upto 30.06.91	With drawn Period reduced upto 30.06.88	Restored if installed 7/90-6/93
11. Initial Depreciation (Third Schedule Rule 5)						
Plant & Machinery	25% installed 7/76-6/80	After July 79 upto 7/81 20% but raised to 40% for Industrial undertaking commencing product 1.7.81	No Change 40%	No Change 40%	40% (commencing production after 01.07.81 to 01.07.88)	40% (installed 7/79-6/91)
Ships	30%	30%	30%	30%	30%	30%
Plant & Machinery for Bank/DFI/Leasing Co.	After 1/7/79 40%	40%	40%	40%	40%	25% (Assessment Year 1990/91)
Other Building	10%	No Change 10% 1/7/79 to 6/83	No Change 10% 1/7/79 to 6/88	No Change 10% 1/7/79 to 30/06/88	No Change 10% 1/7/79 to 6/91	No Change 10%
Residential Bldge for Labour (<Rs. 1000 p.m)	25% (Constructed upto 6/83) 1/7/79 upto 6/83	25% (Constructed upto 6/83) 1/7/79 upto 6/83	No Change 25% 1/7/79 to 30/6/88	No Change 25%	25% (Completed 7/79-6/91)	25% (7/79-6/91)
12. Tax On Salary Of Foreign Nationals Full Exemption	Foreign Technicain Exempted from tax for 3 Yrs - Upon Approval	3 Yrs No change	3 Yrs No change	3 Yrs 5 Yrs for petroleum exploration	3 Yrs / 5 Yrs.	3 Yrs / 5 Yrs.

Abbreviations : Yrs = Years, DFI = Development Finance Institution

24

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
I Plant & Machinery						
Hal Area Specific	SRO 1491(1)/74 Dt. 24.12.74 Effective 25.10.74	SRO 710(1)/80 Dt. 28.08.80	SRO 410(1)/84 Dt. 14.06.84 Valid upto 27.10.85	SRO 410(1)/84 Dt. 14.06.84 Valid upto 27.10.85	SRO 410(1)/84 by. 14.06.84 UPTO 27.10.85 SRO 530(1)/90 Dt. 27.06.90 UPTO 16.02.91 IMPORT DATE:	SRO 1284(1)/90 Dt. 13/12/90 effective 16/12/91
1. General Areas						
(1) Exempted of 100% Custom duty	Plant & Machinery for approved project for initial installation, BMR & extension	Plant & Machinery for approved project - Installation, BMR & extension.	Plant & Machinery for approved project - Installation, BMR & extension.	Plant & Machinery for approved project - Installation, BMR & extension.	Plant & Machinery for approved project - Installation, BMR & extension.	Plant & Machinery approved projects new units, BMR & expansion. Imported b/w 1/12/90 to 30/06/95
Balochistan	Balochistan	Balochistan	Balochistan	Balochistan	Balochistan excluding Hub Tehsil	Balochistan "
NWFP	Mansehra Dist. (Added 1979) Kohistan Distt. (Added 1979)	Malakand Div. D.I.Khan Div. Mansehra Distt. Kohistan Distt.	Malakand Div. D.I.Khan Div. Mansehra Distt. Kohistan Distt.	Malakand Div. D.I.Khan Div. Mansehra Distt. Kohistan Distt.	NWFP all areas	NWFP all areas "
Tribal Areas	Tribal Areas	Tribal Areas	Tribal Areas	Tribal Areas	Tribal Areas	Tribal Areas "
Northern Areas	Northern Areas	Northern Areas	Northern Areas	Northern Areas	Northern Areas	Northern Areas "
Azad Kashmir	Azad Kashmir	Azad Kashmir	Azad Kashmir	Azad Kashmir	Azad Kashmir	Azad Kashmir "

Abbreviations = b/w = Between, SRO = Statutory Regulatory Order, Div. = Division, Distt. = District (Administration Unit)
NWFP = North Western Frontier Province, D.I.Khan = Dera Ismail Khan

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
Punjab			Bahawalpur Distt.	Bahawalpur Distt.		Punjab *
			D.G.Khan Distt.	D.G.Khan Distt.	D.G.Khan Distt. Bhawalpur Div.	D.G.Khan Distt. Bhawalpur Div.
Sindh						Sindh *
					Larkana Div. Sukkur Div.	Larkana Div. Sukkur Div. No Municipal limitations for above 4 Div.
			Khairpur Distt. Jacobabad Distt.	Khairpur Distt. Jacobabad Distt.		
						* Exclusions are Islamabad-Capital Territory Hub Tehsil in Balochistan All Municipal/Cantt Board limits and within following radius of Karachi - 40KM Lahore - 30KM All Other - 10KM 4 industrial estates -10KM
(iii) Exemption of 50% Custom Duty						
	The whole of Pakistan excluding following 14 areas	All Pakistan excluding Following 14 area	All Pakistan excluding following 13 areas	All Pakistan excluding following 13 areas	All Pakistan excl. following 12 areas	
	Rahimyarkhan Tehsil	Rahimyarkhan Tehsil	Rahimyarkhan Tehsil	Rahimyarkhan Tehsil		
	Multan Tehsil	Multan Tehsil	Multan Tehsil	Multan Tehsil	Multan Tehsil	
	Lyallpur Tehsil	Faisalabad Tehsil	Faisalabad Tehsil	Faisalabad Tehsil	Faisalabad Tehsil	
	Shahdra Tehsil	Ferozwala Tehsil	Ferozwala Tehsil	Ferozwala Tehsil	Ferozwala Tehsil	
	Lahore Tehsil	Lahore Tehsil	Lahore Distt.	Lahore Distt.	Lahore Distt.	
	Gujranwala Tehsil	Gujranwala Tehsil	Gujranwala Tehsil	Gujranwala Tehsil	Gujranwala Tehsil	
	Rawalpindi Tehsil	Rawalpindi Tehsil	Rawalpindi Tehsil	Rawalpindi Tehsil	Rawalpindi Tehsil	
	Sialkot Tehsil	Sialkot Tehsil	Sialkot Tehsil	Sialkot Tehsil	Sialkot Tehsil	

Abbreviations : Div. = Division. Distt. = District. Cantt = Cantonment

26

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
	Islamabad Capital Territory Karachi Hyderabad Taluka Sukkur Taluka Areas Adj. Karachi & Lahore	Islamabad Capital Territory Karachi Hyderabad Taluka Kotri Taluka Sukkur Taluka Karachi adjoining areas	Islamabad Capital Territory Karachi Div. Hyderabad Taluka Kotri Taluka Adjoining areas of Karachi Div., Lahore Distt.	Islamabad Capital Territory Karachi Div. Hyderabad Taluka Kotri Taluka Adjoining areas of Karachi Div., Lahore Distt.	Islamabad Cap. Territory Karachi Div. Hyderabad Taluka Kotri Taluka Ajoining areas Karachi Div. & Lahore Distt.	
2. Industrial Estates						
(1) 100% Exemption of Duty (Backward Areas)						
Baluchistan					Industrial Estates of Hub	Industrial Estates of Hub
NWFP		All Industrial Estates	All Industrial Estates	All Industrial Estates	All Industrial Estates	
Punjab		All approved Industrial Estates D.G.Khan distt. Mianwali distt. Khushab Tehsil	All approved Industrial Estates Mianwali distt Khushab Tehsil Bhakkar Distt.	All approved Industrial Estates Mianwali distt. Khushab Tehsil Bhakkar Distt.	All approved Industrial Estate Mianwali distt. Khushab Tehsil Bhakkar Distt.	All approved Industrial Estate Mianwali distt. Khushab Tehsil Bhakkar Distt.
Sindh		Shikarpur Distt. Jacobabad Distt. Dadu Distt. (excl. Kotri)	Dadu Distt. (Excl. Kotri) Tharparkar Distt.	Dadu Distt. (Excl. Kotri) Tharparkar Distt.	Dadu Distt. (Excl. Kotri) Tharparkar Distt.	Dadu Distt. (Excl. Kotri) Tharparkar Distt.

Abbreviations : Div. = Division , Distt. = District, D.G.Khan = Dera Ghazi Khan

27

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(ii) Exemption to the extent of 75% Custom Duty		All Ind. Estates Excluding Flwg. 14 areas: Rahimyarkhan Tehsil Multan Tehsil Faisalabad Tehsil Lahore Tehsil Gujranwala Tehsil Rawalpindi Tehsil Sialkot Tehsil Islamabad Karachi Hyderabad Taluka Kotri Taluka Sukkur Taluka Karachi adjoining areas				All approved Industrial estates excluding Following :- All Municipal/Cantt Board limits, Karachi- within 40km Lahore - Within 30KM All Other (Except Bhawalpur, D.G.Khan, Sukkar, Larkana div.) - Within 10 KM Islamabad Capital Teritory HUB Tehsil - Balochistan Karachi Div. Mianwali Distt. Bhakkar Distt. Khuzar Tehsil Tharparkar Distt. Badin Distt. Excl. Kotri Taluka Lahore Distt. Ferozwala Tehsil Gujranwala Tehsil Sialkot Tehsil Faisalabad Tehsil Multan Tehsil Rawalpindi Tehsil Kotri Taluka Hyderabad Taluka

Abbreviation : Cantt.

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
(iii) Exemption of 50% Custom Duty						
	All govt. financed Industrial Estates except those located at Karachi.	All GOP Financed Industrial Estates located in following 14 areas excl. Karachi	All approved Industrial Estates located in following 13 areas Excl Karachi Div	All approved Industrial Estates located in following 13 areas Excl Karachi Div.	All approved Industrial estates in following 12 areas	All approved Inuetrial Estates in following 12 areas excluding Karachi Div.
		Bahiyar Khan Tehsil Multan Tehsil Faisalabad Tehsil Ferozwala Tehsil Lahore Tehsil Gujranwala Tehsil Rawalpindi Tehsil Sialkot Tehsil Islamabad Karachi Hyderabad Taluka Kotri Taluka Thatta Taluka Karachi adjoining area	Bahiyar Khan Tehsil Multan Tehsil Faisalabad Tehsil Ferozwala Tehsil Lahore Distt. Gujranwala Tehsil Rawalpindi Tehsil Sialkot Tehsil Islamabad Karachi Div Hyderabad Taluka Kotri Taluka Adjoining areas of Karachi Div. Lahore Distt.	Bahiyar Khan Tehsil Multan Tehsil Faisalabad Tehsil Ferozwala Tehsil Lahore Distt. Gujranwala Tehsil Rawalpindi Tehsil Sialkot Tehsil Islamabad Karachi Div. Hyderabad Taluka Kotri Taluka Adjoining areas of Karachi Div. Lahore Distt.	Faisalabad Tehsil Ferozwala Tehsil Lahore Distt. Gujranwala Tehsil Rawalpindi Tehsil Sialkot Tehsil Islamabad Karachi Div. Hyderabad Taluka Kotri Taluka Adjoining areas Karachi Div. & Lahore Distt.	Multan Tehsil Faisalabad Tehsil Ferozwala Tehsil Lahore Distt. Gujranwala Tehsil Rawalpindi Tehsil Islamabad Hyderabad Taluka Kotri Taluka
(iv) Exemption of 25% Custom Duty						
			All approved Industrial Estates excluding following 13 areas	All approved Industrial Estates excluding following 13 areas	All approved Industrial Estates excluding following 12 areas	
			Islamabad Karachi Div Lahore Distt. Ferozwala Tehsil Gujranwala Tehsil Sialkot Tehsil	Islamabad Karachi Div. Lahore Distt. Ferozwala Tehsil Gujranwala Tehsil Sialkot Tehsil	Islamabad Karachi Div. Lahore Distt. Ferozwala Tehsil Gujranwala Tehsil Sialkot Tehsil	

Abbreviations : GOP : Government of Pakistan. Div. : Division. Distt. : District

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29

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1981	[illegible]	[illegible]	[illegible]	After DEC. 1990
			Development Detail Mining Detail Remunerative Detail Development Detail Extra Duties Interest Duties Advising areas of Research Div. & Centre Distt.	Development Detail Mining Detail Remunerative Detail Development Detail Extra Duties Interest Duties Advising areas of Research Div. & Centre Distt.	Development Detail Mining Detail Development Detail Extra Duties Interest Duties Advising areas of Research Div. & Centre Distt.	
I (b) Industry Specific						
1. Hotels, Motels, Tourist Projects	SRO 528(1) 75 Dt. 22/05/75 Full exemption whole Custom Duty.Setup for initial installation, expansion of approved project. All groups of specified fertilizer Indt.	SRO 528(1) 75 Dt. 5.75 Full Exemption of custom duty on items specified				SRO ____ 1/91 Dt. 05 05/91 Full exemption for approved projects machinery & equipment Direct or other dental equipment and special equipment for adventure tourism including mountaineering jet water ski etc
2. Fertilizer Industry	SRO 393 (1) 74 Dt. 21.05.74 Custom Duty Exempted to the extent of 20% Plant & Machinery & Machinery for fertilizer as defined in SRO [illegible]	SRO 393 (1) 74 Dt. 21.05.74 SRO amended to exempt whole Custom Duty	SRO 393 (1) 74 Dt. 21.05.74 Same as before	SRO 393 (1) 74 Dt. 21.05.74 Same as before	SRO 393 (1) 90 Dt. 18.08.90 While of custom duty exempted	SRO 393(1) 90 Dt. 18.08.90 While of custom duty exempted

Abbreviations : Div. = Division, Distt. = District, SRO = Statutory Regulatory Order

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30

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1986	Upto JULY 1986	Upto JULY 1989	After DEC. 1990
3. Cement Industry			[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]	[illegible]	Whole of custom duty except for Plant & machinery items where rate of duty [illegible]	Whole of custom duty except for Plant & machinery items where rate of duty does not exceed [illegible]
4. Key Industries					[illegible]	[illegible]
					Whole of custom duty except for Plant & machinery for setting up Biotech., Electronics, Fertilizer, Fibre Optics, Solar Energy Industries	Whole of custom duty except for Plant & machinery for setting up Biotech., Electronics, Fertilizer, Fibre Optics, Solar Energy Industries
5. Textile Industry	SRO 520(1)/79 Dt.29.06.79	SRO 70(1) 90 Dt.28.02.90	SRO 512(1) 88 Dt.29.08.88	SRO 464 1 88 Dt.28.08.88	SRO 464 1 89 Dt.28.08.89	SRO 469(1) 89 Dt.28.08.89
	EMS of machinery Whole custom duty except for approved products	EMS of machinery Whole custom duty except for approved products	EMS of machinery Whole custom duty except for approved products	Approved project Whole of custom duty except for Plant & machinery as defined	Approved project Whole of custom duty except for Plant & machinery as before for EMS	Approved project Whole of custom duty except for Plant & machinery as before for EMS
6. Made Up Garments	SRO 803 1 79 Dt.20.06.79	SRO 70(1) 90 Dt.28.02.90	SRO 512 1 88 Dt.29.08.88	SRO 464 1 88 Dt.28.08.88		
	Plant & Machinery EMS Ext. whole custom duty exempted for approved project.	Plant & Machinery EMS Ext. whole custom duty exempted for approved project.	Plant & Machinery [illegible] Industrialising EMS Ext. whole of custom duty exempted for [illegible]	Plant & Machinery EMS Ext. whole custom duty exempted as specified	Same as before	Same as before

Abbreviations : Ext. = Extension, SRO = Statutory Regulatory Order

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31

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984-1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
7. Text processing	SRO 820(1)/76 Dt. 29.06.76 Plant & Machinery New EMS Ext whole custom duty Exempted for approved project	SRO 703(1) 82 Dt. 28.08.86 Plant & Machinery New EMS Ext whole custom duty Exempted for approved projects	SRO 610(1) 82 Dt. 28.08.86 Plant & Machinery required Installation EMS Ext whole of custom duty exempted for approved projects	SRO 604(1) 82 Dt. 28.08.86 Plant & Machinery EMS Ext whole custom duty exempted for specified items	Same as before	Same as before
8. Tanning	SRO 703(1)/80 Dt. 28.08.80	SRO 2(1)(1) 81 Dt. 14.03.81 Whole custom duty Exempt for EMS specified machinery	SRO 2(1)(1) 81 Dt. 14.03.81 Whole custom duty Exempt for EMS specified machinery	SRO 2(1)(1) 81 Dt. 14.03.81 Whole custom duty Exempt for EMS specified machinery	SRO 2(1)(1) 81 Dt. 14.03.81 Whole custom duty Exempt for EMS specified machinery	SRO 2(1)(1)/81 Dt. 14.03.81 Whole custom duty Exempt for EMS specified machinery
9. Shoe Making		SRO 2(1)(1) 81 Dt. 14.03.81 Whole custom duty exempt for EMS specified Machinery	SRO 2(1)(1) 81 Dt. 14.03.81 Same as before			
10. Leather/Garments & gloves		SRO 2(1)(1) 81 Dt. 14.03.81 Whole custom duty exempt for EMS specified Machinery	Same as before	SRO 2(1)(1) 81 Dt. 14.03.81 EMS Ext. Whole of custom duty exempt for Plant & Machinery	SRO 2(1)(1) 81 Dt. 14.03.81 Textile manufacturing EMS Ext. Whole of custom duty exempt for Plant & Machinery specified	Same as before
11. Sports goods		SRO 2(1)(1) 81 Dt. 14.03.81 Whole custom duty exempt for EMS specified Machinery	Same as before	SRO 2(1)(1) 81 Dt. 14.03.81 Textile manufacturing EMS Ext. Whole of custom duty exempt for Plant & Machinery specified	SRO 2(1)(1) 81 Dt. 14.03.81 Textile manufacturing EMS Ext. Whole of custom duty exempt for Plant & Machinery specified	

Abbreviations : Ext. Extension. SRO Statutory Regulatory Order

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INCENTIVE TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE -- B

Description	Upto MAY 1977	Upto FEB 1982	Upto APRIL 1985	Upto JULY 1989	Upto JULY 1989	After DEC. 1990
12. Surgical Goods		[illegible]	[illegible]	[illegible]	[illegible]	Same as before
13. Cutlery		[illegible]	Same as before	[illegible]	[illegible]	Same as before
14. Glass / Marble Industry		[illegible]	Same as before	Same as before	Same as before	Same as before
15. Glassing		[illegible]	Same as before	Same as before	Same as before	Same as before
16. Domestic Appliance Industry		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations : Est. - Estimation, SBO - Statutory Regulatory Order

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INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
17. Mining Industry					SRO 525(1)/89 Dt. 03.06.89 Whole of custom duty on specified items of Plant & machinery	Same as before
18. Carbon Black	SRO 168(1)/79 Dt.19.02.79 Whole custom duty Plant & machinery as specified in SRO 695(1)/77					
19. Dairy Industry	SRO 830(1)/78 Dt.29.06.78 Whole of custom duty Exempt machinery for approved unit.	SRO 830(1)/78 Dt.29.06.78 Whole of custom duty Exempt machinery for approved unit.	SRO 506(2)/84 Dt.14.06.84 Whole of custom duty Exempt for approved machinery	SRO 506(2)/84 Dt.14.06.84 Whole of custom duty Exempt for approved machinery	SRO 506(2)/84 Dt.14.06.84 Whole of custom duty Exempt for approved machinery	SRO 506(2)/84 Dt.14.06.84 Whole of custom duty Exempt for approved machinery
20. Poultry	SRO 829(1)/78 Dt.29-6-78 Articles specified in import policy order of 77. (Approved unit of prov. Govt.) Whole of Custom Duty Exempt	SRO 829(1)/78 Dt.29/6/78 Same as before	SRO 829(1)/78 Dt.29-6-78 Same as before			
21. Grain Storage Silos		SRO 1247(1)/81 Dt.22.10.81 Duty reduced to 5% for specified items	SRO 1247(1)/81 Dt.22.10.81 Same as before	SRO 479(1)/88 Dt.26.08.88 Duty reduced to 5% for specified items	SRO 479(1)/88 Dt.26.08.88 Same as before	SRO 479(1)/88 Dt.26.08.88 Same as before

Abbreviations : Prov. = Province, Govt. = Government, SRO = Statutory Regulatory Order

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34

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
22. Engineering Goods Industry						SRO 570(1)/90 Dt. 07.06.90 Initial BMR & Ext. Whole of Custom Duty exempt for approved Project.
23. Pharma Industry			SRO 502(1)/84 Dt.14.06.84 Whole of custom duty exempted	Same as before	SRO 545(1)/89 Dt. 03.06.89 Full exemption of custom duty	Same as before
24. Pakistan Steel By products (Slags etc.)						SRO__(1)/90 Dt. 18.07.90 Full exemption of Custom Duty to industries using Pakistan

Abbreviations : Prov. = Province. Govt. = Government. SRO = Statutory Regulatory Order

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INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
II Raw Materials						
[a] Area Specific						
(i) Capital good & intermediary capital goods as defined in SRO 600(10/83 and SRO 601(1)/83 Dt. 11.06.83 respectively supplied to Balochistan(excl. Hub) NWFP FATA Northern Areas Azad Kashmir Bahawalpur Div. Dera Ghazi Khan Div. Larkana Div. Sukkur Div.			SRO 604(1)/83 Dt.11.06.83 Repayment of whole custom duty paid on Raw Material & components used for manufacturer of goods & machinery supplied to projects in area specified in SRO 630(1)/83 & SRO 13(1)/90 for initial installation EMR	SRO 604(1)/83 Dt.11.06.83 Repayment of whole custom duty paid on Raw Material & components used for manufacturer of goods & machinery supplied to projects in area specified in SRO 630(1)/83 & SRO 13(1)/90 for initial installation EMR	SRO 604(1)/83 Dt.11.06.83 Repayment of whole custom duty paid on Raw Material & components used for manufacturer of goods & machinery supplied to projects in area specified in SRO 630(1)/83 & SRO 13(1)/90 for initial installation EMR	SRO 604(1)/83 Dt.11.06.83 Repayment of whole custom duty paid on Raw Material & components used for manufacturer of goods & machinery supplied to projects in area specified in SRO 630(1)/83 & SRO 13(1)/90 for initial installation EMR
(ii) Raw Material for Gadoon Amazai					SRO 617(1)/89 Dt. 03.06.89 Raw material & components imported by manufacturers at Duty Rebates in the Industrial Estates of Gadoon Amazai. Rebate of whole duty admissible.	Since Withdrawn
1. Shipbuilding Industry	SRO 501(1)/75 Dt. 14.05.75 This shows a further reduction of 10% of Rebate of the custom duty exempted.	SRO 501(1)/75 Dt.14.05.75 This shows a further reduction of 10% of Rebate of the custom duty exempted.	SRO 501(1)/75 Dt.14.05.75 This shows a further reduction of 10% of Rebate of the custom duty exempted.	SRO 501(1)/75 Dt.14.05.75 Same as before Further raw material & components used in Shipbuilding, Fitting, repairing allowed clearance against bank insurance guarantee	SRO 501(1)/75 Dt.14.05.75 Same as before Further raw material & components used in Shipbuilding, Fitting, repairing allowed clearance against bank insurance guarantee	SRO 501(1)/75 Dt.14.05.75 Same as before Further raw material & components used in Shipbuilding, Fitting, repairing allowed clearance against bank insurance guarantee

Abbreviations : North West Frontier Province. FATA = Federally Administered Tribal Area. Excl = Excluding. Div = Division

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36

INCENTIVES TO INDUSTRY

BY CUSTOM DUTY — SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984-1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
2. Railways		SRO 623 [illegible] Dt.[illegible]	[illegible] Dt.[illegible]	[illegible] Dt.[illegible]	[illegible] Dt.[illegible]	[illegible] Dt.[illegible]
		Components & Raw material imported by Pakistan Railways for manufacture of coaches, wagons, rolling stock. Whole of custom duty exempted.	Components & Raw material imported by Pakistan Railways for manufacture of coaches, wagons, rolling stock. Whole of custom duty exempted.	Components & Raw material imported by Pakistan Railways for manufacture of coaches, wagons, rolling stock. Whole of custom duty exempted.	Components & Raw material imported by Pakistan Railways for manufacture of coaches, wagons, rolling stock. Whole of custom duty exempted.	Components & Raw material imported by Pakistan Railways for manufacture of coaches, wagons, rolling stock. Whole of custom duty exempted.
3. Capital goods			SRO 670(1)/85 Dt.11.06.85	SRO 670(1)/85 Dt.11.06.85	SRO 670(1)/85 Dt.11.06.85	SRO 670(1)/85 Dt.11.06.85
			Raw material & components used in basic local manufacture of capital goods & machinery custom duty exempted in excess of 50%.	Raw material & components used in basic local manufacture of capital goods & machinery custom duty exempted in excess of 50%.	Raw material & components used in basic local manufacture of capital goods & machinery whole of custom duty exempted.	Raw material & components used in basic local manufacture of capital goods & machinery whole of custom duty exempted.
4. Intermediary Capital Goods			SRO 671(1)/85 Dt.11.06.85	SRO 671(1)/85 Dt.11.06.85	SRO 671(1)/85 Dt.11.06.85	SRO 671(1)/85 Dt. 11.06.85
			Raw materials for manufactures of specified items (13) exempted from custom duty. in excess of 20%	Raw materials for manufactures of specified items (13) exempted from custom duty. in excess of 20%	Raw materials for manufactures of specified items (13) exempted from custom duty. in excess of 20%	Raw materials for manufactures of specified items (13) exempted from custom duty. in excess of 20%
5. Cycle Parts			SRO 495(1)/84 Dt.14.06.84 Raw material & components used in manufacture of cycle parts. Custom duty exempted in excess of 20%	SRO 495(1)/84 Dt.14.06.84 Raw material & components used in manufacture of cycle parts. Custom duty exempted in excess of 20%	SRO 495(1)/84 Dt.14.06.84 Raw material & components used in manufacture of cycle parts. Custom duty exempted in excess of 20%	SRO 495(1)/84 Dt.14.06.84 Raw material & components used in manufacture of cycle parts. Custom duty exempted in excess of 20%
6. Motor Cycles/ Scooters/ Auto Rickshaws.				SRO 460(1)/88 Dt.26.06.88 Raw material & components used in assembly of such vehicles. Custom duty exempted in excess of 20% subject Conditions.	SRO 460(1)/88 Dt.26.06.88 Raw material & components used in assembly of such vehicles. Custom duty exempted in excess of 20% subject Conditions.	SRO 460(1)/88 Dt.26.06.88 Raw material & components used in assembly of such vehicles. Custom duty exempted in excess of 20% subject Conditions.

Abbreviations : SRO = Statutory Regulatory Order.

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INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
7. Intermediary & Capital Goods supplied against International tenders						SRO 555(1)/90 Dt. 07.06.90 Raw material & components used in manufacture of machinery, equipment, vehicles and intermediary or capital goods to be supplied against international tender & project financed by foreign loan/ aid agency. Whole of custom duty exempted.
8. Generators & Boilers						SRO 560(1)/90 Dt.07.06.90 Raw material & components used for manufacture of generation and boilers. Whole of custom duty exempted.
9. Fishing Industry						
(i) Nylon Ropes		SRO 546(1)/82 Dt.14.06.82 Imported raw materials used in manufacture of Nylon Ropes & twine supplied to Fishermen's Coop. Society/Fisheries Deptt. Whole of the Custom duty exempted.	SRO 546(1)/82 Dt.14.06.82 Imported raw materials used in manufacture of Nylon Ropes & twine supplied to Fishermen's Coop. Society/Fisheries Deptt. Whole of the Custom duty exempted.	SRO 546(1)/82 Dt.14.06.82 Imported raw materials used in manufacture of Nylon Ropes & twine supplied to Fishermen's Coop. Society/Fisheries Deptt. Whole of the Custom duty exempted.	SRO 546(1)/82 Dt.14.06.82 Same as before and	SRO 546(1)/82 Dt.14.06.82 Same as before and
(ii) Marine Diesel Engine, Yarn etc.					SRO 54(1)/89 Dt.03.06.89 Marine diesel engines and yarn for making trawl nets imported by Fishermen Coop. Society. Whole of custom duty exempted	SRO 54(1)/89 Dt.03.06.89 Marine diesel engines and yarn for making trawl nets imported by Fishermen Coop. Society. Whole of custom duty exempted

Abbreviations : SRO = Statutory Regulatory Order, DEPTT. = Department

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38

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
10. Agricultural Implements & Machinery			SRO 602(1)/89 Dt.11.08.89 Raw material & components for basic manufacture of specified agricultural implements & machinery. Whole of Custom Duty exempted.	SRO 602(1)/89 Dt.11.08.89 Raw material & components for basic manufacture of specified agricultural implements & machinery. Whole of Custom Duty exempted.	SRO 602(1)/89 Dt.11.08.89 Raw material & components for basic manufacture of specified agricultural implements & machinery. Whole of Custom Duty exempted.	SRO 602(1)/89 Dt.11.08.89 Raw material & components for basic manufacture of specified agricultural implements & machinery. Whole of Custom Duty exempted.
11. Agricultural Vehicles, Buses Etc.			SRO 495(1)/84 Dt.14.06.84 Raw material & components used in local manufacture of vehicles specified. Custom duty exempted to the extent specified (30-100%)	SRO 495(1)/84 Dt.14.06.84 Raw material & components used in local manufacture of vehicles specified. Custom duty exempted to the extent specified (30-100%)	SRO 495(1)/84 Dt.14.06.84 Raw material & components used in local manufacture of vehicles specified. Custom duty exempted to the extent specified (30-100%)	SRO 495(1)/84 Dt.14.06.84 Raw material & components used in local manufacture of vehicles specified. Custom duty exempted to the extent specified (30-100%)
12. Specialised Vehicles				SRO 18(1)/88 Dt.12.01.88 Raw material & components used for manufacture of specified vehicles. Whole of custom duty exempted.	SRO 18(1)/88 Dt.12.01.88 Raw material & components used for manufacture of specified vehicles. Whole of custom duty exempted.	SRO 18(1)/88 Dt.12.01.88 Raw material & components used for manufacture of specified vehicles. Whole of custom duty exempted.
13. Agri – Pesticide					SRO 549(1)/89 Dt.03.06.89 Specified raw material for formulation / manufacture of agricultural - pesticide. Whole of custom duty exempted.	SRO 549(1)/89 Dt.03.06.89 Specified raw material for formulation / manufacture of agricultural - pesticide. Whole of custom duty exempted.

Abbreviations : SRO = Statutory Regulatory Order

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39

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
14. Packaging Material for Dairies						SRO 520(1)/90 Dt.07.06.90 Raw material specified to be used in manufacture of packaging material for dairy or fruit juice industry. Whole of custom duty exempted.
15. Pharma Products (Drugs)			SRO [illegible]	SRO [illegible]	SRO [illegible]	SRO 549(1)/90 [illegible]
			Specified Raw material & packaging material for manufacture of Drugs. Whole of custom duty exempted.	Specified Raw material & packaging material for manufacture of Drugs. Whole of custom duty exempted.	Specified Raw material & packaging material for manufacture of Drugs. Whole of custom duty exempted.	Same as before and SRO 1147(1)/89 Dt.27.11.89 Material specified in manufacture of registered drugs and packaging material whole of custom duty exempted. SRO 537(1)/90 Dt.07.06.90 Specified raw material for manufacture of pharmaceutical active ingredients specified in SRO. Whole of custom duty exempted.
16. Disposable Syringes & infusion Sets.				SRO 457(1)/88 Dt.26.06.88 Specified raw material for manufacture for specified articles. Whole of custom duty exempted.	SRO 457(1)/88 Dt.26.06.88 Specified raw material for manufacture for specified articles. Whole of custom duty exempted.	SRO 457(1)/88 Dt.26.06.88 Specified raw material for manufacture for specified articles. Whole of custom duty exempted.

Abbreviations : SRO = Statutory Regulatory Order

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40

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
17. Scientific / Medical Instruments				SRO 502(1/88 Dt.26.06.88 Raw material & component as specified and used in manufacture of instruments. Exempted form whole of the custom duty.	SRO 502(1/89 Dt.26.06.89 Raw material & component as specified and used in manufacture of instruments. Exempted form whole of the custom duty.	SRO 502(1)/89 Dt.26.06.89 Raw material & component as specified and used in manufacture of instruments. Exempted form whole of the custom duty.
18. Pesticides (Medical)				SRO 510(1/88 Dt.26.06.88 Raw material used in formulation of pesticides for purpose health or exports. Whole of custom duty exempted.	SRO 510(1/89 Dt.26.06.89 Raw material used in formulation of pesticides for purpose health or exports. Whole of custom duty exempted.	SRO 510(11/88 Dt.26.06.88 Raw material used in formulation of pesticides for purpose health or exports. Whole of custom duty exempted.
19. Oil & Gas exploration equipment.				SRO 444(1/87 Dt.04.06.87 Raw material & components used for manufacture of exploration equipment exempted from custom duty to extent specified variously in the SRO.	SRO 444(1)/87 Dt.04.06.87 Raw material & components used for manufacture of exploration equipment exempted from custom duty to extent specified variously in the SRO.	SRO 444(11/87 Dt.04.06.87 Raw material & components used for manufacture of exploration equipment exempted from custom duty to extent specified variously in the SRO.
20. Rubber/Tyre Cord. Fabric				SRO 1195(1/88 Dt.27.12.88 Specified items of rubber and tyre cord fabric imported by manufacture of tyres, tubes, vehicles whole of custom duty exempted.	SRO 1195(1)/88 Dt.27.12.88 Specified items of rubber and tyre cord fabric imported by manufacture of tyres, tubes, vehicles whole of custom duty exempted.	SRO 1195(11/88 Dt.27.12.88 Specified items of rubber and tyre cord fabric imported by manufacture of tyres, tubes, vehicles whole of custom duty exempted.
21. Round Steel Billets.					SRO 508(11/89 Dt.03.06.89 Such billets imported for use in manufacture of cold drawn seamless pipes & tubes. Whole of custom duty exempted.	SRO 508(11/89 Dt.03.06.89 Such billets imported for use in manufacture of cold drawn seamless pipes & tubes. Whole of custom duty exempted.

Abbreviations : SRO = Statutory Regulatory Order

INCENTIVES TO INDUSTRY

B) CUSTOM DUTY

SCHEDULE – B

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After DEC. 1990
22. WAPDA						SRO 243(1)/90 Dt.06.03.90 Raw material, parts & components used in manufacture of 11KV switch gear supplied to Wapda against IERD tender. Whole of custom duty exempted.
23. Electronics						SRO 515(1)/90 Dt. 07.06.90 Raw material & components used for manufacture of electronic components, equipment & system (specified). Whole of custom duty exempted.
24. Domestic Appliances						SRO 540(1)/90 Dt. 07.06.90 Raw material & components for manufacture of specified appliances (13%. Custom duty exempted in excess of 20% (previous SRO 603(1)/88 : in excess of 40%)
25. Textile Industry					SRO 122(1)/89 Dt.07.10.88 Raw material imported by any manufacturer of textile machinery subject to conditions laid down in SRO 600(1)/88 Dt. 11.06.88. Whole of the custom duty exempted.	SRO 555(1)/90 Dt.07.06.90 Raw material & components imported manufacture of textile machinery , parts & accessories. Whole of custom duty exempted.

Abbreviations : WAPDA = Water & Power Development Authority. SRO = Statutory Regulatory Order

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE - C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
C1. Sales Tax						
I. Plant & Machinery						
[a] Area Specific		SRO 700(1)/80 Dt. 28.08.80	SRO 504(1)/84 Dt. 14.06.84	SRO 529(1)/88 Dt. 28.06.88	SRO 529(1)/88 Dt. 28.06.84	SRO 1283(1)/90 Dt. 15.12.90
Full Exemption	Full exemption available on Plant & Machinery and components as specified	Full exemption available on Plant & Machinery and components as specified	Whole of sales tax exempted. All Pakistan excl. following 14 areas Rahimyarkhan Tehsil Multan Tehsil Faisalabad Tehsil Ferozewala Tehsil Lahore Distt. Gujranwala Distt Rawalpindi Distt. Sialkot Tehsil Islamabad capital Territory Karachi Div. Hyderabad Taluka Kotri Taluka	Whole of Sales Tax Exempted for 5 Yrs on output for industries setup b/w 7/88 & 6/91 in Balochistan (Excl. Hub) FATA Northern Areas Azad Kashmir	Whole exemption for 8 Yrs on all goods manufactured. Setup 7/88-6/91 Balochistan (excl Hub) FATA Northern Area Azad Kashmir NWFP	Full exemption for 5 Yrs. setup b/w 01.12.90 & 30.06.95
[b] Industry Specific.						
Full Exemption						
1. Shoe making Industry- Plant & Machinery				Sales Tax exempted for shoe making industry on initial installation. BMR.		

Abbreviations : Div. = Division, Distt. = District, SRO = Statutory Regulatory Order, NWFP = North West Frontier Province, FATA = Federally Administered Tribal Area

39

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90'
2. Fertilizer Industry Plant & Machinery	SRO 393(1)/74 Dt. 21.03.74 Full Exemption for Sales Tax.	SRO 393(1)/74 Dt. 21.03.74 Full Exemption for Sales Tax.	SRO 393(1)/74 Dt. 21.03.74 Full Exemption for Sales Tax.	SRO 393(1)/74 Dt. 21.03.74 Full Exemption for Sales Tax.	SRO 959(1)/89 Dt.13.06.89 Full exemption Sale Tax for	SRO 959(1)/89 Dt.13.06.89 Full exemption Sale Tax for
3. Pharmaceutual Industry Plant & Machinery	Not Available	Not Available	SRO 502(1)/84 Dt.14.03.84 Full exemption of Sales Tax	SRO 502(1)/84 Dt.14.03.84 Full exemption of Sales Tax	SRO 545(1)/89 Dt.03.06.89 Full exemption of Sales Tax	SRO 545(1)/89 Dt.03.06.89 Full exemption of Sales Tax
4. Pakistan Steel byproducts (Slag) Plant & Machinery	Not Available	Not Available	Not Available	Not Available	Not Available	SRO____(1)/90 Dt.18.07.90 Full exemption for industry using Pak-Steel byproducts (Slags, coal tar as raw material)
5. Mining Industry Plant & Machinery & Equipment					SRO 525(1)/89 Dt.03.06.89 Mining Industry	
Key Industries :					SRO 515(1)/89 Dt.03.06.89	
Biotech Electronics Fertilizer Fibreoptics Solar Energy Plant & Machinery					Key Industry fully exempted	

Abbreviations : SRO = Statutory Regulatory Order, Pak - Steel = Pakistan Steel Mills

44

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE - C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90'
6. Engineering Goods Industries Plant & Machinery						SRO 570(1)/90 Dt.07/06/90 Engineering Goods Industry Intial - BMR and extension for approved project, full duty & sales tax.
7. All Industries : Imported Plant, Machinery & components for industrial use as specified	SRO 125(1)/70 Dt.29.06.70 Full Exemption	SRO 897(1)/77 Dt.04.06.77 Full Exemption	SRO 897(1)/77 Dt.04.06.77 Full Exemption	SRO 897(1)/77 Dt.04.06.77 Full Exemption	SRO 897(1)/77 Dt.04.06.77 Full Exemption	SR 600(1)/90 Dt.07.06.90 SRO 601(1)/90 Dt.07.06.90 (for T & T) SRO 897(1)/90 Dt.07.06.90 (for International Tenders) Full Exemption
8. Domestic Appliances Plant & Machinery for specified items	Not Available	Not Available	[illegible] Dt.[illegible] Whole of Sales Tax	SRO 507(1)/85 Dt.23.06.85 Whole of Sales Tax	SRO 507(1)/85 Dt.23.06.85 Whole of Sales Tax	SRO 507(1)/85 Dt.23.06.85 Whole of Sales Tax
9. Dairy Industry	SRO 550(1)/75 Dt.29.06.75 Whole of Sales Tax exempted	SRO 550(1)/75 Dt.29.06.75 Whole of Sales Tax exempted	SRO 506(1)/85 Dt.14.06.84 Whole of Sales Tax exempted	SRO 506(1)/85 Dt.14.06.84 Whole of Sales Tax exempted	SRO 506(1)/85 Dt.14.06.84 Whole of Sales Tax exempted	SRO 506(1)/85 Dt.14.06.84 Whole of Sales Tax exempted
II Raw Materials						
(a) Area Specific						
10. All Industries in Gadoon Amazai Industries Estates					SRO 517(1)/89 Dt.03.06.89 Sale tax exempt.	SRO 517(1)/89 Now withdrawn

Abbreviations : T & T = Telephone & Telegraph Department, SRO = Statutory Regulatory Order

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
[b] Industry specific						
11. Cottage Industry (Capital employment <100,000. (Less than 15 workers)Specified goods for Cottage Industries	SRO 404(1)/70 Dt.17.06.70 Sales Tax Exempt	SRO 665(1)/81 Dt.25.06.81 W.e.f 6/81 - 6/89 Sales Tax Exempt	SRO 665(1)/81 Dt.25.06.81 Sales Tax Exempt	SRO 665(1)/81 Dt.25.06.81 Sales Tax Exempt	SRO 665(1)/81 Dt.25.06.81 Sales Tax Exempt	SRO 546(1)/89 Dt.03.06.89 Sales Tax Exempt
12. Vendors Goods for Exports	Not Available	Not Available	Not Available	Not Available	SRO 562(1)/89 Dt. 03.06.89 Sale Tax Exempt.	SRO 562(1)/89 Dt. 03.06.89 Sale Tax Exempt.
13. Vendors Specified Goods	Not Available	Not Available	Not Available	Not Available	SRO 562(1)/89 Dt.03.06.89 Sale Tax Exempt.	SRO 562(1)/89 Dt.03.06.89 Sale Tax Exempt.
14. Woven Fabrics Locally produced (Manufacture & processing of cotton, man made fabrics)	Not Available	Not Available	Not Available	Not Available	SRO 640(1)/89 Dt.17.06.89 Sales tax exempt in excess of Rs. 0.25 per Sq metre	SRO 640(1)/89 Dt.17.06.89 Sales tax exempt in excess of Rs. 0.25 per Sq metre
15. Furniture (wood & steel) Specified rates of exemption to different categories of manufacturers & sellers	Not Available	Not Available	Not Available	Not Available	SRO 641(1)/89 Dt.17/06/89 Specified Exemption of Sales Tax to various items	SRO 641(1)/89 Dt.17/06/89 Specified Exemption of Sales Tax to various items
16. Processing of cotton Fabrics/ Man made Fabrics processed as specifed	Not Available	Not Available	Not Available	Not Available	SRO 642(1)/89 Dt.17/6/89 (Cotton Fabrics) SRO 643(1)/89 Man Made Fabrics Whole of sales Tax exempt	SRO 642(1)/89 Dt.17/6/89 (Cotton Fabrics) SRO 643(1)/89 Man Made Fabrics Whole of sales Tax exempt

Abbreviations : W.e.f = With effect from , SRO = Statutory Regulatory Order

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
17. Steel Industrial Shapes & sections (Ingots,bars,rods,)	Not Available	Not Available	Not Available	Not Available	SRO 722(1)/89 Dt.10/7/89 Sales Tax Exempt Upto Specified amount	SRO 722(1)/89 Dt.10/7/89 Sales Tax Exempt Upto Specified amount
18. Partial exemption to Misc. Industries Tube & Tyres (not motorcycle), Art Leather , Rexine, paper & paper board.	Not Available	SRO 667(1)/81 Dt.25.06.81 Partial exempted b/w 5-10% Specified items	SRO 667(1)/81 Dt.25.06.81 Partial exempted b/w 5-10% Specified items	SRO 524(1)/88 Dt.28/6/88 Partial exempted 10% exemption for four specified industries	Not Available	Not Available
19. Poultry Industry Specified Items when Imported	Not Available	Not Available	SRO 1103(1)/84 Dt. 27.10.84 Whole of Sales tax exempt	Not Available	Not Available	Not Available
20. Agri-Implements	Not Available	SRO 64(1)/79 Dt.28.06.79 39 Items fully exempted	Not Available	Not Available	Not Available	Not Available
21. Palm Oil Industry Palm Oil when imported	Not Available	SRO 775(1)/79 Dt. 01.09.79 Full Exemption	SRO 775(1)/79 Dt.01.09.79 Full Exemption Sales Tax	Not Available	Not Available	Not Available

Abbreviations : SRO = Statutory Regulatory Order

47

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90'
22. Pharma Industry Raw material & packaging Material when imported	Not Available	SRO 888(1)/80 Dt.15.06.80	SRO 116 1 /84 Dt.11.01.84 SRO 98. 1 /84 Dt.15.04.84 Dt.27/4.87 SRO SRO 117(1) /84 Dt.11.01.84 Exempt while sales tax for specified drugs	SRO 898(1)/87 SRO 349 1/85 Dt.15.04.85	SRO 114(1) /89 Dt.27.11.89 SRO 349(1)/85 Dt.15.04.85	SRO 114(1)/89 Dt.27.11.89 SRO 349(1)/85 Dt.15.04.85
		Exempt while Sales Tax		Refund of Sales Tax on specified Basic Drugs	Full exemption of sales tax	Full exemption .. sales tax
23. Equipment Hotel, Motel, Tourist club existing / expansion/ New Units. Specified articles.	SRO 907(1)/77 Dt.02.05.77 SRO 558(1)/78 Dt.02.06.78 Exempt whole sales tax	SRO 608(1)/78 Dt.02.06.78 Exempt whole sales tax				SRO ___(1)/91 Dt.05.05.91 Machinery & kitchen equipment including special equipment for mountaineering & interport Whole of Sales Tax exempt.
24. Imported Raw Materials and components						
i) for Capital Goods Industry	SRO 1179(1)/79 Dt.02.10.79 Sales tax exempt	SRO 547(1)/79 Dt.15.06.79 Sales tax exempt	SRO 604(1) /83 Dt.11.06.83 Sales tax exempt	SRO 604(1)/83 Dt.11.06.83 Sales tax exempt	SRO 603(1)/83 Dt.11.06.83 Sales tax exempt	SRO 603 1/83 Dt.11.06.83 Sales tax exempt
ii) for Intermediary Capital Goods Industry	Not Available	SRO 1187(1) 81 Dt. 30.10.80 Sales tax exempt	SRO 601 1 /83 Dt.11.06.83 Sales tax exempt	SRO 601 1 /83 Dt.11.06.83 Sales tax exempt	SRO 601(1)/83 Dt.11.06.83 Sales tax exempt	SRO 601(1)/83 Dt.11.06.83 Sales tax exempt
If Supplied against International Tenders						SRO 555(1)/90 Dt.07.06.90 Sales tax exempt.
(iii) for Agricultural Machinery	Not Available	Not Available	SRO 602(1)/83 Dt.11.06.83 Sales Tax Exempt	SRO 602(1)/83 Dt.11.06.83 Sales Tax Exempt	SRO 602(1)/83 Dt.11.06.83 Sales Tax Exempt	SRO 602(1)/83 Dt.11.06.83 Sales Tax Exempt
iv) for Appliances Industry	Not Available	SRO 551(1) 79 Dt.15.06.79 Sales Tax Exempt	SRO 613 1 /83 Dt.11.06.83 Sales Tax Exempt	SRO 613 1/83 Dt.11.06.83 Sales Tax Exempt	SRO 613 1/83 Dt.11.06.83 Sales Tax Exempt	SRO 603(1)/83 Dt.11.06.83 Sales Tax Exempt

Abbreviations : SRO = Statutory Regulatory Order

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INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90'
(v) for Tractors, Buses & specialised Vehicles			SRO 499 1/84 Dt.14.06.84 Sales Tax exempt	SRO 499 1/84 Dt.14.06.84 SRO 19 1/85 Dt.12.1.85 Sales Tax exempt	SRO 499 1/84 Dt.14.06.84 SRO 19(1)/85 Dt.12.01.85 Sales Tax exempt	SRO 499(1)/84 Dt.14.06.84 SRO 19(1)/85 Dt.12.01.85 Sales Tax exempt
(vi) for Textile machinery				SRO 199 1/85 Dt.27.12.85 Sales Tax exempt.	SRO 199 1/85 Dt.27.12.85 Sales Tax exempt.	SRO 199(1)/85 Dt.27.12.85 SRO 560(1)/90 Dt.07.06.90 Sales Tax exempt.
(vii) for Bicycle Industry			SRO 499 1/84 Dt.14.06.84 Sales tax exempt.	SRO 499 1/84 Dt.14.06.84 Sales tax exempt.	SRO 499 1/84 Dt.14.06.84 Sales tax exempt.	SRO 499(1)/84 Dt.14.06.84 Sales tax exempt.
(viii) for Scientific Medical Instruments				SRO 502 1/85 Dt.26.06.85 Sales tax exempte	SRO 502(1)/85 Dt.26.06.85 Sales tax exempte	SRO 502(1)/85 Dt.26.06.88 Sales tax exempte
Disposable syringes				SRO 457(1)/85 Dt.26.06.85 Sales tax exempt	SRO 457(1)/85 Dt.26.06.85 Sales tax exempt	SRO 457(1)/85 Dt.26.06.88 Sales tax exempt
(ix) for Manufacture of Agricultural pesticides					SRO 549 1/85 Dt.03.09.85 Sales tax exempt	SRO 549(1)/85 Dt.03.09.85 Sales tax exempt
(x) for Electronic equipment & Systems						SRO 515(1)/90 Dt.07.06.90 Sales tax exempt.
(xi) for Generators & Boilers						SRO 560(1)/90 Dt.07.06.90 Sales tax exempt
(xii) for Oil & Gas exploration equipment				SRO 444(1)/87 Dt.04.06.87 Sales tax exempt.	SRO 444(1)/87 Dt.04.06.87 Sales tax exempt.	SRO 444(1)/87 Dt.04.06.87 Sales tax exempt.
(xiii) for 11KV Switchgear supplied to WAPDA against International tender.						SRO 249(1)/90 Dt.06.03.90 Sales Tax Exempt.

Abbreviations : WAPDA = Water & Power Development Authority, SRO = Statutory Regulatory Order

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49

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE - C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
25. Local Raw material for machinery supplied against International tender						SRO 697(1)/90 Dt.17.06.90 Full refund of sales tax
III Miscellaneous Goods						
26. General: Goods Manufactured in Pakistan	SRO 659(1)/80 Dt.28.06.80 Full exemption	SRO 666 (1)/81 Dt.25.06.81 Specified 80 categories Full exemption	SRO 666 (1) 81 Dt.26.06.81 Specified 80 categories Full exemption	SRO 666 (1)81 Dt.26.06.81 Specified 80 categories Full exemption	SRO 668(1)/88 Dt.03.06.88 Specific End use SRO 668(1)/81 Dt. 03.06.89 Specified 80 categories Full Exemption	SRO 699(1)/90 Dt.07.06.90 Specified end use 50 items SRO 699(1)/90 Dt. 07.06.90 General 126 items . Full exemption
27. Local Plant, machinery & components Supplied against International Tenders	SRO 1120(1)/76 Full Exempted	SRO 1078(1) 81 Full Exempted	SRO 1078 (1) 81 Full Exempted	SRO 85 (1) 88 Full Exempted	SRO 85(1) 88 Full Exempted	SRO 697(1)/90 Dt.07.06.90 Full Exempted
28. Imported General Goods	SRO 581(1)/72 Dt.05.08.72 Reduced rates SRO 819(1)/72 Dt.09.06.72 Enhanced Rates	SRO 661(1)/80 Dt.28.06.80 Reduced rates SRO 662(1)/80	SRO 661(1) 79 Dt.28 6 81 Reduced rates 55 Categories SRO 662(1) 81 Enhanced rates 15 Categories	SRO 85(1) 88 Dt.28.06.88 Specified goods Exempt SRO 501(1)/88 Dt.28.06.88 Specified end user. Full exempt	SRO 85(1) 88 Dt.28.06.88 Specified goods fully Exempt SRO 501(1)/88 Dt.28.06.88 Specified end user. Full exempt	SRO 500(1)/88 Dt.28.06.88 Specified goods fully Exept SRO 501(1)/88 Dt.28.06.88 Specified end user
29. Imported Agricultural Insecticide & Pesticides	Not Available	SRO 747(1)/81 Dt.09.07.81 Full Exemption	SRO 747 (1) 81 Dt.09.07.81 Full Exemption	SRO 747 (1)81 Dt.09.07.81 Full Exemption	SRO 747 (1) 81 Dt.09.07.81 Full Exemption	SRO 699(1)/90 Dt.07.06.90 Full Exemption

Abbreviations : SRO = Statutory Regulatory Order

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80

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90'
C2.(a) Surcharge Rates						
(a) Import Surcharge	0%	5%	5%	5%	6% 7%	10%
(b) Iqra Surcharge	0%	2%	5%	5%	5% 5%	5%
C2. (b) Concessions						
I. Plant & Machinery						
30. Plant & Machinery and Specified goods						
(a) Import Surcharge				SRO 450(1)/88 Dt.26.06.88 Specified Plant & Machinery & goods Exempted for Industry projects in Balochistan (Exc. Hub) NWFP Gadoon Amazai Tribal Areas Northern Areas Azad Kashmir Punjab Bahawalpur Div. Dera Ghazi Khan Sindh Larkana Div. Sukkur Div.	SRO 450(1)/88 Dt.26.06.88 Plant & Machinery Exempted for Industry projects in Balochistan (Exc. Hub) NWFP Gadoon Amazai Tribal Areas Northern Areas Azad Kashmir Punjab Bahawalpur Div. Dera Ghazi Khan Sindh Larkana Div. Sukkur Div.	SRO 450(1)/88 Dt.26.06.88 Plant & Machinery Exempted for Industry projects in Balochistan (Exc. Hub) NWFP Gadoon Amazai Tribal Areas Northern Areas Azad Kashmir Punjab Bahawalpur Div. Dera Ghazi Khan Sindh Larkana Div. Sukkur Div.

Abbreviations : Div. = Division , Distt. = District, SRO = Statutory Regulatory Order, Excl. = Excluding

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51

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE - C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
(b) Iqra Surcharge				SRO 481(1)/88 Dt.26.06.88 Specified goods, Plant & Machinery Imported by approved project. Full exemption	SRO 481(1)/88 Dt.26.06.88 Specified goods, Plant & Machinery Imported by approved project. Full exemption	SRO 481(1)/88 Dt.26.06.88 Specified goods, Plant & Machinery Imported by approved project. Full exemption
31. Fertilizer Industry						
(i) Plant & Machinery						
(a) Import Surcharge				SRO 480(1)/88 Dt.26.06.88 Full exemption	SRO 480(1)/88 Dt.26.06.88 Full exemption	SRO 480(1)/88 Dt.26.06.88 Full exemption
(b) Iqra Surcharge				SRO 481(1)/88 Dt.26.06.88 Plant & Machinery Imported for Setup & Expansion	SRO 481(1)/88 Dt.26.06.88 Plant & Machinery Imported for Setup & Expansion	SRO 481(1)/88 Dt.26.06.88 Plant & Machinery Imported for Setup & Expansion
(ii) Fertilizer						
(a) Import Surcharge				Full exemption	Full exemption	Full exemption
II Raw Materials						
32. Raw Material for Gadoon Industrial estates as specified in SRO 517(1)/89 DT.03.06.89						
(a) Import Surcharge				SRO 480(1)/88 Dt. Raw Material exempted for approved project in approved estates of Gadoon Anzai	SRO 480(1)/88 Dt. Raw Material exempted for approved project in approved estates of Gadoon Anzai	SRO 480(1)/88 Dt. Raw Material exempted for approved project in approved estates of Gadoon Anzai

Abbreviations : SRO = Statutory Regulatory Order

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52

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE - C

Description	Upto MAY 1977	Upto FEB 1982	Upto [illegible] 1988	Upto JULY 1988	Upto JULY 1989	After Dec 90
[illegible] Sales Tax Charge				SRO 481(1)/88 Dt.[illegible]	SRO 481(1)/88 Dt.[illegible]	SRO 481(1)/88 Dt.[illegible]
33. Pharmacutical Industry Raw material imported for manufacture of basic drugs, for pharma products specified under SRO 1147(1)/89 Dt.27.11.87 & SRO 349(1)/85 Dt.11.04.85				Exemption for Raw material for approved Industrial Project in Sector Manual	Exemption for Raw material for approved Industrial Project in Sector Manual	Exemption for Raw material for approved Industrial Project in Sector Manual
b Import Surcharge				SRO 481(1)/88 Dt.[illegible] Raw material for manufacturer of basic drugs exempted	SRO 490(1)/88 Dt.[illegible] Raw material for manufacturer of basic drugs exempted	SRO 490(1)/88 Dt.28.06.88 Raw material for manufacturer of basic drugs exempted
34. Raw materials used in the manufactures of (i) Capital Goods						
b Import Surcharge				SRO 114(1)/88 Dt.[illegible] Deferment & full exemption upon certification of end use	SRO 114(1)/88 Dt.[illegible] Deferment & full exemption upon certification of end use	SRO 114(1)/88 Dt.28.01.88 Deferment & full exemption upon certification of end use

53

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
(b) Igrs Surcharge				SRO 113 1 88 Dt.29.01.88 Deferment of payment allowed on raw material & components used in manufacture of capital goods supplied to foreign aided project.	SRO 113 1 88 Dt.29.01.88 Deferment of payment allowed on raw material & components used in manufacture of capital goods supplied to foreign aided project.	SRO 113(1)/88 Dt.29.01.88 Deferment of payment allowed on raw material & components used in manufacture of capital goods supplied to foreign aided project.
(ii) Intermediary Capital Goods Supplied against International Tender						
(a) Import Surcharge				SRO 114(1) 88 Dt.29.01.88 Deferment & full exemption upon certification of end use	SRO 114(1)/88 Dt.29.01.88 Deferment & full exemption upon certification of end use	SRO 114(1)/88 Dt.29.01.88 Deferment & full exemption upon certification of end use
(b) Igrs Surcharge				SRO 113 1 88 Dt.29.01.88 Deferment of payment allowed on raw material & components used in manufacture of capital goods supplied to foreign aided project.	SRO 113(1)/88 Dt.29.01.88 Deferment of payment allowed on raw material & components used in manufacture of capital goods supplied to foreign aided project.	SRO 113(1)/88 Dt.29.01.88 Deferment of payment allowed on raw material & components used in manufacture of capital goods supplied to foreign aided project.

Abbreviations : SRO = Statutory Regulatory Order

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54

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
35. Components for construction & repair of ships						
(a) Import Surcharge					SRO 748(1)/88 Dt.01.09.88 Full exemption if imported by Karachi Ship Yard.	SRO 748(1)/88 Dt.01.09.88 Full exemption if imported by Karachi Ship Yard.
(b) Iqra Surcharges					SRO 748(1)/88 Dt.01.09.88 Components imported by Karachi shipyard for construction / repair of Ocean going vessels. Full exemption.	SRO 748(1)/88 Dt.01.09.88 Components imported by Karachi shipyard for construction / repair of Ocean going vessels. Full exemption.
III Miscelleneous Goods						
36. Miscelleneous exemption for specified goods						
(a) Import Surcharge		SRO 558(1) Dt.14.06.85 Full Exemption to specified goods of Headings	SRO 558(1) Dt.14.06.85 Full Exemption to specified goods of Headings	SRO 480(1)/88 Dt.06.06.88 Full exemption to goods specified of Headings	SRO 480(1)/88 Dt.06.06.88 Full exemption to goods for specified industries of Headings	SRO 480(1)/88 Dt.06.06.88 Full exemption to goods for specified industries of Headings

Abbreviations : SRO = Statutory Regulatory Order

BEST AVAILABLE

55

INCENTIVES TO INDUSTRY

C) SALES TAX & SURCHARGES

SCHEDULE – C

Description	Upto MAY 1977	Upto FEB 1980	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec 90
(a) Import Surcharge			SRO 947(1)/85 dt.01.07.85 Full exemption on specified goods 35 heading	SRO 481(1)/88 dt.26.06.88 Full exemption on specified goods 35 heading	SRO 481(1)/88 dt.26.06.88 Full exemption on specified goods 35 heading	SRO 481(1)/88 dt.26.06.88 Full exemption on specified goods(35 Heading
37. Vehicles , Machinery & Equipment supplied against interantional tender						
(a) Import Surcharge				SRO 981(1)/87 dt.09.10.87 Surcharge refunded in full upon certification of end use	SRO 981(1)/87 dt.09.10.87 Surcharge refunded in full upon certification of end use	SRO 981(1)/87 dt.09.10.87 Surcharge refunded in full upon certification of end use
(b) Income Surcharge				SRO 982(1)/87 dt.09.10.87 Deferment of payment allowed.	SRO 982(1)/87 dt.09.10.87 Deferment of payment allowed.	SRO 982(1)/87 dt.09.10.87 Deferment of payment allowed.

Abbreviations : SRO = Statutory Regulatory Order

BEST AVAILABLE

96

INCENTIVES TO INDUSTRY

D) OTHER INCENTIVES

SCHEDULE - D

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JUNE 1988	Upto JUNE 1990	After Dec. 90
I Import Licensing						
Cash license available for Plant & Machinery imports						
Commercial Importers	Rs. 1.5 Million	Rs. 2.5 Million	Rs. 2.5 Million	Rs. 10.0 Million	Rs. 18.0 Million	Rs. 18.0 Million
New units or expansion of existing units	To be determined on case to case basis	Case to Case basis	Increased from Rs.30 Million to Rs. 50 Million	Rs. 40.0 Million	Rs. 80.0 Million	Rs. 100.0 Million
BMR for existing units except textiles	Rs. 1.5 Million	Rs. 2.5 Million	Rs. 5.[illegible] Million	Rs. 10.0 Million	Rs. 18.0 Million	Rs. [illegible].0 Million
BMR for textiles spinning						
Upto 12500 spindles	Rs. 1.5 Million	Rs. 2.5 Million	Rs. 2.5 Million	Rs. [illegible].0 Million	Rs. [illegible].0 Million	Rs. [illegible].0 Million
12501-25000 spindles				Rs. 12.0 Million	Rs. 16.0 Million	Rs. [illegible].0 Million
25001-37500 spindles				Rs. [illegible].0 Million	Rs. [illegible].0 Million	Rs. [illegible].0 Million
> 37501 spindles				Rs. [illegible].0 Million	Rs. [illegible].0 Million	Rs. [illegible].0 Million
BMR for textiles weaving & Finishing						
Upto 250 Looms	Rs. 1.5 Million	Rs. 2.5 Million	Rs. [illegible].0 Million	Rs. [illegible].0 Million	Rs. [illegible].0 Million	Rs. [illegible].0 Million
251 - 500 Looms				Rs. 12.0 Million	Rs. 18.0 Million	Rs. [illegible].0 Million
501 and above				Rs. 18.0 Million	Rs. 24.0 Million	Rs. [illegible].0 Million

SBP = State Bank Of Pakistan

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57

INCENTIVES TO INDUSTRY

D) OTHER INCENTIVES

SCHEDULE – D

Description	Upto MAY 1977	Upto FEB 1982	Upto 1984/1985	Upto JUNE 1988	Upto JUNE 1990	After Dec. 90
II Locally Manufactured Machinery (LMM)						
Export Sales						
Concessionary Rates	6%	Reduced from 6% to 0% after July 88				
SBP Refinance rates	3%	Reduced from 3% to 1% after July 88				
Local Sales						
Concessionary Rates	3%	0%				
SBP Refinance Rate	6%	0%				
III Term Loan for Industrial Plant & machinery (Term Loan)	3%					

Abbreviations = SBP = State Bank Of Pakistan

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58

INCENTIVES TO INDUSTRY

E) EXPORT INCENTIVES

SCHEDULE - E

Description	Upto May 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
1. Income Tax Rebate [First Schedule Part IV A(2)(a) of Income Tax Ordinance 1979]	Tax payable reduced by 55% on income from approved exports. Excluding Raw cotton & Other excluded goods.	55% No Change	55% No Change	55% No Change	(i) Tax Payable reduced to 50% of tax liability on exports of : Raw Cotton Rice Rice bran Wheat bran Cane Skin & other specified items. Export of Vegetables, fresh fruit & flowers. Sales of manufacture goods in Pakistan against International tenders Tax Payable reduced to (ii) 75% for higher value added exports i.e. Textile garments, leather garments, engineering goods, electronics, Jewellery (iii) 25% for cotton yarn	(i) Tax Payable reduced to 50% of tax liability on exports of : Raw Cotton Rice Rice bran Wheat bran Cane Skin & other specified items. Export of Vegetables, fresh fruit & flowers. Sales of manufacture goods in Pakistan against International tenders Tax Payable reduced to (ii) 75% for higher value added exports i.e. Textile garments, leather garments, engineering goods, electronics, Jewellery (iii) 25% for cotton yarn
2. Sales Tax	(a) Full Sales tax Exemption on import of Machinery, parts and Raw material for used for export production. (b) Sales Tax exempted on all goods manufactured for exports	(a) Fully Exempt (b) Exempt	(a) Fully Exempt (b) Exempt	(a) Fully Exempt (b) Exempt	(a) Fully Exempt (b) Exempt	(a) Fully Exempt (b) Exempt

Abbreviations = SBP = State Bank Of Pakistan

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59

INCENTIVES TO INDUSTRY

E) EXPORT INCENTIVES

SCHEDULE – E

Description	Upto May 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
3. Custom Duty.	(a) Full exemption for imported machinery and Raw materials used for export production.	(a) Fully Exempt	(a) Fully Exempt	(a) Fully Exempt	(a) Fully Exempt	(a) Fully Exempt
	(b) Full Exempt. Machinery & Raw material imported for re-exports.	(b) Fully Exempt	(b) Fully Exempt	(b) Fully Exempt	(b) Fully Exempt	(b) Fully Exempt
4. Excise Duty	Excise Duty on manufactured goods repayable upon exports.	Excise duty recoverable in full	Excise duty recoverable in full	Excise duty recoverable in full	Excise duty recoverable in full	Excise duty recoverable in full
5. Compensatory Rebates	Variable Rebates available upto 10.5%	Variable Rebates available upto 10.5%	Variable Rebates upto available 10.5 %	Not Available	Not Available	Not Available
6. Concessionary Export Financing	Concessionary finance at 5%	Concessionary finance at 5%	Concessionary finance at 5%	Concessionary finance at 5%	Concessionary rate increased to 7% after July 89	Concessionary finance at 7%
I Export Processing Zones. Sec. (128) Part II Sec C	(a) Full Tax exemption for 1st Five Years	(a) Full exemption for 1st Five Years	(a) Full exemption for 1st Five Years	(a) Full exemption for 1st Five Years	(a) Exemption for 1st. Five Years	(a) Exemption for 1st. Five Years
	(b) 25% tax of the rates Specified in First schedulle exempt for five years thereafter	(b) 25% tax of the rates Specified in First schedulle exempt for five years thereafter	(b) 25% tax of the rates Specified in First schedulle exempt for five years thereafter	(b) 25% tax of the rates Specified in First schedulle exempt for five years thereafter	(b) 25% tax of the rates Specified in First schedulle exempt for five years thereafter	(b) 25% tax for next 5 yrs

Abbreviations = SBP = State Bank Of Pakistan

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60

INCENTIVES TO INDUSTRY

E) EXPORT INCENTIVES

SCHEDULE - E

Description	Upto May 1977	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
			(c) Capital gains on sale of shares & assets exempt from tax	(c) Capital gains on sale of shares & assets exempt from tax	(c) Capital gains on sales of assets and shares tax-exempt.	(c) Capital gains on sales of assets and shares tax-exempt.
			(d) Trading losses can be carried forward indefinitely. (6 yrs in other cases	(d) Trading losses can be carried forward indefinitely. (6 yrs in other cases.	(d) Trading losses can be carried forward indefinitely. (6 yrs in other cases.	(d) Trading losses can be carried forward indefinitely. (6 yrs in other cases)
			(e) No Tax on overseas income	(e) No Tax on overseas income	(e) No Tax on overseas income	(e) No Tax on overseas income
			(f) Free of exchange control.	(f) Free of exchange control.	(f) Free of exchange control.	(f) Free of exchange control.
			(g) Exemption from labour laws	(g) Exemption from labour laws	(g) Exemption from labour laws	(g) Exemption from labour laws
			(h) Full repatriation of profit & capital	(h) Full repatriation of profit & capital	(h) Full repatriation of profit & capital on all goods	(h) Full repatriation of profit & capital on all goods
			(i) No Duties & Sales Tax or municipal taxes on all goods	(i) No Duties & Sales Tax or municipal taxes on all goods	(i) No duty & sales Tax or municipal Tax.	(i) No duty & sales Tax or municipal Tax.
II Export Processing Zone Karachi. (Sec. 126A)			Not Available	Not Available	(a) Full exemption of income tax upto the Year. 2000 all other concessions (c) to (i) as above for other Export processing zones	(a) Full exemption of income tax upto the Year. 2000 all other concessions (c) to (i) as above for other Export processing zones

Abbreviations = SBP = State Bank Of Pakistan

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61

INDUSTRIAL INCENTIVES IN PAKISTAN

Chapter III.

CRITERIA USED FOR MAKING AVAILABLE INDUSTRIAL INCENTIVES

Fiscal Incentives:

These have followed the pattern consistent with the stop-go policies of the government of the day. Pakistan's taxation is dominated by indirect taxation as seen in Table C, Page 74 in Chapter IV.

The balancing of the budget is not by fine tuning but by tinkering, for example an investors lobby for reduction in interest for fixed investment from 14% to 11% was accepted, but the special depreciation allowance allowed at the rate of 15% was withdrawn. Similarly corporate tax was increased from 50% to 55%, but this was offset by withdrawal of 10% tax on bonus shares applicable to public companies. Such offsetting practices have understandably upset the industrialist. More recently in the 1991/92 budget, despite the stated objective of promoting new industrialsation, the initial depreciation available to new investments in the first year have been withdrawn as has the 15% tax credit available to industry for balancing modernisation and replacement.

Influence of Taxation :

For analytical convenience the tax structure may be divided into (i) direct, and (ii) indirect. Income tax and super tax come in the first category and customs duties, sales tax, surcharge on import and excise duty come in the second category. The direct taxation has been used as the major instrument for increasing investments and for inducing entrepreneurs, generally via tax holidays and other partial exemptions to income tax.

The indirect taxes have been utilised primarily for placating existing demands of the various trade associations and other lobbies for exemptions on existing sales and excise taxes or on imports of essential items.

The tax holiday has varied from 8 to 3 years. It was utilised for removing regional disparities or for inducement to specific industries. The inducement by industry meant that such industrial direction had to be identified as was a pioneering start requiring specialist skills, a highly trained labour force, a raw material source etc. In short, an industry which raised the level of all kinds of production and knowledge frontiers. Exemption from income tax and other taxes followed on certain conditions :

(1) Industries based on indigenous raw materials.
(2) Industries providing incentive, for industrialisation (appropriate and far reaching backward and forward linkages)and capital formation

(3) Industries wiling to invest 60 per cent of their profits in the same industry or any other.

In addition, exemptions were also allowed for capital gains tax The domestic industries were also entitled to depreciation and in some cases (non-tax holiday areas) to accelerated depreciation.

Rebates: Besides partial exemption from direct taxes the export industries were allowed rebates on imported raw materials directly utilised in the production process. These export industries were also exempt from excise duty.

Customs Duty: The nature of import substitution industrialisation policies followed meant the utilisation of this source from mere revenue raising to a protective form. The underlying philosophy for a protective cover was to provide, over a period of time, sufficient time for the industry to improve its efficiency. The protective tariff cover was to be removed once the industry had been placed on a sound basis. It was thought that such policies would help develop nascent industry to a stage where it would be competitive and able to withstand market pressures. The protective duties were further utilised on a sliding scale, low duties on capital goods, comparatively high on imported raw materials and highest on consumer goods. There were further variations within each group depending on how reliable and essential a product was considered to be.

Export Duties: In addition to custom duties, there were export duties on a number of traditional primary commodities, primarily for the purpose of inducing some form of value added processing before export. In later years, two of the most important traditional export commodities i.e. rice and cotton, were brought under State Trading Corporation. Cotton export has recently been opened up to the private sector. Trading in rice for Basmati & Irri varieties has also been opened to the private sector.

Influence of Commercial Policy: Aspects pertaining to exchange control , import licensing, and export promotion are reviewed below.

Foreign Exchange Control Policy: The exchange control policy was designed to regulate the inflow and outflow of foreign exchange. It became an important policy instrument for industrialisation, as it was not only a scarce resource but it also provided to the industrialist an over valued currency which could be utilised for windfall gains. The allocations were made by a high powered committee.

Import Licences : The foreign exchange control policy saw its outlet through the allocation of various categories of users. It thus became an instrument for resource allocation involving three dimensions: (i) what to import, (ii) how much to import, and (iii) who should import.

Further, subdivisions came in e.g. commercial, industrial, regular, once-off etc. complicating its administration. The administrative discretions thus created served as a powerful basis for strengthening a few and strangling many of the aspirants.

This control mechanism's application to commercial imports meant that no foreign exchange was available for goods to compete with locally manufactured goods. So since 1952, when it first came into operation and thereafter, this operated as a very strong protective device for the industrialist/entrepreneur.

INFLUENCE OF EXPORT INCENTIVES

The Export Bonus Scheme: Pakistan's first devaluation in 1955 did not help the subsequent valuation of the currency. For a variety of reasons, the overvalued currency was 'propped'up by administrative price control and rationing. This administrative control led to the creation of the Export Bonus Scheme. The bonus voucher scheme started in 1959 and was continued till 1968, thereafter it was discontinued. These were tradeable in the open market and the premium rates varied between 150 to 180 per cent, in practice nearer the upper limit. This meant that [illegible] in operation for those requiring foreign exchange and unable to do so under the Import Licence schemes.

The method and the procedure was extremely complicated. Administrative machinery besides being inadequate could not be expected to come to the rescue of the entrepreneurs, simply because the two spoke two different languages. Communication between the two could only be possible through means other than normal appreciation. Administrative discretion gave way to jockeying, to graft and to host of other discouraging factors.

Effects of Export Bonus Scheme: In many ways the Bonus Voucher Scheme proved a blessing to the entrepreneurs. It assured first and foremost, the continuous development of markets via consumer goods import and therefore the non limitation of import substitution possibilities so that the momentum of this kind of industrialisation went into the 1970s and the 1980s.

Secondly, it made available scarce foreign exchange, albeit at high costs, but certainly better than'starving' the entrepreneur of this highly priced requirement.

Thirdly, it did discriminate against export of raw materials and provided incentives to manufacture of processed commodities.

Fourthly, it raised the protective effects of tariff by raising the domestic cost of imports and thereby encouraged, indirectly, more effort import substitution policies.

Subsequent Export Incentives: A host of fiscal incentives like the rebate on custom duties, rebate of excise duties, refund of sales tax, and income tax concessions on export earnings have been introduced and continue in force.

The only point in their administration worth mentioning is that the involvement of the administrative machinery with the entrepreneur/ industrialist becomes ever more complicated.

(a) Monetary Concessions: Monetary measures are mainly concessional export credit allocations both at the preshipment and postshipment stages. Export finance has been available at an interest rate varying from 3 to 7 percent per annum. The banks in turn are eligible for refinance from the State Bank at lower rate of interest.

The scheme has been changed from time to time and is presently based on credit allocative system linked to the capital of the individual bank. The scheme does not optimise the use of resources.

(b) Special Concessions. Special licensing facilities are allowed to industries exporting goods, usually as a percentage of their exports and preferential treatment to manufacture goods for exports by allowing imports of items on restricted and negative lists.

But by far, in this category, the most important facility to entrepreneurs was to import plant and machinery for the establishment of industrial units on credit and to pay for it out of export earnings. Such units were asked to export at least 50% of their production. In some cases this has been reduced to 25% or 33% depending on nature of goods produced and the kind of competition encountered in world markets.

(c) Other Measures: Concessional inland freight rates, facility for travel abroad, and establishment of trade offices abroad were some of the other measures provided as incentives.

Tariff Protection and its Effects:

Pakistan has followed the classical mould for using initially the infant industry argument for its tariff protection policies. It was argued, and justifiably, that as a result of prevailing factors in the economy no industry in an Ldc would have comparative cost advantage unless a protection was provided; and that over a period of time, as the learning process developed, the cost of factor inputs would ensure a reduction in cost, ultimately leading to removal of protective tariffs. That such protective industrialisation also created external economies was also held to be an important basis for diversification and industrial development. Thus the industry created specifically under such protection needs to be viewed in a larger social context.

Chapter III

In the context of a social criterion allowing for other economic sectors to interact with it, in terms of sub-contractual activities developing in the locale, one can find a positive reason for imposition of such tariffs. Viewed in the larger context of import substitution, where initial but dormant, comparative cost advantage is said to be available, initial industrial protection meant a higher cost to the consumer. Over a period of time this cost was to fall as the product become competitive in the national as well as the world economic order. But tariff protection by itself does not help; other reinforcing policies i.e. exchange controls and quantitative restriction on imports need also to be imposed. All these factors add of course to the rapid industrialisation and ignore efficiency of production, quality and price of domestic goods. Above all once established they forget consumer welfare. No government agency has systematically and continuously analysed and removed or reduced high tariff values on the basis of improved factors of production.

Other reasons have also been attributed to the need for tariff protection. For our purposes, the basic reason is what started the issue. In the case of Pakistan foreign direct investment never came despite very high tariffs, or if it did, it was hesitant for a variety of non-economic reasons.

Over the years, the tariff Commission was responsible for ascertaining the reasons for the imposition and degree of imposition of tariff protection. Arguments raised varied form sheer moral or national argument, to quality and industrial infancy. It seems that when it came to seeking a 'monoply' position in the market, no holds were barred.

The other side of the coin, ofcourse, was for requests on banning or putting restrictions on imports, full rebate of import duties on raw materials and preferential purchase of products by nationalised industries (irrespective of price and quality aspects). The minimum protection requested for instance by the paints & varnish industry was 75 per cent, while in the case of paper it was 65 per cent.

Tax Holidays:

Tax holidays are a major incentive offered by Ldc. Pakistan was no exception to the rule. The system was implemented with growing discretion and systematic elimination of high growth areas. This made the dispersal of industry by geographic location an important corner stone of its social criteria. The social benefits of such actions are difficult to compute.

Chapter III

(a) Geographic or Backward Areas Incentives: till recently geographic or backward area incentive included, besides a tax holiday for five years, exemption from payment of customs duty on import machinery and equipment but not for indigenously fabricated capital goods. For semi-developed areas there is 50 per cent relief on standard customs duty on the import of plant and equipment, and for projects located in industrial estates throughout the country.

There has been more positive response in geographical areas which are in close proximity to established industrial towns: example Hub in Baluchistan (near Karachi).

For the tax holiday to have an appreciable effect on industrial dispersion it has to be incorporated within a regional development plan. There is little point in granting tax holiday in areas without amenities.

The impact of tax holiday has not been significant. When entrepreneurs are required to take on new ventures in far flung areas inducements of the kind provided are not sufficient.

(b) Specific Industry Incentives: The Specific Industry incentives in three manufacturing industries i.e. Textiles, Agricultural implements and Garments industry should be considered.

Textiles industry received incentives due to a number of sick mills that are there in this sector. The result has been that others have utilised the internal weakness of the units to their advantage.

The second industry is the Agricultural implements industry. This industry provides links to the green revolution and its prominence was officially recognised in 1976, resulting in positive response for entrepreneurs not only in the industrial areas but also in the rural areas. Such a recognition never came in the other ancillary industries.

The third industry similarly is relatively new and is export led - i.e. the garments industry, where the export performance indicates the effect of exemption.

INDUSTRIAL INCENTIVES IN PAKISTAN

Chapter IV. IMPACT OF FISCAL & OTHER INCENTIVES IN PROMOTING INDUSTRIAL INVESTMENT AND REVIEW OF POLICIES

Section 1. INDUSTRIAL PERFORMANCE:

Since the late 70's manufacturing sector has been growing at an average of 8 % per year and has been the largest contributor to GNP growth. Annexure I shows the sectorial annual percent rate of growth at constant factor cost and reveals that manufacturing has in the 80's grown at a higher rate than the GNP. Annexure II shows the contribution of manufacturing sector to the economy at constant factor cost and the growth of the large scale of small scale sector separately. These growth rates are higher than was achieved in earlier years, and have been largely attributed to the new policies that stressed the leading role of the private sector The new measures deregulated some activities and investment rules, and reduced import restrictions.

Manufacturing value added has also been growing on average at 6.7% since the late seventies. In FY90, it recovered to 5.7% from a low 4% in FY88/89, which reflected political uncertainties and social unrest in Karachi. Annexure III shows the production of selected Industrial items in quantity terms Annexure V shows the indices of manufacturing output. The dominance of cotton yarn growth both in quantity and manufacturing index terms is clearly evident from Annexure IV.

The gross domestic investment ratio increased to 18.2% GDP while private investment rose above public investment for the first time in the decade. This is shown in Annexure VI.

Annexure VII shows the capital formation in Industry both in current & constant prices in the 80's. Investments in both private large & medium scale industry and small scale industry have more than doubled in constant prices terms in this period. Details of sectors where private large & medium scale, and small scale investment have been made are shown in Annexure VIII & IX respectively.

Despite large investments in industry and substantial investment incentives the formal manufacturing sector has not been able to demonstrate a commensurate increase in employment. This is shown in Annexure X and XI, of the total labour force employed a little over 13% work in the manufacturing sector.

The patterns of industrial growth, however, have brought its sustainability into question: (i) cotton based industries continue to drive the growth of industry and exports (with their 18% share in industrial output and 40% in exports); (ii) firms tend to use capital inefficiently under high protection and subsidies; (iii)despite substantial investment incentives, the formal manufacturing sector has

not been able to generate a commensurate expansion in jobs; in fact, the share of manufacturing employment in total employment declined from 14.1% in FY81 to 12.8% in FY89; (iv) most firms prefer to produce items of low quality for the domestic market, with only limited investment in improving technology, product design and marketing; (v) industry has not developed forward and backward linkages due to the structure of incentives, with only a limited number of intermediate goods being produced in key subsectors.

Although the manufacturing sector represents only 17% GDP the value added within this sector is about 79% of its GDP. The Engineering, Chemical and Textile industry have been selected as a focus for this study, as between them they use almost two thirds of the assets employed by the manufacturing sector. These three sectors also produce over half of the production (in value terms)of the manufacturing sector. Also of the total value added by the manufacturing sector, this sub group of three industries, represent nearly half of the value added.

TABLE A

Significance of Selected Industries

Sector	Assets Employed Rs (M)	Production Value Rs (M)	Value added Rs (M)
Textile Subgroup	15,262	38,368	11,503
Engineering "	28,649	35,672	10,199
Chemical "	11,817	29,456	12,090
Others "	32,272	97,059	33,879
Total of Manufacturing sector	88,000	200,555	67,671
Share of three sub groups (%)	63.3	51.6	49.9

Annexure XII shows the value added by each sector, Annexure XIII shows the production and Annexure XIV the assets employed.

This investment structure translates into an industrial base with only limited capacity to compete internationally. Nearly half of the activities within the engineering, chemical, and textile industries cannot compete in the international market; they show domestic resource

69

costs (DRCs)greater than 1, i.e. the cost of domestic resources used in producing one unit of output is higher than its international prices. Most of the activities that have DRCs lower than 1, i.e. which are competitive, are confined to cotton manufactures. The range of DRCs is also exceptionally wide, reflecting the large dispersion in effective protection rates (EPRs) which can be traced to the highly distorted trade regime. Annexure XV, XVI, & XVII show the details.

In financial year ending 30th June 90 EPR's ranged from minus 5% for cotton spinning to 93% for woolen products in the textile industry, from minus 31% for electronics to 58% for mechanical machinery in the engineering industry, and from minus 8% for paper and paper board to 70% for basic industrial chemicals in the chemical industry . In addition, the large number of tariff exemptions, together with substantial smuggling, has made changes in EPRs difficult to trace, resulting in a non-transparent protection system.

The patterns of industrial performance reflect the inward-oriented policies of industrialization. Firms have not had the incentive to use resources efficiently because in most industries they faced virtually no competition. Pakistan's trade regime has been highly restrictive, often tailor-made to the requirements of specific industries and firms. Until recently , import restrictions and licensing were prevalent. Industrial policies, including industrial sanctioning and price controls, limited domestic competition; in some industries public enterprises dominated incentives, including credit policies, also reduced the cost of capital, thus favoring capital-intensive investment with little employment creation. These patterns underscore the need for a fundamental change in policies, toward a less distorting set of incentives, and a reduced bias toward producing for the domestic market.

Section 2. ECONOMIC PERFORMANCE

Pakistan's economy remained highly regulated and protected, despite measures taken in the early 1980s to liberalize production, pricing and trade policies in the industrial sectors. Industrial regulations, import bans and high tariffs, controlled prices, and widespread government ownership in the industrial sector, led to economic distortions, non-competitive production in some industries, and heavy burdens on the Government budget. Although export performance improved, the high level of protection and a complicated trade regime, continued to create an anti-export bias, and inhibit trade and the growth of domestic competitiveness.

Despite rapid growth and some reforms initiatives introduced in the period July 81 to June 88, Pakistan's economy still retains a number of key structural weaknesses. The macroeconomic weaknesses are :

- negative government savings with an excessive budget deficit, a narrow and inelastic revenue base, overly

dependent on trade taxes, high consumption expenditures and inadequate development expenditures;

- an unsustainable debt service level;

- an inefficient financial sector with mostly public ownership, directed credit, segmented markets and weak commercial banks;

- a highly regulated economy with public ownership, industrial licensing and pervasive price controls; and

- a non-competitive and distorting trade regime with import licensing, bans, exemptions and high tariffs.

In the past few years, however, the challenge faced by the government is how to sustain growth in output and per capita income. Sustainability has become the prime concern because of the precarious fiscal balance, and a skewed production structure, and narrow export base, that makes Pakistan's trade balance vulnerable to external shocks.

Other successful industrializing countries have also shown that high growth rates in manufactured exports (reaching 30%-50% per year), an important source of growth, are attainable, but only after adjustment in the structure of incentives. In response to these concerns, Government began to address Pakistan's structural imbalances and incentive structure when it embarked on a three year program of structural adjustment supported by IMF towards end 1988.

The target of this program were to reduce budget deficit to below 5% GDP, and external debt service ratio to 24% of export earnings by June 91, while raising the reserves to the equivalent of seven weeks of imports. GDP growth was to be sustained at 5% p.a. while inflation to be reduced to 6% p.a.

Macroeconomic performance in the first two years of the adjustment program has been slow and uncertain. In the year ending 30th June 89, the government implemented the measures envisaged (in the structural adjustment apprecement) mostly on schedule, and achieved improvements in a number of macroeconomic indicators. However, exogenous shocks in particular floods in Aug/Sept 1988 and a deterioration in Pakistan terms of trade, took their toll and an extension in the target date for the completion of the program to June 92 was agreed.

In the year ending 30th June 90, serious slippages occurred in implementing the reforms in the financial sector, in containing liquidity growth and in fiscal policy. As a result the reform program was substantially off the track at the end of the second year, although the government was still able to meet the balance of payments targets.

Exports grew by almost 8% in US$ terms, while imports grew by less than 1%. Workers remittances reversed their long decline, by increasing 2%.

Changes in the structure of exports in cotton are noteworthy. Although exports of the cotton sector stagnated there was a shift in exports from raw cotton to cotton yarn in the year ending June 90. The high export tax on raw cotton, versus a low export tax on cotton yarn, and no tax on grey cloth, translates into a strong incentive to process cotton domestically.

The Gulf crisis weakened Pakistan's resource position and demonstrated once again the country's vulnerability to external shocks Even before the oil price increase, the economic performance for the third year ending 30th June 91 had deteriorated. The budget measures adopted in June 90, implied a deficit that was substantially higher than the target under the programme. Later changes in the government in August and Nov '90 contributed to the delays in implementing needed policy reform measures. Adverse external developments and slow implementation of stabilisation and adjustment measures have left the Pakistan economy short of achieving the objectives of the original three year reform program formulated in 1988.

Although GDP growth had remained in the vicinity of 5%, other key targets, such as budgetary revenues expenditure and the deficit; the current account deficit of the balance of payments and reserve levels; money, credit and inflation and savings and investment have all fallen short of their targets. The most significant and worrisome for the long term welfare of the country, development expenditures have been curtailed. In a nutshell, the expected stabilisation of the key macroeconomic variables has proven difficult to achieve.

With regard to longer term development issues the low level of public investment and the inefficient resource utilisation and project implementation are delaying progress in the social sectors & infrastructure. Urgent policy action is therefore required.

Section 3. STATUS OF POLICY REFORMS IN INDUSTRY AND TRADE

The policy developments of the 1980s can be viewed as a struggle to liberalize this restrictive system. While progress was significant in the deregulation of industry and in price liberalization, trade policy reform has been slower. Institutional rigidities have proven difficult to overcome, and major efforts were required to make modest progress. The momentum of policy changes was reinforced with the onset of the 1988 structural reform program, but several changes in government have disrupted the continuity and speed of the reform program.

Chapter IV

Reforms in industry/trade have taken place but are behind schedule. Despite a reduction in non tariff barriers and maximum tariff, Pakistan's trade regime remains heavily protective & distorting. Increases in import surcharges have offset tariff reductions and kept the overall import tax rate at a high 101% on average until very recently. (The max tariff rate was reduced from 125% to 95% in Feb 1991). While government control over foreign and domestic investment has been substantially reduced, the proliferation of investment incentives programmes raises questions as to their effectiveness and their compatibility with efforts to broaden the domestic tax base. The new Government , which took office in November, 1990, has undertaken steps to accelerate the process of industrial policy reforms, and has already implemented a number of measures to reduce controls and promote privatization and new investment.

A. Industrial Policy Reform :

Investment licensing has been virtually abolished by end 1990. Following a large increase in the sanctioning threshold to Rs 1 billion in FY1990, the Government abolished sanctioning in December 1990, except for a small number of security related industries. Direct foreign investment is now treated at par with domestic investment. Foreign investors are free to invest in any industry, except those falling in the reserved list. Foreign investors also qualify for the same incentives which are available to local investors. Although these changes constitute substantial progress, more needs to be done.

Firstly, to streamline and rationalizing the existing industrial regulations that continue to disrupt day-to-day activities of firms and cause long delays in establishing new ones. For example investors, foreign and domestic , continue to encounter difficulties at the provincial level for lack of "No Objection Certificate", which in theory are no longer necessary (except for areas defined by provincial governments) but which some officials still demand before providing infrastructural sanctioning and approving licenses for the import of raw materials.

Secondly, sanctions still exist for expansion projects with foreign equity, because of the balancing, modernization and replacement (BMR) facility. Unlike national firms, firms with foreign equity are still required to obtain approval for expansion projects from the Investment Promotion Bureau, often resulting in a lengthy process. Restricting the expansion of existing foreign direct investors in Pakistan is inconsistent with the recent measures to encourage foreign investment. Sanctioning for BMR needs to be eliminated immediately.

Thirdly, more flexible rules on technology transfer are essential. The rules operating on royalties and technical fees have specified prices far below international prices of foreign technology. Some

countries (e.g. Mexico) have recently simplified procedures for registration and establishment of foreign franchises, removed fixed terms on licensing agreements, allowed firms to set own rates for licenses and technical assistance (with no specified limits). These steps are appropriate for Pakistan, and should be tried .

Fourth, Pakistan also lacks the promotional and marketing institutions or programs that have been known to play a key role in implementing FDI policies, attracting FDIs and facilitating the entry and operations of foreign investors. Thailand, China, Indonesia, Korea, and many other neighboring Asian countries have had such institutions that have been active within and outside country, simplifying procedures, coordinating government agencies and identifying FDIs. Specific steps to develop such promotional institutions and programs need to be taken.

Recent decisions to expand the coverage of investment incentive programs could undermine ongoing efforts to reduce policy-induced distortions and broaden the domestic tax base. In addition to the existing programs that provide tax holidays (for 4 to 8 years) and duty free imports of (non- competing) machinery for new undertakings in backward areas, "key" industries, and industrial estates, the Government recently introduced new incentives. These include: (i) the enhanced (and extremely generous) incentive package granted to the Gadoon Amazai (NWFP) Industrial Estate; and (ii) a new package of industrial incentives extending a 3-year tax holiday for all new projects, and the Rural Industrialization Program, which covers most of Pakistan an provides a 5 year-tax holiday, credit at 8% , and duty free access to imported machinery. The Government is also trying to attract "black money" into rural industrialization by declaring that no questions will be asked regarding the source of funds going into new investments.

Similar Programs in the past have been grossly abused, while not achieving the intended objectives due to a general lack of infrastructure, skilled labor, and distances from markets. Their proliferation could undermine efforts to reform the corporate tax system. Such programs need to be phased out, and for regional development, emphasis should shift to the provision of infrastructure and human resource development services.

The Government recently announced a renewed effort to privatize industrial corporations - an area in which hardly any progress had been made in the past decade. Throughout the 1980s, the Government attempted to contain the growth of the public sector in industry, and indicated its intention to denationalize. Major efforts were made (with some success) at improving public sector performance through institutional reforms, but actual disinvestment was very slow. Based on recommendations of the Prime Minister's Committee on De-regulation and Disinvestment and the Privatization Commission (which oversees the implementation of the privatization program), the Government has decided

to privatize about 100 public sector units. This privatization program, if fully implemented, would result in a divestiture of most of the smaller enterprises in Pakistan's industrial sector.

In addition to these privatization efforts, the Government has also taken several measures which aim at granting greater autonomy to several public sector entities. First, in early 1991 Pakistan Steel Mill has been authorized to freely set its output prices. These prices were previously fixed by the Ministry of Production at about halfway between the CIF price and duty paid CIF price. The new pricing policy would allow Pakistan Steel Mill to set prices flexibly in response to market conditions, assuming that supervision by the Ministry of Production does not interfere with this new policy. Second, the Government decided to transform the tele communications department into a corporation and eventually to privatize it. While these are steps in the right direction, they can only be successful if the entities are strengthened in their management, if financial discipline is achieved without interference in day-to-day operations, and a regulatory, monitoring and control system exists.

B. Exchange Control Reform.

Recently, the Government has extended the deregulation process to foreign exchange control. All residents and non-residents , are allowed to hold foreign exchange in foreign currency accounts in Pakistan (or abroad, in the case of Pakistani residents). Funds in these accounts are freely transferable abroad or to other individuals. A foreign currency declaration upon entering or exiting Pakistan is no longer needed and individuals can buy, sell, hold, import and export foreign exchange freely. GOP will issue dollar denominated bearer certificate that pay interest in dollars. The private sector is allowed to borrow foreign exchange for a new industrial undertaking or for BMR purposes, without restriction on its terms, provided the loans are negotiated on the best possible terms and are repayable over a period of not less than three years. Foreigners and overseas Pakistanis can now buy company shares making payment in foreign currency provided local taxes are paid, the dividend and capital of these shares will be repatriable

C. Trade Policy Reform. Trade Policy is a major instrument of Industrial Policy. Import policies in particular have led to high levels of protection in some activities and to substantial variation in effective protection. In the past few years trade policy has been made less restrictive, and quantitive restrictions on imports have also been reduced.

In 1988, the Government started a program of trade policy reform. The objectives of the program were to reduce the distortions in the trade regime, which resulted from a wide dispersion of tariff rates and

numerous exemptions, and to rely on tariffs, rather than on non-tariff barriers, for the protection of domestic production.

i. Non-Tariff Barriers Substantial progress has been made since July 1988 in reducing non- tariff barriers (NTBs). The "Negative List" of imports has been reduced by a further 98 items in July 1990, and now contains 118 commodity categories. The Government intends to maintain on this list only items whose imports are restricted on grounds of health, religion, security, reciprocity and international agreements. To achieve this objective, another 26 commodity categories need to be removed from the negative list. The "Restricted List" of imports has also been substantially reduced from 180 categories in 1988 to 62 categories at present. The restricted list requires to be reduced further.

In February 1991, the government announced the removal of another important non-tariff barrier: import licensing was abolished for items on the "Free List". These items will no longer require an import license from the Ministry of Commerce; importers can directly open a Letter of Credit at a commercial bank. This decision represents an important step towards further liberalizing imports.

Table B that follows shows the changes in Trade policy :

Table B

Changes in Trade Policy.

Non-Tariff Barriers			Tariff Barriers				
Items Removed From *							
Fiscal Year	Negative List	Restricted List	Cash License Rs Million **	Maximum Tariff % ***	Import Surch %	Iqra Surch %	License Fee %
1986/87	9	1	None	225	5	5	2
1987/88	136	10	50	225	5	5	4
1988/89	169	51	60	125	6	5	5
1989/90	70	20	80	125	7	5	5
1990/91	98	45	100	95	10	5	6

* Items removed are a mixture of numbers and categories and therefore are only a broad indication.

** Within these limits GOP makes available foreign exchange for import of machinery and millwork.

***Automobiles and alcohol continue to carry tariffs up to 425%.

ii. Tariff Barriers.

The reform effort in the area of import tariffs has so far been very limited, despite the gradual reduction of the maximum tariff from 225% to 95%, with the most recent reduction made in February 1991. The (unweighted) average statutory tariff rate fell only slightly from 69% in FY88 to 65% in FY90. With a standard deviation of 41 percentage points, the dispersion of tariff rates continues to be substantial. Annexure XV and XVI show these details. When all other surcharges and levies are considered, the average statutory import tax rate remained at 101% between FY88 and FY90 and, most likely, decreased only slightly in FY91 due to the additional increases in surcharges (Table B) The latter implies that the small gain achieved in reforming the tariff system has been offset to a large extent by increases in other import levies.

The government also tends to accommodate demands for protection and meet other objectives (e.g. regional development) through providing extensive concessions on tariffs and other import taxes. Actual tariff collection was 25% of import value in 1988 and 22% in 1989, well below the average statutory rates of 69% and 65%, primarily because of smuggling and exemptions.

Depending on the import elasticity, the government may have lost from these exemptions anywhere between 12% to 34% of potential tax revenues. The use of numerous exemptions has also made the trade regime more complex and nontransparent, leading to anomalies in the structure of protection and opportunities for corruption. The more important exemptions are those on plant and machinery for under developed areas, raw materials for pharmaceutical industries, components for textile machinery and parts for motorcycles and tractors.

The large number of exemptions and widespread smuggling have made tariffs on many items redundant. Nominal protection implied by the difference between domestic and foreign prices is substantially lower than average statutory tariff rates in many activities. The resulting effective rates of protection (based on the nominal protection rates) are also highly variable,providing very high protection to some activities and very low (or negative) protection to others. Removal of all exemptions except for exporters constitute a significant potential source of revenues, and will improve the transparency and the structure protection.

Pakistan relies heavily on trade taxes (on a very narrow import tax base) for revenue. Trade taxes (including tariffs, import surcharge, and the iqra) accounted for an annual average of 38% of budgetary revenues between 1984-85 and 1989/90. About 80% of tariff revenues are collected from 400 commodity categories (out of 5,360). Often, tariffs are adjusted in response to revenue needs from year to year, especially on these 400 items. Table C shows the reliance on

Indirect taxes. In the year 1990/91, indirect taxes are nearly 85% of the total taxes collected.

Table C
Direct & Indirect Tax Collection

	1991/91 Budget Rs Million	Total Collection (%)
A. Income & Wealth tax	18,826	15.3
B. Indiret Taxes		
Customs	57,219	46.5
Excise Tax	26,116	20.4
Sales Tax	21,860	17.8
Total All Taxes	123,021	100%

Sales Tax collections are about 18% of the tax revenue Out of 600 items sales tax is received on only 175 items, the rest are exempted. 70% of the items are either wholly or partially exempted. Sales tax collections have increased from Rs 4.6 Billion in 83/84 to about Rs 22 Billion in the year 90/91. The potential of course is much greater around 40 Billion Rupees.

Table D shows how ridiculously low are the sales tax collections for some items:

Table D
Sales tax Collected on some items
1988/89

	Name of Item	Sales tax Collected Rs Million
1.	Woolen Fabrics	0.8
2.	Steel Fixtures	0.6
3.	Geysers	1.6
4.	Electric Water Coolers	1.2
5.	Cast Iron Pipes	0.6
6.	Glues	0.1
7.	Acc Pipes	1.1
8.	Soap stone	0.2
9.	Spark plugs	0.4

Chapter IV

Central Excise duty collection is about 20% of the total tax revenues. 74 items and 13 services are part of the excise tariff. 35 items are totally exempt, 15 items are at advalorem rates, and 19 items are on specific rates

Nine items contribute about 89% of the total excise revenue. These are shown in table E below

Table E

Central Excise Collection on Selected Items

	Name of Items	Rs. Million	% of Collection
1.	Tobacco & Cigarettes	8,307	37.18
2.	Sugar	3,747	16.77
3.	Cement	2,501	11.19
4.	POL	1,784	7.98
5.	Natural Gas	1,130	5.05
6.	Beverages	733	3.28
7.	Cotton Yarn	954	4.27
8.	Soap & Detergent	485	2.16
9.	Paints & Varnishes	171	0.76
		19,812	88.68

Appendix XX shows the quantum of indirect taxes collected by Major group of industries.

In FY 90 about 50% of the additional revenues for the year were derived from the increases in tariffs and other surcharges. At this the time the government raised the import license fee (from 5% to 6%) and the import surcharge (from 7% to 10%). GOP's reliance on trade taxes for fiscal revenues combined with a very slow pace of resource mobilization from domestic sources have been a major reason for the pace of tariff reforms. A great deal more needs to be done to increase external competition and reduce the dispersion of anti export bias of in the structure of effective protection.

In order to reduce the dispersion in the effective rate of protection tariffs need to be reduced. Ensuring revenue neutrality

while liberalising trade is a dilemma faced by many developing countries, the second dilemma is balance of payments. Reduction in tariffs must be accompanied by other reforms. In Pakistan this is important where tax reforms tend to be weak. The third dilemma is the adjustment costs of tariff reductions. In those areas where protection has been high, a phased reduction in tariff, that is pre announced to enable firms to anticipate change is the preferred option.

In the medium term, removing exemptions(except for exporters), extending the coverage of the general sales taxes to all domestic production and improving direct taxation and tax collection are potential revenue sources. The imposition of General Sales tax on all manufactures has a potential revenue gain of about 2% GDP.

iii. Tariff Setting: At present setting is motivated mainly by fiscal revenue requirements and other objectives are addressed in an ad hoc manner resulting in many unintended tariff anomalies. Tariff policy making is absent. Tariff setting should have as its primary goal longer term efficiency considerations. Revenue requirements cannot be ignored but to meet these import taxes and domestic taxes have to be set jointly so that economic losses are minimized. The tariff commission must be given a policy making role, with proper resources and legal and institutional structure to carry out these tasks.

iv. Policy Making Role: The management of trade & industrial policy is uncoordinated. At present five ministries manage and implement various regulations and there is no single agency which claims ownership of trade and industrial policy and the commitment to its future course. The Ministry of Commerce manages the Non tariff barrier's and export incentives, while the CBR sets the tariffs even though both jointly determine trade policy. The Ministry of Industries, manages the deletion or domestic content requirement, with the industrial policy. There is a need to merge, restructure or abolish some of the institutions establish and implement coherent trade and industrial policy.

v. Customs Valuation

Tariffs on about 800 items are assessed on the basis of pre determined import trade prices (ITPs). This was introduced to combat the widespread undervaluation of import values. The ITPs are too cumbersome to administer and keep upto date . A private contractor COTECNA has been engaged for certification of import values. The government should simultaneously move towards strengthening the capacity of its own in-house data base, to carry out this analysis.

vi. Export Taxes & Quota Allocation : Export taxes are imposed on raw cotton and cotton yarn. Raw cotton is subject to a bench mark price, that diverges from international prices and results in a defacto export tax of about 30%. Cotton yarn has an export tax of Rs 3/- per kg which translates into an export tax of about 10%.

The justification of export tax is to shift the terms of trade in favour of Pakistan. Setting such taxes is a strategic decision that weighs the trade off between the gains from export tax, versus the potential loss of market share that the tax may cause.

The economic argument of mainstaying the export tax on cotton and cotton yarn is weak. The major concerns in eliminating them are the impact on fiscal revenues and adjustment costs. Export taxes have been an increasing source of tax revenue, their share has risen from 0.7% of tax revenue in 1985 to about 3.5% in 1988 (which is about ½ % of GDP).

In terms of adjustment, reducing the export tax on cotton, are likely to make the recent investments in spinning unprofitable, as long as the machinery is used to spin twenty count yarn. This may even give the incentive for producers to switch to higher count yarn. Eliminating export taxes may not be feasible immediately because of fiscal and adjustment cost considerations. In the medium term they should be phased out.

The method of allocating quota for textiles and garment products has been biased against value added products and new entrants . The major portion of the quota is distributed among the incumbent exporters, who also tend to be those producing low count yarn. The system has been modified through allocating a higher percentage of the quota to new exporters. Future action should explore more flexible entry.

vii. Export Incentives: In FY88-FY89, GOP introduced measures to strengthen export incentives, which are aimed at putting exporters on a neutral status with respect to import duties; some of these incentives are now applicable to indirect exporters also. The GOP introduced steps to also allow rebate of the import license fee. However, exporters find that the administration of the rebates for import taxes is very slow. Moreover, exporters still do not receive any rebate on additional

import taxes (iqra and the import surcharge). GOP has also instituted the import replenishment and the bonded warehouse schemes, but these have only been partially implemented.

Improved implementation of the system of standard rebates, and the temporary import regime and bonded warehouse are needed. Additional incentive to exporters should focus on support for quality improvement, information on new markets and other software services.

viii Concessional Financing: The government has been supporting exporters with concessional financing terms, in order to encourage non traditional exports. This scheme excludes traditional exports like cotton, cotton yarn, petroleum products and other raw materials. All other products benefit from cheap export credit. In the year 1988, the export subsidy was estimated to be US$ 60 million or 0.15% of GDP. The results have been disappointing, exports have not diversified to any significant extent. Export diversification is better achieved through more uniform levels of protection throughout the economy and export subsidies are poor substitutes for this basic policy.

Section 4 ANALYSIS OF PAST POLICIES

While Pakistan's manufacturing growth rate in the eighties has improved compared to that of the early seventies, it has not matched the growth of many developing economies. Pakistan's share in world manufacturing value has actually fallen since 1970. According to the World Development Report (1989), Pakistan's share in total manufacturing value added of developing countries fell from 0.86% to 0.54% between 1970 and 1986. Aside from falling behind the middle to high income developing countries. Pakistan lost ground even relative to the lowest income countries (consisting of India, China and many of the African countries), where its share fell from 3.4% to 3.1%. This indicates that Pakistan has not taken advantages of its growth potential as much as many other countries have done.

Various patterns of industrial growth have also brought its sustainability into serious question.

First, two narrow product groups have driven its growth in the past four decades. On the one hand, export growth has been dominated by cotton, cotton yarn and rice, whose international prices have been volatile. Pakistan's share in total world exports has been increasing in the eighties (from .14% to .20% between 1980 and 1987). However, this growth has been dominated largely by cotton and cotton based manufactures, whose share in Pakistan's exports has risen from 41.9% in 1981/82 to 62.2% in 1988/89. Much of the growth in value of cotton has been attributed to growth in volume rather than in price. Table G that follows shows the details :

Table G

Pakistan: The Cotton Industry

	Unit of Measure	Average 1980-85	1986	1987	1988	1989	1990
Cotton lint yield	kg/ha	344	511	523	572	544	560
Cotton lint production	000 tons	753	1,208	1,309	1,468	1,426	1,456
Cotton exports: volume	000 tons	237	639	641	502	840	295
Cotton exports: value	$ million	310	514	447	611	938	445
Cotton yarn production	000 tons	413	482	586	685	767	896
Cotton yarn exports: volume	000 tons	109	158	260	211	292	377
Cotton yarn exports: value	$ million	222	280	507	541	606	835
Domestic price of cotton[a]	$/ton	1,095	747	757	830	822	884
Border price of cotton[b]	$/ton	1,294	804	697	1,218	1,117	1,510
Domestic price of cotton yarn[c]	$/ton	2,050	1,772	1,979	2,148	1,972	2,081
Border price of cotton yarn[b]	$/ton	2,050	1,772	1,979	2,557	2,076	2,215
NRP for cotton[d]	per cent	-15	-8	9	-32	-26	-42
NRP for cotton yarn[d]	per cent	0	0	0	-16	-5	-6
ERP for cotton yarn[e]	per cent	65	21	-16	3	55	189

[a]Karachi wholesale price
[b]Export unit value
[c]Export unit value minus export duty on yarn
[d]Normal Rate of Protection (NRP) = Domestic price/border price-1
[e]Effective Rate of Protection (ERP) = Value added at Domestic price/Value added at Border price-1
Sources: Government of Pakistan, Economic Adviser's Wing, Economic Survey 1989-90, Statistical Supplement (Islamabad, 1990); IMG Consultants Pty. Ltd., et al., Industrial Efficiency Improvement and Development Strategy Study, Vol. 21, a report prepared for the Government of Pakistan (Sydney, October 1988).

The average share of nontraditional exports to total exports fell from 22.7% in the early eighties to 17.8% in the late eighties. On the other hand, output growth outside of the cotton based industries has been concentrated in capital-intensive heavy intermediates, petroleum refining, steel products, cement, and consumer items like sugar dominated by public enterprises. These products in their current state of production are not internationally competitive and face limited prospects for growth in competitivness and in future demand. Further expansion in these items without structural change will only constitute a fiscal drain.

Second, resources have been used inefficiently. Capital is scarce, yet firms underutilize it. For example, the textile industry has been investing heavily in spinning, installing Rs 7.2 billion worth of the most modern machinery in the past two years. But these firms operate these highly sophisticated machinery inefficiently, produce mostly low count yarn, which China, a close competitor, produces using equipment worth 60% of Pakistan's investment. The cotton subsidy (because of the export tax) to spinners has generated financial profit per unit of investment in 20 count fibers that far exceed those of higher count fibers, for which the installed machineries are actually more suited. If cotton is priced at international levels, then these modern spinning plants would switch to higher count fibers, since their net profits would otherwise be negative. Engineering and Chemical industries have also underutilized capital excessively. According to the IMG reports., capacity utilization range from 30% to 70%. Firms in many cases have not only used machinery inappropriately, but have also selected the technology (e.g. type of machinery) inappropriately.

Third, labor is relatively abundant, but manufacturing employment has been declining overtime. According to the World Development Report (1987), manufacturing employment in Pakistan has actually declined by about 2.5% per year between 1973-1984. Large scale industry has been particularly poor in employment performance. Pakistan's performance is the worst of 34 countries included in the study. Many developing countries (especially those whose strategies were classified as outward oriented) exhibited growth in manufacturing employment in excess of 3% per year.

Fourth, industry has not developed forward and backward linkages that have been known to push industrialization elsewhere. The textile industry has concentrated on spinning low quality yarn, which has not developed forward linkages with the weaving industry. The engineering industries have been producing either simple basic components and parts or complex assembly products based largely on imported parts. The chemical industries have concentrated on simple basic chemicals and chemically-derived consumer goods (that cater almost exclusively to the domestic market), but have not integrated into chemical intermediate inputs.

Fifth, despite the increased share of manufacturing in total output, its performance in quality, competitiveness, exports, and technology development have not been impressive. Firms prefer to produce items of undemanding quality and precision for a domestic market that has an international reputation for low quality. Few enterprises demonstrate the capacity or willingness to produce products of higher quality or sophistication. Investments in "software" including product design, marketing, material selection, and testing, have been small, even in the export-oriented spinning industry. Technology transfer has been slow; even when firms enter into contracts to transfer technology, its diffusion has been weak.

Section 5. DIRECTION FOR FUTURE POLICIES

The patterns of performance reflect the inward-oriented policies of industrialization. Firms have not had the incentive to use resources efficiently because they have faced little or no competition, or competition at low levels of technology. Incentives appear to have reduced the cost of capital, resulting in its underutilization and too little employment. Because the Government generally responded passively to the demands for protection of domestic firms. The resulting structure of protection has been extremely dispersed and often anomalous. Protection has often been tailor-made to the requirements of specific industries and firms. The resulting structure of protection neglected interindustry linkages; it also led to a large dispersion in the competitiveness across industrial activities.

These patterns in growth of output and exports, employment and capital use emphasize the need for a fundamental change in policies to promote industrial adjustment. Continued use of existing policies, or too slow a rate of adjustment, will push the industrial sector into progressively higher cost activities, and weaken domestic manufacturing and export performance simultaneously. The Government needs to take further significant steps towards a neutral incentive structure that would be more conducive to increasing competitiveness in the industrial sector.

INDUSTRIAL INCENTIVES IN PAKISTAN

Chapter V.

ADMINISTRATIVE, REGULATIONS AND FISCAL IMPEDIMENTS & CONSTRAINTS TO INDUSTRIAL INVESTMENT

Investment sanctioning, price control, inadequate infra-structure, bureaucratic procedures, and other regulatory policies have prevented unrestrained entry and exit in industry. These policies were introduced to serve a variety of purposes.

(a) Restricting demand for foreign exchange was one of the objectives of investment sanctioning which determines the level of machinery and raw material imports.

(b) Establishment of excess capacity was to be checked through sanctions. Restrictions on firm closures and financial support to sick industries was aimed at preventing capacity from remaining idle.

(c) Price control was to restrain the exercise of monopoly power, [illegible] established rate of return to investors, ensuring the survival of incumbent firms.

(d) Excessive concentration of ownership and market monopoly was to be discouraged through investment sanctions .

(e) Location restrictions and incentives were used to ration scarce infrastructure and to promote regional dispersal balanced growth.

Sanctioning rules limiting access to imported plant & machinery and raw materials have led many firms not to reach cost effective scale (cement is an example). High trade barriers have led to excessive vertical integration into polymerisation whereas domestic market does not allow cost minimizing scales in the polyester fiber & yarn industry.

Attempts to regulate excess capacity have met with little success. Industrial capacity statistics are not available and when available are unreliable. The forecasts of industrial requirements under the industrial investment schedule of the five year GOP plan, have often been inaccurate, and have at times been used to restrict new investment. This has caused capacity to lag behind demand as in the case of cotton spinning, and in polyester.

In the case of the ghee industry where inputs are obtained locally, capacity has expanded outside the official system, while sanctioned firms have been constrained from expanding and have been unable to lower unit costs.

Chapter V

For resources to be available to new and growing industries, they must not remain tied up in industries which are no longer competitive due to changing domestic and international competition. In Pakistan, government & banking policies tend to keep financial resources tied up in ailing activities. This stems from financial practices and partly from reluctance to lay off labour or let physical capacity become completely unutilised.

Writing off bad loans is not a common practice in Pakistan, because it involves cumbersome procedures, like prior approval of the banking council and unreasonable harsh attitude of tax authorities. The reasons why banks prefer financing an ailing client rather than foreclosing is the uncertainty and delay involved in credit recovery. Government policies to assist sick industries provide some supplement to bank resources for ailing debtors, but do not encourage debt write offs.

Voluntary winding up is rarely used in Pakistan. Bankruptcy proceedings initiated by creditors to wind up a company are subject to inordinate delays at the court. Measures to improve the ability of courts to dispose of bankruptcy cases would also facilitate exit and recovery of the collateral.

[illegible] especially when it comes to closure or restructuring. Greater flexibility is needed to encourage the shift of employment opportunities to growing "Sunrise" industries and to allow smooth reduction in "sunset" or declining industries.

Between 1977 and 1986, the government continued to control the prices for several major industries, pharmaceuticals, cement, fertiliser, ghee, petroleum products, motor vehicles and bicyles. presently only pharmaceuticals, petroleum products and motor vehicles are controlled.

The practice to retain import limits on capital and raw materials as a criteria for investment sanctioning has over a period of years since 1977 been gradually reduced as will be seen from the following schedule F (pages 84 to 88). Increase of size limit for investment sanctioning have had a limited impact, because most investments that stood to benefit still required sanctions on the loans of import requirements or location. The rationing of infra structure should be done through pricing rather than location restrictions.

The Bureaucratic procedures and thirty five steps that a new investor had to follow to start off operations are shown in Schedule G (pages 89 to 91). The thirty nine government agencies a business enterprise had to deal with is also shown in schedule H (page 92). Schedule J (page 93) outlines the procedures that have to be followed by an existing business. In the past in many case these procedures have discouraged potential investors. However the recent reforms have brought about many changes and the sanctioning procedures have been virtually abolished.

INCENTIVES TO INDUSTRY

F) SANCTIONING CRITERIA

SCHEDULE - F

Description	Upto May 1997	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
I General						
1. Sector Restrictions	(a) 17 industries:	(a) 12 industries				
Heavily import based industries	Beverages Cosmetics/ Toiletries TV B&W/Colour MotorCycles / Scooters Tea/Coffee blending A/C & Refrigerators Plastics PE/PP/PS Pharma Industry Syn. Rubber Products Paperback Manufacturing Tin Container Printing Confectionery based on Cocoa/Chocolate Cooker & Stoves Non-Ferrous metal Foundries rolling Extrusion/ Dyecasting Etc. Non-Ferrous wire rod products Electrical cables Gas cylinders	Beverages Cosmetics/ Toiletries TV B&W/Colour MotorCycles / Scooters A/C & Refrigerators Plastics PE PP/PS Pharma Industry Syn. Rubber Products Paperback Manufacturing Tin Container Printing Vegetable Ghee Industry Aluminium Doors & Windows				
To Private Sector	(b) 11 Main groups of industries restricted for private sector except approved peripheral cases	(b) 11 Main groups of industries restricted for private sector except approved peripheral cases	(b) Following Groups restricted to private sector	(b) Following Groups restricted to private sector	(b) Following Groups restricted to private sector	(b) Following Groups restricted to private sector

Abbreviations : N.O.C = Objection Certificate, A/C = Air Conditioners

INCENTIVES TO INDUSTRY

F) SANCTIONING CRITERIA

SCHEDULE - F

Description	Upto May 1997	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
(i) National Importance Consideration	Iron & Steel Industry Basic Metal Industry Heavy Engineering Industry Heavy Electrical Industry Assembly Manufacturing of motor vehicles Heavy & Basic Chemicals Cement Industry Public Utilities Vegetable Ghee Industry	Iron & Steel. Industry Basic Metal Industry Heavy Engineering Industry Heavy Electrical Industry Assembly Manufacturing of motor vehicles Heavy & Basic Chemicals Cement Industry Public Utilities Vegetable Ghee Industry	Basic steel Basic Metals & alloys Heavy Mechanical & electrical Plants. Basic Chemicals Petro Chemicals Ship Aircrafts Railways Public Utilities	Petro Chemicals	Petro Chemicals	
(ii) Religions/ Socio-Economic Consideration.			Alcohol & Foreign trade of Syn. Beverages	Alcohol & Foreign trade of Syn. Beverages	Alcohol & Beverages	Alcohol & Beverages
(iii) Security & Defence Consideration			Arms & Ammunition High explosives Defence Electronics Basic active Substance Security Printing	Arms & Ammunition High explosives Basic active Substance Security Printing	Arms & Ammunition High explosives Basic active Substance Security Printing	Arms & Ammunition High explosives Basic active Substance Security Printing
(iv) Indiginisation Considerations			TV.Radio. VTR. Audio - Video Recorder. Cassettes & Tapes A.C. Refrigerators. Deep Freezers Motorcycle Scooters Automobiles. Tractors. Farm Machinery.	TV.Radio. VTR. Audio - Video Recorder. Cassettes & Tapes A.C. Refrigerators. Deep Freezers Motorcycle Scooters Automobiles. Tractors. Farm Machinery.	Automobiles. Tractors. Farm Machinery.	

Abbreviations : N.O.C = No Objection Certificate , NRI = Non Repatriable Investment, SBP = State Bank Of Pakistan

90

INCENTIVES TO INDUSTRY

F) SANCTIONING CRITERIA

SCHEDULE – F

Description	Upto May 1997	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
(v) Price regulation considerations			Fertilizer Cement Pharmaceuticals Vegetable Ghee	Pharmaceuticals Vegetable Ghee		
(vi) Capacity Consideration			Sugar Cotton Spinning			
2. Size Restrictions						
Total Cost limitations when no permission required.	Total Cost of project < Rs. 5 Million, except where raw material import content are more than 50% or if machinery is banned.	Total Cost of project < Rs. 20 Million and cost of imported machinery < Rs. 10 Million. Other conditions as before	Large Projects Total Cost of Project < Rs. 300 Million. requiring cash foreign exchange of < Rs. 50 Million or raw material imports < 50%	Large Projects total cost of project < Rs. 700 Million. requiring cash foreign exchange of < Rs. 60 Million or raw material import < 50%	Large Projects Total Cost of Project < Rs. 1000 Million requiring cash foreign exchange of < 100 million or raw material imports < 50%	No limit
3. Foreign Investment Restrictions	Permission required	Permission required	Permission required	Permission not required for any Industry. Provided raw material 70% local content.	Permission required where foreign equity more than 50% Permission will not be granted for agricultural land. Forestry. Irrigation. real estate. commercial & office buildings. Insurance. health & radio active minerals.	No Restrictions Permission will not be granted for agricultural land. Forestry. Irrigation. real estate. commercial & office buildings. Insurance. health & radio active minerals

Abbreviations : N.O.C = No Objection Certificate. NRI Non Repatriable Investment. A/C = Air Conditioners

INCENTIVES TO INDUSTRY

F) SANCTIONING CRITERIA

SCHEDULE – F

Description	Upto May 1997	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
4. Import Content Restrictions						
Projects using local machinery & Raw material.	No permission required except cement, sugar, ghee, cotton ginning & cotton spinning.	No permission required except cement, sugar, ghee, cotton ginning & cotton spinning.	No permission required except cement, sugar, ghee, cotton ginning & cotton spinning.	No permission required except cement, sugar, ghee, cotton ginning & cotton spinning.	No permission required	No permission required
5. Location Restriction	N.O.C of provincial Government required	N.O.C of provincial Government required	N.O.C of provincial Government required	Permission required only if in the Negative List.	Permission required only if in the Negative List.	No permission required.
II NRI						
1. Sector Restrictions	As in Serial No. (1) of General section	As in Serial No. (1) of General section	As in Serial No. (1) of General section	As in Serial No. (1) of General section	As in Serial No. (1) of General section Scope further enlarged to include other sectors like agriculture, fisheries, livestock, Hotel & Transport, Power generation, aviation.	As in Serial No. (1) of General section Scope further enlarged to include other sectors like agriculture, fisheries, livestock, Hotel & Transport, Power generation, aviation.

Abbreviations : N.O.C = No Objection Certificate, NRI = Repatriable Investment, SBP = State Bank of Pakistan

42

INCENTIVES TO INDUSTRY

F) SANCTIONING CRITERIA

SCHEDULE - F

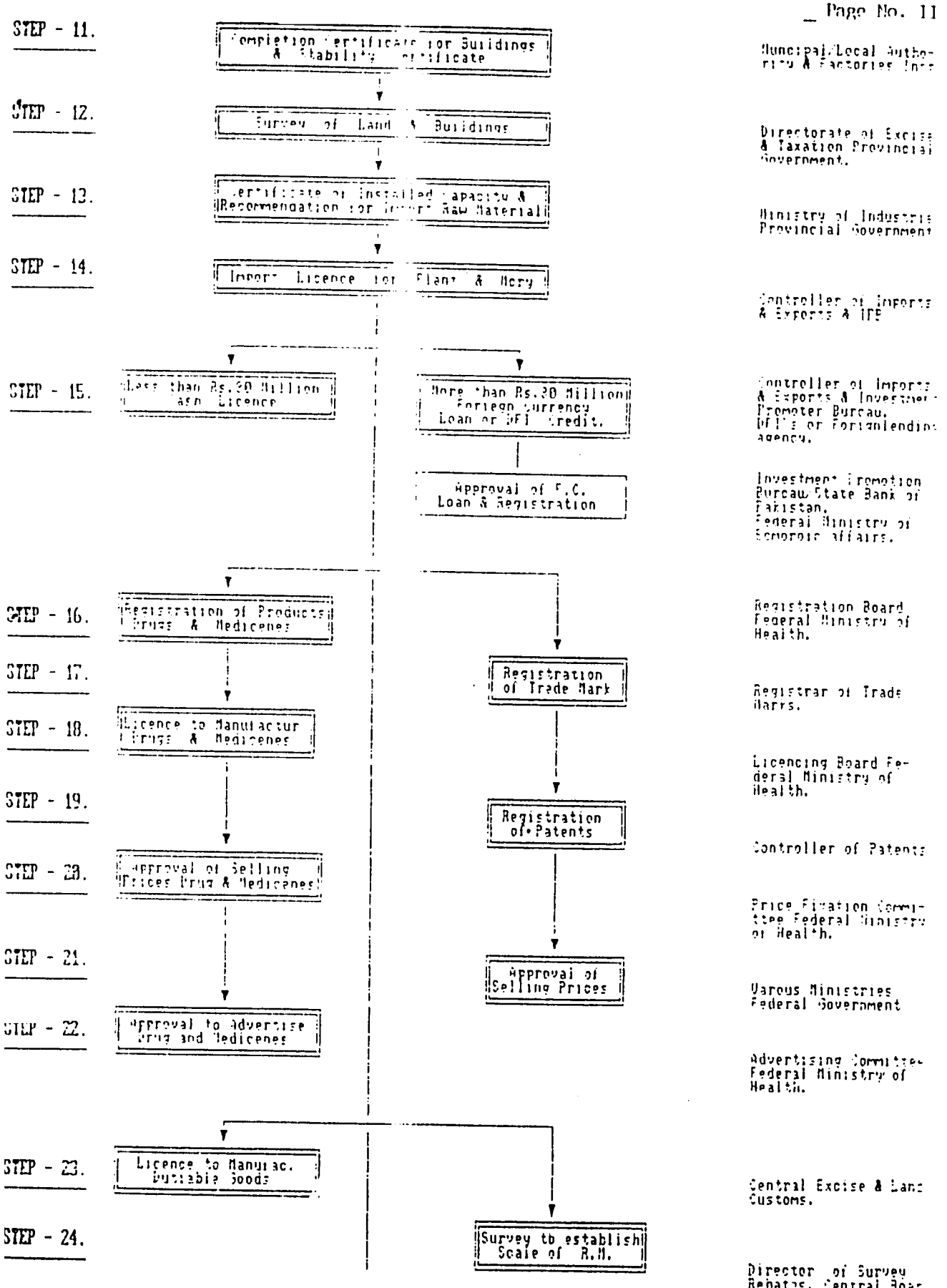
Description	Upto May 1997	Upto FEB 1982	Upto 1984/1985	Upto JULY 1988	Upto JULY 1989	After Dec. 1990
2. Size Restrictions						
Total Cost Limitation Where no permission is required.	(a) NRI Industrial sanction not required if total cost of machinery < Rs. 5 Million, and imported machinery < Rs. 2.5 Million and except cement, Sugar, Ghee, Cotton Ginning/ Spinning & Wheat machinery specifically banned.	Total cost of project < Rs. 5 Million and imported machinery < Rs. 2.5 Million, except where import content of raw material is > 50% or if machinery is banned.	Total cost of project < Rs.30 Million and imported machinery < Rs. 15 Million, except where import content of raw material is > 50% or if machinery is banned.	Total cost of project < Rs.50 Million and imported machinery < Rs. 25 Million, except where import content of raw material is > 50% or if machinery is banned.	Total cost of project < Rs. 50 Million and imported machinery < Rs. 25 Million, except where import content of raw material is > 50% or if machinery is banned.	No permission required.
	(b) No permission required for import of second land machinery	(b) No permission required for import of second land machinery	(b) No permission required for import of second land machinery	(b) No permission required for import of second land machinery	(b) No permission required for import of second land machinery	(b) No permission required for import of second land machinery
3. Import Content Restrictions						
Project using local machinery & Raw material.	Same as in General section Serial No.4 for this Period	Same as in General section Serial No.4 for this Period	Same as in General section Serial No.4 for this Period	Same as in General section Serial No.4 for this Period	Same as in General section Serial No.4 for this Period	Same as in General section Serial No.4 for this Period
4. Location Restriction	N.O.C of provincial Government required.	N.O.C of provincial Government required.	N.O.C of provincial Government required.	Permission required only if in the Negative list of areas	Permission required only if in the Negative list of areas	No permission required

Abbreviations : N.O.C = No Objection Certificate . NRI = Non Repatriable Investment

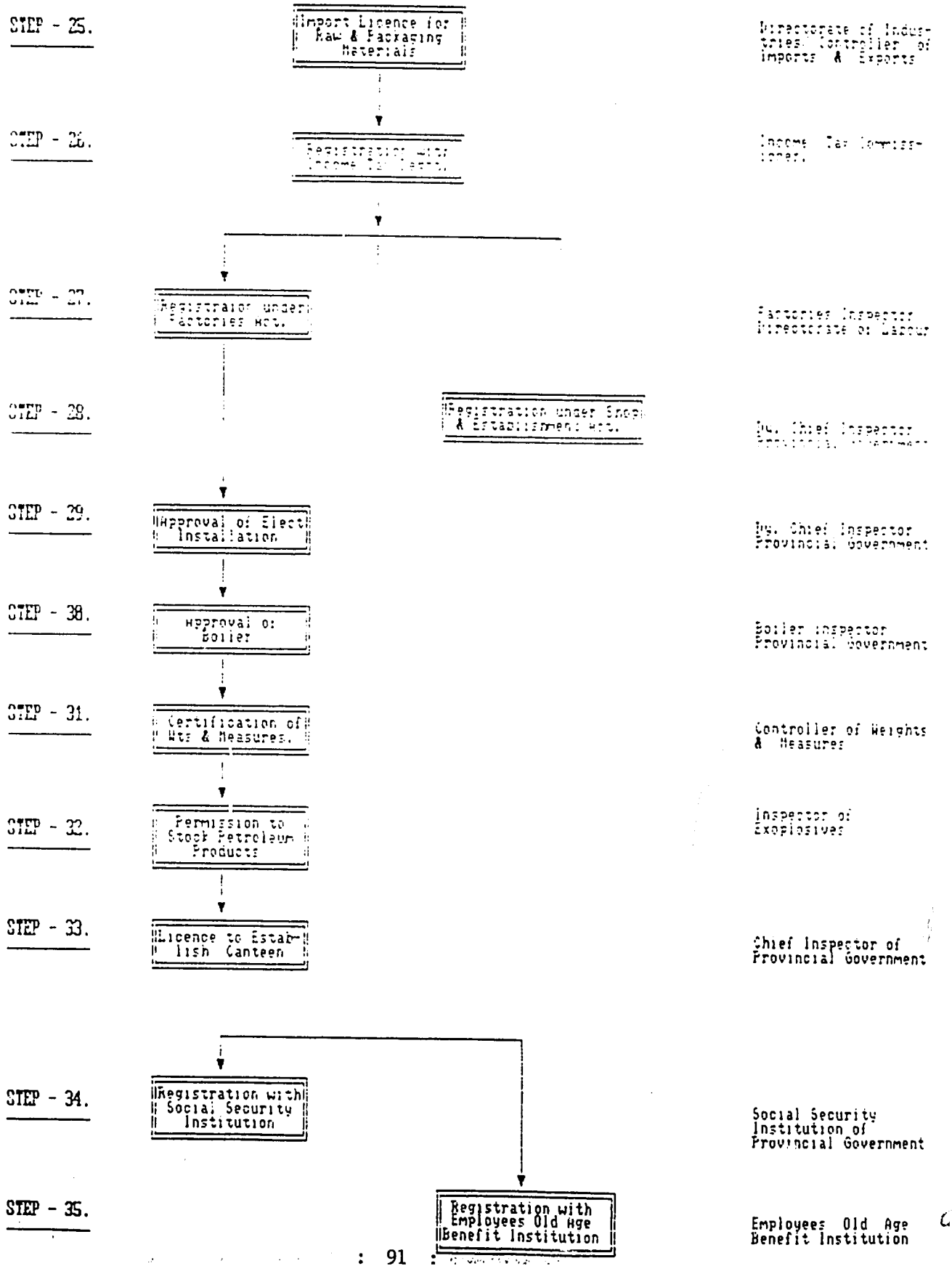
93

PROCEDURES FOR NEW BUISNESS

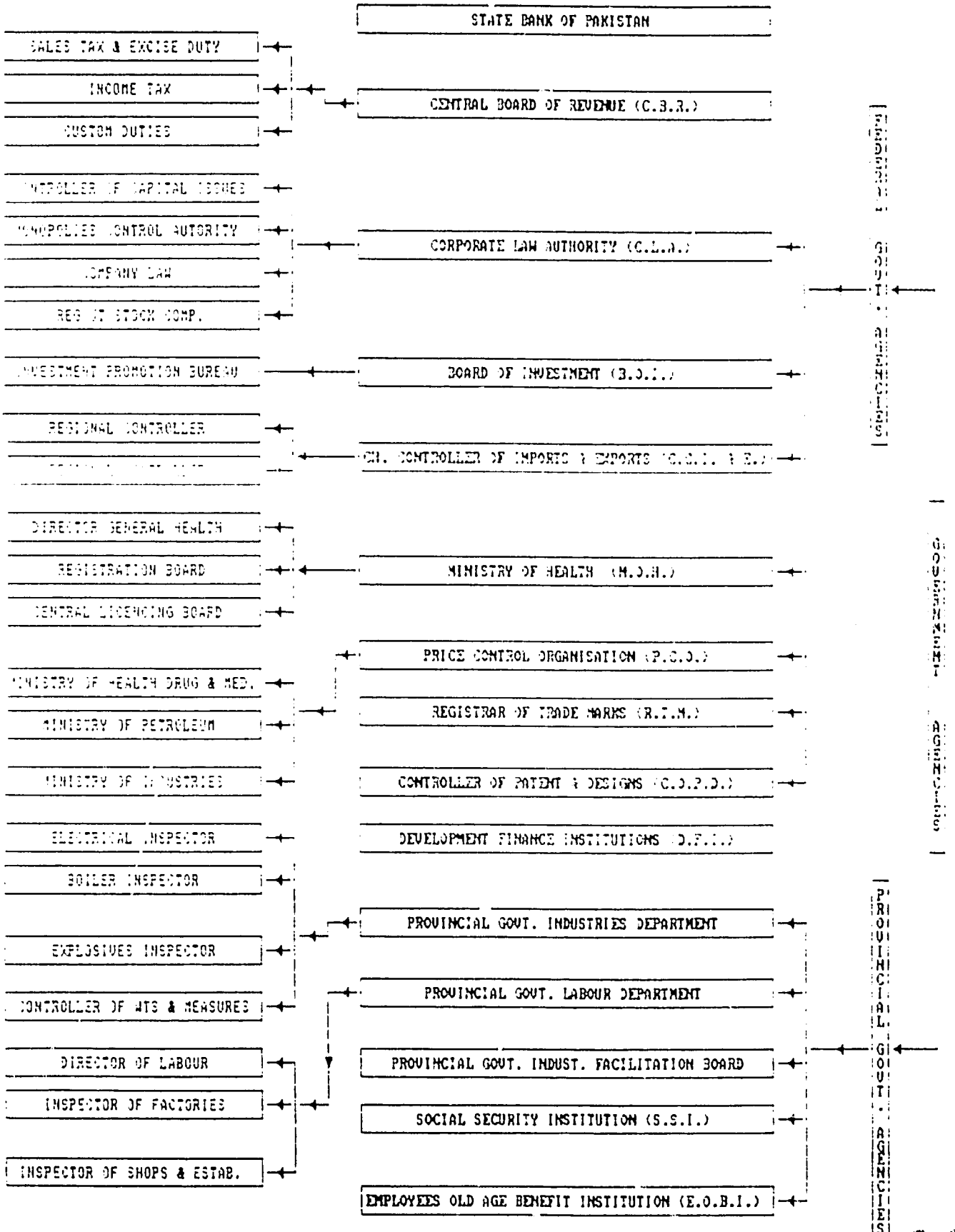
STEP.	DESCRIPTION OF ACTION	AGENCY.
STEP - 1.	Incorporation of Enterprise	
	Registration of Firm	Registrar of Firms
	Company Inc. Outside Pakistan / Obligations	Register of JT Stock Companies
	Registration of Private Company	Register of JT Stock Companies
	Registration of Public Company	
STEP - 2.	Permission to Issue Capital	Controller of Capital Issues
STEP - 3.	Fed. Govt. Approval Project Cost >Rs.1 Bil	Board of Investment
	Fed. Govt. Approval Foriegn equity->50 %	
STEP - 4.	Provincial Government Approval NOC / Location Clearance	Ministry of Industrie Provincial Government
STEP - 5.	Permission of Issue Shares	Corporate Law Authority
STEP - 6.	Certificate to Commence Buisness	Registrar of JT Stock Companies
STEP - 7.	Statutory Report	Registrar of JT Stock Companies
STEP - 8.	Permission for Utilities, Public Services & amenities	Various Agencies Through Industries Facilitation Board
STEP - 9.	Registration with Controller of Imports & Exports	Controller of Imports & Exports.
STEP - 10.	Approval of Factory Buildings & Office Building Plans	Muncipal/Local Buil. Control Authority.


STEP - 11.
Completion Certificate for Buildings & Stability Certificate
Municipal/Local Authority & Factories Inc
STEP - 12.
Survey of Land & Buildings
Directorate of Excise & Taxation Provincial Government.
STEP - 13.
Certificate of Installed Capacity & Recommendation for Import Raw Material
Ministry of Industries Provincial Government
STEP - 14.
Import Licence for Plant & Mery
Controller of Imports & Exports & IPS
STEP - 15.
Less than Rs.20 Million Asp Licence
More than Rs.20 Million Foriegn Currency Loan or DFI Credit.
Controller of Imports & Exports & Investment Promoter Bureau. DFI's or Foriginlending agency.
Approval of F.C. Loan & Registration
Investment Promotion Bureau State Bank of Pakistan. Federal Ministry of Economic Affairs.
STEP - 16.
Registration of Products Drugs & Medicines
Registration Board Federal Ministry of Health.
STEP - 17.
Registration of Trade Mark
Registrar of Trade Marks.
STEP - 18.
Licence to Manufactur Drugs & Medicines
Licencing Board Federal Ministry of Health.
STEP - 19.
Registration of Patents
Controller of Patents
STEP - 20.
Approval of Selling Prices Drug & Medicines
Price Fixation Committee Federal Ministry of Health.
STEP - 21.
Approval of Selling Prices
Various Ministries Federal Government
STEP - 22.
Approval to Advertise Drug and Medicines
Advertising Committee Federal Ministry of Health.
STEP - 23.
Licence to Manufac. Dutiable Goods
Central Excise & Land Customs.
STEP - 24.
Survey to establish Scale of R.M.
Director of Survey Rebates, Central Boar of Revenue.

45


STEP - 25.
Import Licence for Raw & Packaging Materials
Directorate of Industries Controller of Imports & Exports
STEP - 26.
Registration with Income Tax Dept.
Income Tax Commissioner.
STEP - 27.
Registration under Factories Act.
Factories Inspector Directorate of Labour
STEP - 28.
Registration under Shops & Establishment Act.
Dy. Chief Inspector Provincial Government
STEP - 29.
Approval of Elect Installation
Dy. Chief Inspector Provincial Government
STEP - 30.
Approval of Boiler
Boiler Inspector Provincial Government
STEP - 31.
Certification of Wts & Measures.
Controller of Weights & Measures
STEP - 32.
Permission to Stock Petroleum Products
Inspector of Explosives
STEP - 33.
Licence to Establish Canteen
Chief Inspector of Provincial Government
STEP - 34.
Registration with Social Security Institution
Social Security Institution of Provincial Government
STEP - 35.
Registration with Employees Old Age Benefit Institution
Employees Old Age Benefit Institution

GOVERNMENT AGENCIES



97

PROCEDURES FOR EXISTING BUSINESS

CHAPTER OF REPORT / NAME OF AGENCY	LAW OR ENACTMENT	AREA OF CONTROL
FEDERAL GOVERNMENT	ZAKAT ORDINANCE 1980 TAX COLLECTION	
COLLECTOR OF CUSTOMS FEDERAL CBR	CUSTOMS ACT 1969 CUSTOMS DUTIES/DRAWBACKS	
CENTRAL EXCISE & LAND CUSTOMS FEDERAL CBR	SALES TAX ACT 1951 COLLECTION OF SALES TAX	TAXES
CENTRAL EXCISE & LAND CUSTOMS FEDERAL CBR	CENTRAL EXCISE & SALT ACT 1944 COLLECTION OF EXCISE TAX	PROCEDURES
COMMISSIONER OF INCOME TAX FEDERAL CBR	INCOME TAX ORDINANCE 1979 COLLECTION OF INCOME TAX PROCEDURES & RETURNS	
STATE BANK FEDERAL GOVERNMENT	FOREIGN EXCHANGE ACT 1947 EXCHANGE CONTROL & PROCEDURES & RETURNS	FOREIGN EXCHANGE REGULATIONS
CHEIF CONTROLLER OF EXPORTS & IMPORTS FEDERAL GOVERNMENT	IMPORT & EXPORT CONTROL ACT 1950 IMPORT & EXPORT CONTROL PROCEDURES & RETURNS	EXISTING BUSINESS
PROCEDURES OF LABOUR LAWS DIRECTORATE OF LABOUR PROVINCIAL	VARIOUS LABOUR ENACTMENTS PROCEDURES & RETURNS	EMPLOYMENT
DIRECTORATE OF INDUSTRIES PROVINCIAL	INDUSTRIAL STATISTICS ACT 1942 REPORTING INFORMATION	
INVESTMENT PROMOTION BUREAU FEDERAL BOI	FOREIGN PRIVATE INVESTMENT ACT 1976 CONTROL FOREIGN INVESTMENT PROCEDURES & PERMISSIONS	INVESTMENT MODEL
COMPANY LAW AUTHORITY FEDERAL GOVERNMENT	MONOPOLY CONTROL ORDINANCE 1970 REGISTRATION PROCEDURE	
COMPANY LAW AUTHORITY FEDERAL GOVERNMENT	COMPANIES ORDINANCE 1984 13 PROCEDURE & RETURNS	

98

Foreign exchange control has also been liberalised and import licensing for raw materials has been on the free list and is no longer an impediment. The cash licensing limits for plant & machinery are still very low and need to be raised upward.

Sanctioning has to some extent limited concentration of ownership, and created inefficient small size firms in some industries, such as polyester. Although polyester fibre and yarn production is dominated by a few firms, they face substantial competition from legal and illegal imports as well as from domestic cotton and other substitutes.

The location restrictions have also been removed and it is now said that a no objection certificate from the provincial government is not required.

Despite the recent reforms the impediments to investments are:

(i) Credibility in the continuance of present government policies.

(ii) Deterioration, law and order situation particularly in the province of Sind.

(iii) Poor physical infrastructure and inadequate social infrastructure.

(iv) Over protective labour laws, which result in poor productivity.

INDUSTRIAL INCENTIVES IN PAKISTAN

Chapter VI

A. INDUSTRY SPECIFIC RECOMMENDATION FOR ADMINISTRATIVE & POLICY REFORMS

(i) Engineering Industries. Pakistan's engineering industries are generally regarded as having considerable potential for efficient import substitution and export, and Government has always stressed the development of these industries' to increase income, employment, and technological growth. However, the achievements have been much less impressive than desired. While the subsector has grown, it has not contributed to exports and has not been a dynamic force in technological change. The subsector's inability to meet its potential has been largely attributed to trade and industrial policies that have resulted in a highly distorted and complex environment.

To promote the engineering industries, especially the local components industry, and technological development in general, the Government instituted domestic content requirements or deletion policies. Deletion programs have been maintained [illegible] evident, however, that the policy has not been successful in meeting its objectives Many firms regard the programs as restrictive and as tending to retard technological development. Since the program depends on tariff concessions to induce firms to participate, the Government has also foregone substantial fiscal revenues.

The industry suffers from poor and inconsistent quality of its products. Some of this stems from indiscriminating demands of consumers, but much originates fro a lack of expertise and equipment for materials selection, measurements and quality control. While higher manufacturing standards are expected to develop as competitive pressure intensifies, these is still a role to be played by the government in supporting institutions that will establish and enforce standards, provide training and other support services to the private sector. It is understood that Pakistan Standards Institute has been developing proposals in these areas. These efforts need to be encouraged, although the Institute has also to be set up with market based incentives (e.g. by being autonomous and merit based pay).

Steel pricing is the remaining policy issue that particularly affects the development of the engineering industries, and must be discussed here. The pricing policy has multiple objectives: They are to ensure low price of steel to develop the engineering industries and to provide a reasonable financial rate of return to Pakistan Steel Mills, the public sector company producing some major steel products. Currently, the steel pricing policy sets prices of PSM's output about halfway between the cif price and the duty paid cif price.

This pricing policy has had undesirable effects. It provides PSM an incentive to reduce quality almost to the point where the buyer considers import as an option. Since PSM can not set prices equivalent to those of imported steel, it competes with imports through product differentiation, i.e. through selling slightly inferior product whose market value is equal to the control price.

> It would be preferable to reduce the tariff for steel products. Allow PSM to price output to take full advantage of the tariff, and thus use the threat of import to maintain PSM's quality and service.
>
> The objection advanced by PSM against such a reform has been that foreign sellers are currently dumping very low grade steels in the Pakistani market, and the current policy is designed to protect this. It is preferable to deal with this problem by specific anti-dumping actions.

ii) Textile Industry: Pakistan is a major cotton producing and exporting country, and cotton textiles have always been its largest industry. [illegible] introduction of a new seed variety resulted in a large increase in cotton production which in turn led to a substantial rise in exports. The surplus product became available for processing by the domestic spinning industry.

The spinning industry, which was a major contributor to Pakistan's rapid industrial growth in the 1960s was in the doldrums for most of the 1970s. In the early 1980s, restrictions on the import of machinery were removed, investment sanctioning was liberalized and incentives for replacement and modernisation of the textile industry were provided. Probably the most important incentive for the spinning industry was the availability of raw cotton at prices substantially below international levels. On average, during the 1980-85 period, the domestic price of cotton was 15 per cent below the border price. This price differential was maintained through a combination of government monopoly on cotton exports and export duties.

In the early 1980s, investment began to flow into the spinning industry and a slow process of revival of production and export of cotton yarn started. In the mid-1980s with further deregulation of the industrial sectors and the break through in cotton production, the process of expansion gathered momentum.. During the period 1986-1990, the number of operating spindles increased by 50 per cent, yarn production doubled and exports increased by 1 per cent.

During the last five years, Pakistan's cotton yarn exports increased at 24 per cent per annum in volume and 32 per cent per annum in value.

The policies which resulted in this dramatic growth were necessary for the revival and modernization of the spinning industry in the 1980s, but they entail considerable economic and social costs, while the benefits of continued expansion are limited.

The largest part of the cost has been borne by the agricultural sector. The price farmers received for cotton in 1990 was less than 60 per cent of the border price. Thus cotton farmers suffered an income loss of Rs 20 billion, of which the government received about 20 per cent in the form of export duties and trading profits. In addition, given a short-run supply elasticity of 0. 3, there was a production loss of about 1.3 million tons of seed cotton worth about Rs. 15 billion and an associated loss of the raw material for edible oil production. An idea of the size of these losses can be gained from the fact that total agricultural value added in 1990 was Rs 206 billion. The losses were suffered not only by rich farmers but also by the poorest segments of the rural population, since cotton production is extremely labour intensive and the bulk of this labour is provided by women, for most of whom it is the only source of paid employment in rural areas.

[illegible] in terms of the impact on the balance of [illegible] additional export earnings from cotton would have been $ 660 million and savings from reduced import of edible oil another $ 175 million. Given that the long-run supply elasticity of cotton is close to one, the longer term impact on the balance of payments would be much larger. In addition, these policies distorted investment decisions, and adversely affected employment generation in the industrial sector. The high profitability of the spinning industry diverted investment from other industries, with almost one-fifth of total investment inmanufacturing in the last five years gong into spinning Also, spinning is the most capital intensive activity in the textile industry: therefore, the employment generated by the massive investment in spinning during the 1980s was extremely small.

Not only had the cost been high, but the benefits may have been much smaller than apparent Most studies of the textile industry in Pakistan in the early 1980s found that, at border prices, value added in spinning was negative, while a more recent study found it to be positive in 1986. It is possible that better capacity utilization and modernization of the industry may have brought about this change, but undoubtedly value added in the spinning industry is relatively small. One indication of this is the effective rates of protection (ERPs) enjoyed by the industry during the 1980s. Using coefficients based on the cost structure of 1986, ERPs for the spinning industry have been derived for the 1980s and show that, except for the period 1986-1988 these have been extremely high, reaching 190 percent in 1990.

Another undesirable side effect of providing raw cotton to the spinning industry at prices which are substantially below world market

prices is that each firm attempts to maximize the quantity of cotton it processes and exports as yarn. Production thus becomes biased towards lower counts of yarn.

In turn, this not only results in low value added in the spinning industry, but also pushes the down stream textile industry, such as weaving and garments, towards the lower end of the quality spectrum in their respective markets.

Finally, it seems that a substantial part of the benefits of cheap cotton for the spinning industry are being passed on to buyers of yarn. There are two factors responsible for this. First, Pakistan controls about 80 percent of the Asian market for coarse and medium yarn. Because of this dominance in export; markets especially for low and medium counts of yarn, Pakistani products mostly compete among themselves. As a result, increases in the differential between the domestic and world prices of cotton are passed on to the buyers. Second, a substantial portion of yarn exports to Japan, which is Pakistan's largest market, are by mills which have been set up with the help of credits provided by Japanese importers of yarn. In these cases there exist long-term, virtually cost plus, supply arrangements with the creditors. These have the effect of [illegible] international price. For example, in 1990, while the export unit value of Pakistan cotton increased by 35 per cent, the export unit value of cotton yarn increased by 7 per cent which was the same as the increase in the domestic price of cotton. Movements in the export unit value of cotton yarn in 1988 and 1989 also correspond more closely to changes in the domestic price of cotton and export duties on yarn than to the international price of cotton.

In brief, abandoning the policies which have resulted in a large differential in domestic and international prices of cotton would promote the growth of agricultural output-cotton yields have been stagnant for the last three years- improve the balance of payments and promote a more balanced and healthy development of the textile industry. Therefore, it is important that the existing heavy taxation of raw cotton exports should be gradually phased out, and if incentives are to be provided for the textile industry these should be for the production of higher counts of yarn and for down stream industries producing high value added items.

The policy recommendation for the textile industries is to promote diversification into higher value added items. Reducing the export tax on cotton and eliminating export tax on higher count yarn will reduce the heavy bias toward the low count cotton spinning industry and against other textile activities. Rationalizing the structure of import taxes (including removal of surcharges) will reduce tariffs on many intermediates (polyester and other types of fibers, dyes accessories, etc.) essential to production of higher value added items.

Chapter VI

The high protection on polyester and other synthetic fibers has affected production patterns of textiles. Production of blended cloth in Pakistan is only 8% of total clothing production; whereas in other developing countries it ranges from 10% to 45%. Low tariffs on textile machinery and spare parts, without exemptions, would encourage the joint development of these industries. The bonded warehouse schemes when implemented fully would extend a neutral status further to indirect exporters of textile garments.

An important concern specific to textiles is the development of institutions for manpower training and quality control. These issues are particularly important in view of the Multifiber Agreement (MFA): future growth of export earning would depend more on product and quality upgrading rather than growth in volume. Firms are concerned with the lack of qualified personnel to work with new technology; except for the National college of Textile Engineering at Faisalabad (whose expenses are paid for by the textile industry), there is no other university in Pakistan offering textile technology education. In comparison, South Korea has 11 universities offering specialized courses in Textiles. A possible options a new textile institute that could be jointly financed by private firms and the Government. The [illegible] Pakistan Textile Mills Association [illegible] estimate at Rs 10 Million or US$ 500,000) to set up a textile institute. However, it is not likely to raise the whole amount, and the Government can jointly support the project. Another concern by firms, especially small and medium sized exporters (who exported two thirds of yarn and clothing exports in 1988/89), is the absence of quality control assistance and marketing assistance. One option is to develop a Centralized Quality Control Institute that would function as a quality control agency, design center as well as a source of marketing information. The private sector and the Government could jointly finance the project.

iii. Chemicals Industry The strategy recommended for this subsector is to encourage product diversification and improve the intra-industry as well as inter-industry reducing dispersion of protection in the industry that may have contributed to the highly uneven structure of production of the industry. Abolishing sanctioning and improving FDI and technology transfer rules will particularly facilitate firm entry, operations and access to technology of this large scale industry.

The subsector, however, faces other constraints, First, as in textiles firms report the lack of skill levels (including managerial skills) required to operate manufacturing processes. it is recommended that autonomous training centers for artisans and potential entrepreneurs in certain strategic areas be developed. Second, the absence of marketing information is also a bottle neck. Increased external competition will make firms more conscious of marketing needs, and it is therefore recommended that appropriate institutions providing market information be encouraged.

Chapter VI.

B. GENERAL RECOMMENDATIONS FOR ADMINISTRATIVE & POLICY REFORMS

To sustain economic growth in the long run and to improve living conditions for all of its population, Pakistan has to address a formidable agenda of development issues. These development issues include a low level of human resources development combined with high population growth, low investment and savings rates, particularly in the public sector, constraints on private sector activities, and an inefficient industrial sector, reflecting distortions in the incentive and protection system, compounded by an overregulated and inefficient financial sector. As external factors become less favorable, Pakistan's future development depends on addressing these structural problems and strengthening the domestic sources of growth through priority measures in five areas: human resources development, provision of economic infrastructure, domestic resource mobilization, a larger role for the private sector, and appropriate industrial and trade policies.

[illegible] in a more sustained and comprehensive manner is poverty alleviation, including both efforts to increase employment opportunities for the poor, as well as to provide increased access to basic social services. Changes in the industrial incentive structure and the need to strengthen the structural adjustment programmes are also necessary conditions for improving employment and income prospects.

A second priority, is to step up investment in economic infrastructure in order to strengthen the basis for future growth. Due to insufficient maintenance and investment, infrastructure, particularly in transport, is deteriorating rapidly, and shortages in the energy sector are becoming increasingly acute. Investment in these sectors, therefore needs to be increased. At the same time, appropriate pricing policies are needed to improve the use of existing infrastructure, particularly in energy, without which industrial growth cannot be propelled.

The third priority area is to increase development expenditure and associated current expenditure. Much stronger revenue efforts by the federal and provincial Governments are needed to finance the necessary increase in development expenditure. Cost recovery efforts by the Government and public sector corporations also need to be expanded. The low level of tax revenues, combined with the need to rely less on external borrowings to finance growth, makes domestic resource mobilization a central element of Pakistan's development strategy. Propelling growth by excessive borrowing is inflationary and damaging.

The fourth priority area involves expanding the role of the private sector to augment investment and to promote increased efficiency. Privatization of nationalized commercial banks, which the

Government began recently, as well as the decision to permit the entry of new private banks are important steps to attract investment funds. The Government has also initiated steps to privatize a large number of public enterprises. These privatization initiatives, as well as ongoing efforts to attract private investment in power generation, toll roads, joint ventures in oil and gas exploration and development, are all steps in the right direction and should be encouraged. The return on government investment in the public sector have been very unsatisfactory.

The fifth development priority for the government is to strengthen efforts to open up the economy in order to promote efficiency, competitiveness and diversification in industry. Accelerated efforts to move toward an outward - oriented trade regime, therefore, must also be an essential element of Pakistan's development strategy. The measure announced in recent months are a welcome step in this direction.

STRENGTHENING THE STRUCTURAL ADJUSTMENT PROGRAMME

A prerequisite for addressing Pakistan's development agenda is the [illegible] implementation of the structural adjustment programme. Although the Government has indicated its commitment to the program and its intention to strengthen it in the wake of the Gulf crisis, policy slippages since the inception of the reform program in FY89 undermined the credibility of economic policy and raised questions about Pakistan's ability to carry through with announced policy reforms. Given that an already weak macroeconomic situation has been worsened by the Gulf crisis and that further structural reforms are essential for sustained growth, the new Government must stand firm on its decision to complete implementation of already announced reform measures, while continuing to take additional steps to expand and strengthen the country's adjustment program, particularly in the fiscal area. A strong implementation record will also facilitate obtaining additional assistance from multilateral and bilateral creditors and to help meet Pakistan's external financing gap.

While the overall objectives of the adjustment program described in an earlier chapter remain valid, more stringent and quicker action may be required in public finance to reduce inflationary pressure and to avoid a further increase in the country's debt service burden. Pakistan faced the Gulf crisis with an already precarious imbalance of payments situation and a budget which implied a fiscal deficit larger than the program target of 5.5% of GDP. The deficit reduction achieved in FY89-90 has come partly at the expense of a falling share of development expenditures. The Gulf crisis has worsened Pakistan's macro imbalances further and accelerated inflation. Reducing the budget deficit depends heavily on improved revenue performance which would also be required to step up development expenditure. The negative impact of higher oil prices and other effects of the Gulf

crisis on the external current account is expected to be about $45(million in FY91 and $200 million in FY92. These magnitudes point to th(importance of enhancing the reform program in order to adjust quickl; to the deterioration in the terms of trade, as well as to make th(economy more resilient to future external shocks.

There are strong links between Pakistan's short-ter stabilization efforts, structural reform, and longer-term development prospects. By implementing structural reform measures more quickly an(in a more comprehensive fashion, the Government would contribute t(stabilizing the macroeconomic environment and improving the scope fo future development. A critical element in this process is increase resource mobilization , especially actions to reform the tax system an improve revenue collection. Reform of the tax system would contribute to reducing the budget deficit, thus helping to improve macro-balances and lower inflationary pressures. Tax reform would also open the way for increasing development expenditure and help to facilitate more efficient use of the sizeable pipeline in committed development assistance. Structural reform in the tax system which reduces the [illegible] sources would also facilitate further reduction in the external tariff, thus furthering the objective of opening up the economy to external competition. Implementation of industrial, trade, and financial sector reforms would improve t[illegible]mate for private sector investment, thus contributing to longer-[illegible]economic growth. The agenda of policy reform outlined in the following paragraphs focuses on adjustment measures that are priorities for the next two to three years to safeguard the country's long-term development while improving the macroeconomic balances.

A number of policy reforms are urgent, they include tax measures to increase development expenditure and trade and financial sector reforms.

Firstly, Government revenue efforts need to be stepped up Initially, this would be achieved through the removal of exemptions from the General Sales tax (GST) and the income tax. The GST, as introduced in November 1990, has exemptions for numerous items which are difficult to justify and which add further distortions in the tax system. A valid exemption from the GST would be food items; this would reduce the regressive feature which the GST has, like sales tax, while increasing revenue and limiting existing distortions. This measure could be taken by the executive branch of Government which would permit quick implementation. The same would apply to the removal of income tax exemptions which are difficult to justify on equity and efficiency grounds and keep the yield of the tax at a low 2% of GDP. These tax measures would help contain the budget deficit.

Secondly, there is a serious concern that development expenditure in FY92 has borne the brunt of containing the budget deficit as more revenue measures have not been put in place. Priority measures therefore need to ensure that development expenditures are maintained at their intended level. In addition to stepped-up revenue efforts, safeguarding development expenditure requires reducing consumption expenditure, in particular, defense.

Thirdly, a reduction in tariff exemptions could be done quickly, it will not only reduce distortions in the trade regime but also contribute to the Governments revenue efforts

FUTURE PROGRAMME FOR REFORMS

The future reform programme would need to continue the areas of public finance, industrial and trade policies. In public finance, structural measures are required to increase the efficiency of resource mobilization and use, while reducing the budget deficit. On the revenue side, strong efforts are needed to improve the structure and [illegible] of the tax system as well as to increase yields. Many studies have been proposed for a comprehensive tax reform. Concerning indirect taxes, the coverage of the GST should be broadened by substantially increasing the number of tax payers from the current 6000 and by extending it to goods and services that are currently subject to excise taxes. These measures could yield 1% of GDP in additional revenues. As regards direct taxes, further progress in eliminating 180 exemptions from income taxes and phasing out tax credits and area industry-specific tax holidays would raise tax yields and reduce the dispersion in effective income tax rates among industries, thus improving the efficiency of resource allocation. Provided tax administration is strengthened concurrently, the additional revenue from these income tax measures could amount to another 1% of GDP.

Taxation of agricultural income which is under the jurisdiction of the Provincial Governments is another reform measure that deserves serious consideration. There are legitimate concerns over the current high level of taxation of agriculture via export taxes and implicitly, through the non-neutral incentive system that favors non-agricultural sectors. The existing input subsidies provided on fertilizer, credit, and water may not fully compensate for this indirect taxation. However, the ongoing policy reforms which aim at a neutral incentive structure for both inputs and outputs, as well as continued appropriate adjustments in exchange rates, and further rationalization of agricultural prices toward international trend levels, would allow agricultural incomes to be taxed. This would be consistent with the principle of taxing all sources of income, and also close a major loophole regarding the taxation of non-agricultural incomes. Concurrent implementation of these policy actions would not only increase government revenue on a net basis (despite the removal of

export taxes on primary goods), but should also have a positive impact on agricultural incomes without a net increase in the sector's tax burden as indirect taxation through a distorted incentive system is discontinued.

On the expenditure side, the Government is expected to take further steps to strengthen its system of expenditure control and monitoring for both current and development expenditures. Continued adjustment in fertilizer prices and water charges is needed to gradually reduce subsidies. Also, to reduce the budgetary payments (about Rs 1 billion annually) to the railway for meeting the cost of non-commercial operations required by the Government, a major effort is necessary to rationalize uneconomic services. During the first two years of the adjustment period, development expenditures have been kept well below their desirable levels as most of the fiscal adjustment fell on these categories of spending. With re-enforced resource mobilization, it should be possible to raise development spending. However, in order to ensure increasing resources for essential economic infrastructure and the social sectors, it is also important to contain the growth of future expenditure.

In industrial and trade policy, measures to increase competition and to open up the economy would include the abolition of the local content programmes in various industries, streamlining of investment incentives, further reduction in non-tariff barriers, the introduction of a minimum tariff and a gradual move to a more unified level of tariff protection, described in the earlier chapter. With increased revenue from reforms in domestic taxes, it will be possible for Pakistan to move toward a narrower tariff range by the mid-1990s, without much loss in overall revenue. For example, the net negative revenue effect of reducing the tariff range form 0-125% to 10-50% while removing tariff exemptions (except for exporters), surcharges and the license fees would be less than 2% GDP. The removal of tariff barriers and further dismantling of NTBs and any resulting diversion of illegal trade to formal channels would have a positive revenue effect and at least partially compensate for losses from tariff cuts.

SECTORAL GROWTH RATES AT CONSTANT 1980/81 FACTOR COST, 1981/82-1989/90 /a
(annual percent rate)

Item	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Agriculture	4.72	4.40	-4.82	10.92	5.95	3.25	2.73	6.87	2.74
Mining and quarrying	10.83	-0.26	1.46	13.46	23.66	7.54	13.86	2.07	9.27
Manufacturing	13.75	7.03	7.89	8.09	7.55	7.53	9.98	3.96	5.70
Construction	5.66	-2.71	0.97	9.40	6.69	12.46	4.94	2.26	3.12
Electricity, gas and water	1.60	6.67	13.54	2.62	11.70	10.11	16.34	13.20	13.83
Transport, storage & communica	8.29	7.95	8.27	7.94	4.95	7.23	6.82	-4.01	6.81
Commerce	9.72	8.40	4.60	11.71	6.72	5.96	8.99	5.28	3.87
Financial Inst.	16.98	15.51	16.92	-0.17	3.48	0.60	3.74	3.08	2.90
Ownership of dwellings	9.82	14.46	14.69	10.18	5.28	5.28	5.28	5.28	5.28
Public administration & defens	1.44	10.01	7.92	3.12	5.30	5.45	4.18	7.90	2.73
Services	6.53	6.53	6.53	6.53	6.53	6.53	6.53	6.53	6.53
GDP at factor cost	7.56	6.79	3.97	8.71	6.36	5.81	6.44	4.81	4.63

/a Figures for 1988/89 are revised and for 1989/90 are provisional.

Source: Planning and Development Division.

GROSS NATIONAL PRODUCT
AT CONSTANT FACTOR COST OF 1980-81
(Based on New Methodology adopted in 1988-89)

ANNEX. - II

Sector	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
Manfac.as % GDP	15.11	15.97	16.01	16.61	16.5	16.7	16.98	15.65	16.78	16.9	17.61
1. Agriculture	67,399	80,008	83,532	79,502	88,187	93,433	96,473	99,108	105,917	108,820	114,360
Major Crops	39,626	41,496	42,837	36,710	43,390	46,212	46,965	48,452	51,842	51,844	54,836
Minor Crops	13,162	14,229	15,156	15,668	16,109	16,742	17,317	16,756	18,205	19,260	19,945
Livestock	20,139	20,770	21,664	22,956	24,356	25,865	28,351	28,906	30,614	32,481	34,105
Fishing	2,695	2,713	2,963	3,130	3,293	3,544	3,650	3,776	3,999	4,117	4,230
Forestry	777	800	912	1,038	1,039	1,070	1,190	1,218	1,257	1,118	1,243
2. Mining & Quarrying	1,053	1,167	1,164	1,181	1,340	1,657	1,782	2,029	2,071	2,263	2,478
3. Manufacturing	37,446	42,596	45,592	49,187	53,166	57,180	61,484	67,622	70,300	74,309	78,576
Large Scale	27,451	31,761	33,847	36,455	39,365	52,220	45,267	50,043	51,244	53,652	56,184
Small Scale	9,995	10,835	11,745	12,732	13,801	14,960	16,217	17,579	19,056	20,657	22,392
4. Construction	11,586	12,242	11,910	12,025	13,155	14,035	15,784	16,563	16,937	17,466	18,278
5. Electricity and Gas Distribution	5,928	6,023	6,425	7,295	7,486	8,362	9,207	10,711	12,125	13,802	15,162
6. Transport, Storage & Communication	23,927	25,910	27,971	30,283	32,688	34,305	36,785	39,293	37,716	40,285	43,678
7. Wholesale & Retail Trade	37,330	40,957	44,397	46,440	51,876	55,361	58,661	63,932	67,305	69,909	73,609
8. Banking and Insurance	5,549	6,491	7,498	8,767	8,752	9,057	9,111	9,452	9,743	10,026	10,398
9. Ownership of Dwellings	11,237	12,341	14,125	16,200	17,849	18,791	19,784	20,828	21,928	23,086	24,305
10. Public Admn. & Defence	19,257	19,534	21,490	23,192	23,916	25,183	26,556	27,666	29,852	30,667	31,271
11. Services	18,119	19,302	20,563	21,905	23,336	24,860	26,483	28,212	30,054	32,017	34,108
12. GDP (fc)	247,831	266,571	284,667	295,977	321,751	342,224	362,110	385,416	403,948	422,650	446,223
13. Indirect Taxes	35,562	34,873	38,447	43,038	43,103	42,501	44,800	53,406	57,269	62,218	68,001
14. Subsidies	5,197	5,061	6,641	6,512	7,107	7,296	5,128	6,403	7,351	6,834	5,012
15. GDP (mp)	278,196	296,383	316,473	332,503	357,747	377,429	401,782	432,419	453,866	478,034	509,212
16. Net Factor Income from abroad	22,692	22,882	33,000	31,630	28,814	31,282	26,575	17,100	14,933	15,006	12,622
17. GNP(fc)	270,523	289,453	317,667	327,607	350,565	373,506	388,685	402,516	418,881	437,656	458,845
18. GNP(mp)	300,888	319,265	349,473	364,133	386,561	408,711	428,357	449,519	468,799	493,040	521,834

PRODUCTION OF SELECTED INDUSTRIAL ITEMS, 1980/81-1989/90 \a

ANNEX.-III

Item	Unit of quantity	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Cotton yarn	Million kgs	375	430	448	432	432	482	586	685	758	823
Cotton cloth	Million sq.met	308	325	336	297	272	254	238	282	270	297
Cigarettes	Billions	36	38	38	40	39	40	40	42	32	33
Refined sugar	1000 metric to	851	1301	1127	1149	1306	1116	1286	1779	1858	1970
Vegetable ghee	"	505	531	513	595	640	612	609	697	640	718
Cement	"	3538	3657	3938	4503	4732	5773	6508	7072	7125	7409
Fertilizers	"	1605	1952	2575	2676	2714	2734	2928	2858	2929	2941
Paper board & chip board	"	59	60	59	62	69	63	69	70	66	106
Safety matches	Million boxes	1673	1337	1403	1690	1765	1899	2130	2491	3000	n.a
Chemicals	1000 metric to	200	228	215	236	254	272	270	282	299	316
Mild steel products	"	495	551	637	654	719	732	782	870	887	n.a
Jute goods	"	50	56	66	84	78	100	114	118	104	105
Cycle rubber tyres, tubes	1000 nos.	9497	9753	9210	9908	11114	10268	10528	10224	10244	11583
Coke	Metric tons	-	345873	369949	369500	451245	610059	636709	642052	672375	717770
Pig iron	"	-	382447	462625	490856	706016	848438	897242	932694	944518	911582
Billets	"	-	-	40323	179921	259121	253513	253848	271367	236033	275944
H.R sheets and coils	"	-	-	-	16348	196794	397362	399613	475621	495422	544000
C.R. sheets and coils	"	-	-	-	-	18870	83465	475845	n.a	n.a	n.a
Formed sections	"	-	-	-	-	4491	3037	122887	154550	143145	138422
Cars	Nos.			4120	9267	13149	15878	1802	4872	4203	n.a
Trucks	"	2892	3076	3644	2883	2797	2285	13690	19032	19996	26842
Buses	"	513	285	765	624	619	616	1404	1104	651	338
Jeeps (4x4)	"	1687	1526	2138	2160	1715	2321	414	342	333	185
Light commercial vehicles	"	8819	11170	10978	11718	12458	11566	2156	2631	3340	1780
Motor cycles/ scooters/rickshaws	"	53174	24903	34452	54017	52905	60404	10831	10089	11899	11938
								41870	49453	57599	68120

\a Figures for 1988/89 are revised and for 1989/90 are provisional.

Source: Planning and Development Division.

INDICES OF MANUFACTURING OUTPUT, 1981/82-1988/89
(1980/81=100)

Item	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88 \b	1988/89 \b
Manufacturing Total \a	115.7	123.3	132.8	143.4	153.8	164.9	179.1	183.4
Selected Items								
Vegetable products	108.0	102.0	121.0	130.5	125.4	128.6	134.9	123.8
Cigarettes	104.8	104.5	110.1	108.6	109.4	110.5	109.7	89.2
Cotton yarn	114.7	119.6	115.1	115.2	129.0	156.4	182.7	204.7
Cotton cloth	105.6	109.0	94.6	88.3	83.0	77.3	91.5	87.7
Paper and board	110.1	122.0	122.1	131.8	155.6	175.9	196.8	202.0
Fertilizers	122.4	169.4	172.6	173.9	176.3	189.8	186.6	190.5
Cement	103.4	111.3	127.2	134.9	166.4	183.2	199.6	202.1
Mild steel products	111.3	128.7	132.2	145.2	147.9	158.2	n.a	n.a
Automobiles	109.0	178.0	216.6	244.9	263.4	226.7	268.9	296.1

\a Based on 106 items
\b Manufacturing total based on 96 items due to non-availability of data on ten items.
Source: Planning and Development Division.

PRODUCTION INDEX OF MINING AND MANUFACTURING

ANNEX. V

Year	Mining				Manufacturing			
	1964-65 = 100	1969-70 = 100	1975-76 = 100	1980-81 = 100	1964-65 = 100	1969-70 = 100	1975-76 = 100	1980-81 = 100
1964 - 65	100.0	..	76.6	.	100.0	..	52.1	35.3
1965 - 66	100.5	..	77.0		110.8		57.8	39.1
1966 - 67	106.0	..	81.2	.	118.2		61.6	41.7
1967 - 68	101.6	..	77.8	..	127.2		66.3	44.9
1968 - 69	117.5	..	90.0	.	140.6	..	73.3	49.6
1969 - 70	118.7	100.0	90.9	..	160.2	100.0	83.5	56.5
1970 - 71	119.8	100.4	91.3	..	162.1	106.2	88.6	60.0
1971 - 72	114.1	97.3	88.4	..	151.1	105.7	88.2	59.7
1972 - 73	120.7	101.4	92.2	..	169.0	115.4	96.3	65.2
1973 - 74	119.6	106.7	97.0	..	..	122.4	102.2	69.2
1974 - 75	112.0	112.0	101.8	..	..	120.5	100.6	68.1
1975 - 76	110.6	110.0	100.0	..	..	119.8	100.0	67.7
1976 - 77	130.3	130.3	115.8	..	..	117.1	99.8	67.6
1977 - 78	138.7	138.7	124.5	..	..	128.8	110.7	74.9
1978 - 79	147.6	147.6	129.0	..	..	133.7	119.4	80.8
1979 - 80	161.8	161.8	140.5	..	..	148.9	132.5	89.7
1980 - 81	176.8	176.8	153.0	100.0	..	165.3	147.7	100.0 *
1981 - 82	191.2	191.2	165.3	109.6	..	188.0	169.4	115.7 *
1982 - 83	206.4	206.4	180.1	118.0	..	203.9	185.4	123.3 *
1983 - 84	211.8	211.8	184.4	122.2	..	..	200.4	132.8 *
1984 - 85	259.5	259.5	226.4	147.3	..	..	216.8	143.4 *
1985 - 86	311.3	317.4	274.4	182.6	..	..	..	153.8 *
1986 - 87	..	327.1	287.6	186.6	..	..	..	164.9 *
1987 - 88	..	367.2	323.0	211.7	..	..	..	179.1 **
1988 - 89	..	382.1	330.3	217.8	..	..	..	183.4 **
1989 - 90		422.1	363.5	249.2	..	..	..	192.1 **
1990 - 91 (E)		448.0	391.5	263.4	..	..	..	201.2 **

.. not available

E Estimated

* The indices are based on 106 items

** The indices are based on 96 items due to non-availability of data of 10 items from CBR as a result of withdrawal of Excise duty since July 1988.

Source: Federal Bureau of Statistics

PAKISTAN - MACROECONOMIC BALANCE

ANNEX. - VI

	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
1. Foreign Savings									
Current Account Deficit	4.7	1.6	3.0	5.1	3.7	2.1	4.3	4.7	4.0
2. Public Sector \a									
Fixed Investment	9.1	8.8	8.4	8.4	8.7	9.3	8.5	8.7	8.1
National Savings	3.1	1.2	1.9	0.4	1.6	0.5	1.3	0.2	0.2
Savings-Investment	-5.9	-7.7	-6.5	-8.0	-7.1	-8.8	-7.3	-8.6	-7.9
3. Private Sector									
Fixed Investment	6.8	6.8	7.0	7.1	7.3	7.4	7.4	8.1	8.5
National Savings	10.3	14.5	12.1	11.8	12.4	15.7	11.9	13.5	14.0
Savings-Investment	3.5	7.7	5.2	4.7	5.1	8.3	4.5	5.4	5.5
4. Change in Stocks (minus = increase)	-2.3	-1.7	-1.7	-1.7	-1.6	-1.6	-1.5	-1.6	-1.6
5. Public and Private									
Gross Domestic Investment	18.1	17.3	17.0	17.3	17.7	18.3	17.5	18.4	18.2
Gross National Savings	13.4	15.6	14.0	12.2	14.0	16.2	13.2	13.7	14.2
Savings-Investment	-4.7	-1.6	-3.0	-5.1	-3.7	-2.1	-4.3	-4.7	-4.0
Memorandum Item									
Share of Gross Domestic Investment financed by Foreign Savings(%)	25.9	9.5	17.6	29.4	20.7	11.3	24.3	25.5	22.0
Government \b									
Investment(% of GNP)	7.2	6.9	5.7	6.3	6.8	5.8	6.6	6.1	6.3
Savings (% of GNP)	2.2	0.4	0.1	-1.1	-0.8	-2.0	-1.7	-1.1	-0.4
Absorption \c	104.7	101.6	103.0	105.1	103.7	102.1	104.3	104.7	104.0
Public	18.8	19.4	19.6	19.8	20.7	22.2	23.6	25.1	22.8
Private	83.6	80.6	81.7	83.6	81.3	78.3	79.2	78.0	79.6
Changes in Stock (minus = Increase)	-2.3	-1.7	-1.7	-1.7	-1.6	-1.6	-1.5	-1.6	-1.6
Workers' Remittances									
in US Million $	2225	2886	2737	2446	2595	2279	2013	1897	1942
in % of GNP	6.8	9.3	8.2	7.4	7.7	6.5	5.1	4.6	4.7
Resource gap \d	10.5	9.6	9.9	10.9	9.4	6.6	7.2	7.2	6.3
Real effective Exchange Rate (change in %) \e					-12.5	-15.9	-7.1	-1.6	-8.0
Terms of trade(Change in %) \f	-11.2	0.1	6.7	-1.5	-3.9	7.4	-0.1	-7.0	0.0

\a "Public Sector" as defined here, includes the "Government" sector (as reflected by the consolidated b and public enterprises that remain outside the buget.

\b Government investment" refers to buogetory development expenditures. But it excludes fertilizer subs and includes WAPDA's line connection operation. "Government savings" refer to the difference between total buogetary current revenues and current expenditures.

\c Consumption plus Investment

\d Net imports of goods and non-factor services

\e % change calculated from indices with base year 1984/85.

\f % change calculated from indices with base year 1980/81.

Source: Planning & Development

ANNEX.- VII

GROSS FIXED CAPITAL FORMATION IN INDUSTRY, 1980/81-1989/90 \a
(million rupees)

Item	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
In Current Prices										
Private large and medium-scale industries	3,484	4,286	5,478	7,073	8,346	10,322	11,445	13,936	20,032	24,637
Small-scale industry	1,069	1,185	1,328	1,493	1,665	1,945	2,127	2,602	3,260	3,735
Public industry	4,835	4,684	5,144	5,700	3,871	4,622	3,190	3,067	2,623	2,195
(of which Steel Mill)	(2,295)	(2,478)	(2,719)	(2,228)	(1,146)	(2,563)	(1,476)	(739)	-	-
Total	9,388	10,155	11,950	14,266	13,882	16,889	16,762	19,605	25,915	30,567
In Constant 1981 Prices										
Private large and medium-scale industries	3,484	3,834	4,767	5,722	7,062	7,713	6,226	5,980	6,567	8,203
Small-scale industry	1,069	1,158	1,256	1,316	1,475	1,600	1,733	1,879	2,037	2,208
Public industry	4,835	4,193	4,478	4,614	3,260	3,459	1,743	1,327	1,213	1,205
Total	9,388	9,185	10,501	11,652	11,797	12,772	9,702	9,186	9,817	11,616

\a Figures for 1988/89 are revised and for 1989/90 are provisional.
Source: Planning and Development Division.

GROSS FIXED CAPITAL FORMATION IN PRIVATE LARGE AND MEDIUM SCALE INDUSTRY
1980/81-1989/90 \a (million rupees)

Industrial Groups	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
IN PRODUCTION										
Food except bev. & tobac	96	168	193	370	463	507	367	506	527	1,061
Beverages	10	3	10	10	26	28	18	56	42	32
Tobacco	22	81	70	77	91	72	6	21	73	73
Sub total	129	251	272	458	579	607	391	583	642	1,165
Textiles	268	276	538	446	636	1,394	1,687	1,671	2,071	2,597
Footware, apparel & othe	32	30	30	44	108	69	37	48	3	25
Sub total	301	306	568	491	746	1,463	1,724	1,718	2,074	2,622
Wood working	4	2	3	1	6	13	12	36	114	85
Furniture and fixtures	1	0	1	1	3	5	5	23	5	3
Sub total	5	3	4	2	9	18	16	59	120	85
Paper and paper products	58	75	238	13	83	158	186	356	306	291
Printing and publication	14	16	7	27	43	28	16	51	138	105
Sub total	73	91	245	40	126	185	202	407	444	396
Leather & leather produc	16	11	26	32	45	108	86	139	265	30-
Rubber products	11	10	31	350	43	50	37	101	126	200
Chemical & chemical prod	480	121	129	241	321	448	458	378	301	307
Products of petroleum &	8	7	19	16	22	147	145	96	131	21
Non-metallic minerals	9	4	15	9	32	21	187	32	156	150
Basic metal industries	25	10	11	9	14	67	56	75	129	202
Metal products	15	13	13	13	19	44	28	45	2	20
Sub Total	563	177	244	669	497	883	997	867	1,108	1,205
Machinery	12	26	34	40	58	58	57	96	161	42
Elec. machinery & applia	73	48	43	64	69	167	223	201	264	311
Sub total	85	75	77	103	127	225	280	297	424	353
Transport equipment	18	22	20	13	31	186	269	323	404	487
Miscellaneous	25	3	22	28	38	32	35	106	95	111
Total in production	1,197	927	1,451	1,803	2,153	3,597	3,914	4,361	5,310	6,426
UNDER CONSTRUCTION	2,517	3,695	4,430	5,797	6,811	7,429	8,861	10,665	13,247	18,561
Total	3,713	4,622	5,881	7,600	8,965	11,026	12,775	15,026	18,557	24,987
TOTAL EXCLUDING COST OF LAND AND RESIDENTIAL HOLDINGS	3,484	4,286	5,478	7,073	8,346	10,322	11,445	13,936	20,032	24,637

\a figures for 1988/89 are revised and for 1989/90 are provisional.
Source: Federal Bureau of Statistics

GROSS FIXED CAPITAL FORMATION IN SMALL SCALE INDUSTRY
1980/81-1989/90 \a (million rupees)

ANNEX. - IX

Item	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
Food, beverages, tobacco	167	185	207	233	260	303	332	406	509	582
Ginning, textiles	293	325	364	409	456	533	583	713	893	1,023
Wearing apparel	4	5	5	6	7	8	9	10	13	15
Footwear, leather, product	20	23	25	28	32	37	40	49	62	71
Wood, cork products	78	87	97	109	122	142	155	190	238	273
Furniture, fixtures	25	27	31	34	38	45	49	60	75	86
Paper, products, publishin	27	30	33	37	42	49	53	65	81	93
Chemicals, products	9	10	11	12	13	16	17	21	26	30
Drugs, pharmaceuticals	2	2	3	3	3	4	4	5	7	8
Rubber products	17	19	21	24	27	31	34	42	52	60
Plastic products	37	42	47	52	59	68	74	91	114	131
Pottery, china, glass	29	32	36	40	45	53	57	70	88	101
Non-metallic mineral produ	62	69	77	87	97	113	123	151	189	217
Iron, steel products	24	26	29	33	37	43	47	57	72	82
Non-ferrous products	87	96	108	121	135	158	172	211	263	301
Machinery, non-electrical	96	107	120	134	150	175	191	234	293	336
Electrical machinery, appa	34	38	43	48	53	62	68	83	104	119
Transport equipment	12	13	15	16	18	21	23	29	36	41
Scientific instruments	2	2	3	3	3	4	4	5	7	8
Sports goods	10	11	12	13	15	18	19	23	29	33
Handicrafts	4	5	5	6	7	8	9	10	12	14
Other	31	34	39	44	47	56	61	76	97	111
Total	1,069	1,185	1,328	1,493	1,665	1,945	2,127	2,602	3,260	3,735

\a Figures for 1988/89 are revised and for 1989/90 are provisional.

Source: Federal Bureau of Statistics

ANNEX.- X

LABOR FORCE BY MAJOR SECTOR, 1977/78-1987/88 \a
(Thousands)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Agriculture, hunting forestry and fishing	12,172	12,435	12,815	13,207	13,616	13,633	14,056	13,631	14,597	14,133
Mining and quarrying	33	33	34	35	36	26	26	46	70	66
Manufacturing	3,027	3,429	3,534	3,642	3,755	3,475	3,582	3,685	3,552	4,018
Construction	933	1,162	1,197	1,234	1,272	1,241	1,279	1,510	1,417	1,725
Electricity, gas and water	109	175	180	185	191	292	301	186	141	209
Commerce	2,463	2,617	2,697	2,779	2,865	3,087	3,183	3,111	3,092	3,458
Transport, storage and communications	1,081	1,117	1,159	1,187	1,223	1,186	1,224	1,402	1,195	1,507
Financial institutions and insurance	148	203	209	215	222	212	219	237	254	221
Services	2,172	2,385	2,458	2,533	2,612	2,634	2,716	2,984	2,706	3,295
Activities not adequately described	73	63	66	68	69	70	72	169	19	71
Unemployed	386	869	896	923	952	1,049	1,082	1,042	1,018	903
Total	22,597	24,488	25,237	26,008	26,813	26,905	27,740	28,003	28,051	29,606

\a Estimates as of January 1.

Source: Federal Bureau of Statistics based on Labor Force Surveys.

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LABOR FORCE BY MAJOR SECTOR, 1977/78-1987/88 \a
(Percentage of Total)

	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
Agriculture, hunting forestry and fishing	53.9	50.8	50.8	50.8	50.8	50.7	50.7	48.7	52.0	47.7
Mining and quarrying	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Manufacturing	13.4	14.0	14.0	14.0	14.0	12.9	12.9	13.2	12.7	13.6
Construction	4.1	4.7	4.7	4.7	4.7	4.6	4.6	5.4	5.1	5.8
Electricity, gas and water	0.5	0.7	0.7	0.7	0.7	1.1	1.1	0.7	0.5	0.7
Commerce	10.9	10.7	10.7	10.7	10.7	11.5	11.5	11.1	11.0	11.7
Transport, storage and communications	4.8	4.6	4.6	4.6	4.6	4.4	4.4	5.0	4.3	5.1
Financial institutions and insurance	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.7
Services	9.6	9.7	9.7	9.7	9.7	9.8	9.8	10.7	9.6	11.1
Activities not adequately described	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.6	0.1	0.2
Unemployed	1.7	3.5	3.6	3.5	3.6	3.9	3.9	3.7	3.6	3.1
Total	100	100	100	100	100	100	100	100	100	100

Source: ANNEX. X

ANNEX. - XII

VALUE ADDED BY MAJOR GROUP OF INDUSTRIES

(Rs million)

Groups of Industries	1969-70	1975-76	1976-77	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
ALL INDUSTRIES	4,811	10,972	14,002	18,614	24,661	28,692	31,554	37,451	45,021	51,571	55,298	67,671
Food Manufacturing	711	2,430	3,234	3,548	4,265	5,772	7,082	7,723	7,858	9,236	9,760	9,375
Beverage Industries	29	167	217	319	447	524	761	893	962	1,176	1,221	1,026
Tobacco Industries	383	909	1,688	2,241	2,971	3,805	3,914	4,441	5,741	5,929	5,812	9,776
Manufacture of Textile	1,554	2,670	3,102	3,312	4,337	4,571	5,499	6,040	6,398	8,202	8,596	10,887
Manufacture of wearing apparel (except footwear)		32	53	66	71	255	278	203	273	283	625	616
Manufacture ofleather & leather products (except footwear & wearing)	95	116	160	444	403	305	424	503	686	554	944	393
Manufacture of footwear (except rubber or plastic footwear)	68	14	20	25	43	228	35	42	53	45	118	334
Ginning, pressing & bailing of fibre	-	98	106	513	448	764	489	471	592	747	1,147	632
Manufacture of wood & cork products (except furniture)	4	18	24	28	40	79	83	88	108	144	156	137
Manufacture of furniture & fixture (except primarily metal)	7	14	10	15	27	44	30	66	51	89	44	80
Manufacture of Paper & paper products	63	180	197	246	288	425	408	488	459	526	622	592
Printing, pressing & allied industries	71	124	149	204	241	216	327	440	461	573	622	758
Manufacture of drugs & pharmaceutical products	-	339	426	722	1,014	1,236	1,428	1,474	1,769	2,055	2,369	2,343
Manufacture of Industrial chemicals	-	538	798	981	1,257	1,589	1,870	2,726	4,393	4,469	4,596	5,388
Manufacture of other chemical products	429	211	336	422	527	707	853	976	1,399	1,611	1,942	2,103
Petroleum refining	-	-	-	916	1,566	1,972	2,187	326	1,495	719	3,914	5,539
Manufacture of Misc. products of petroleum & coal	384	405	674	85	88	146	167	243	218	268	227	338
Manufacture of Rubber Products	41	137	250	359	275	278	498	608	726	648	861	709
Manufacture of Plastic products n.e.c.	-	22	43	81	119	86	165	208	253	327	318	398
Manufacture of pottery China & earthenware	-	17	33	44	49	55	62	91	101	120	131	174
Manufacture of Glass & glass products	-	26	42	74	107	95	208	233	162	272	351	383
Manufacture of non-metallic mineral products	208	392	313	873	1,691	1,697	2,095	3,036	2,958	3,167	3,597	5,203
Iron & Steel basic Industries	116	363	543	895	981	1,143	2,714	1,916	2,299	5,441	2,194	5,051
Non-ferrous metal basic Industries	-	7	7	12	13	13	4	12	10	11	12	23
Manufacture of fabricated metal products (except machinery & equipment)	86	175	281	284	727	303	355	446	576	523	468	564
Manufacture of Machinery (except electrical)	58	318	309	398	430	491	631	891	1,471	1,269	1,340	1,263
Manufacture of Electrical Machinery	160	346	445	635	770	995	1,119	1,181	1,777	1,558	1,857	1,702
Manufacture of Transport Equipment	67	704	331	738	1,289	708	741	943	1,554	1,324	1,384	1,596
Manufacture of scientific, measuring, photographic and optical goods	-	55	42	52	63	85	64	62	97	121	80	90
Manufacture of sports & athletic goods	-	17	22	25	28	27	18	24	31	57	69	104
Other Manufacturing Industries	277	44	35	52	86	78	45	59	87	113	121	94
All other industries	-	84	112	2	-	-	-	-	-	-	-	-

Source Economic Survey

BEST AVAILABLE COPY

ANNEX. - XIII

VALUE OF PRODUCTION BY MAJOR GROUP OF INDUSTRIES

(Rs million)

Groups of Industries	1969-70	1975-76	1976-77	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
ALL INDUSTRIES	11,801	30,674	39,074	55,135	70,225	81,288	103,856	119,634	140,271	161,388	171,124	200,555
Food Manufacturing	2,420	6,829	9,587	11,668	13,641	17,532	21,537	25,575	28,685	31,183	33,146	36,682
Beverage Industries	55	327	419	634	841	961	1,382	1,524	1,608	1,986	2,292	1,930
Tobacco Industries	652	1,312	2,207	2,912	3,817	4,890	4,988	6,013	7,143	7,498	7,117	11,465
Manufacture of Textile	2,964	7,541	9,065	11,029	13,230	11,639	12,865	22,098	25,669	26,157	28,342	35,538
Manufacture of wearing apparel (except footwear)		92	182	221	269	608	705	858	893	1,553	2,123	2,830
Manufacture ofleather & leather products (except footwear & wearing)	380	538	805	1,572	1,360	1,195	1,338	1,828	2,533	2,971	3,568	4,920
Manufacture of footwear (except rubber or plastic footwear)	123	49	78	141	178	558	112	194	233	245	359	1,272
Ginning, pressing & bailing of fibre	-	490	797	3,168	4,616	5,628	5,553	6,379	6,136	9,732	10,120	9,436
Manfacture of wood & cork products (except furniture)	26	59	61	77	130	260	208	225	355	354	415	469
Manufacture of furniture & fixture (except primarily metal)	18	33	23	35	61	85	79	148	130	238	120	261
Manufacture of Paper & paper products	172	486	461	518	695	1,109	1,048	1,238	1,292	1,659	1,820	1,777
Printing, pressing & allied Industries	123	269	332	487	472	555	799	1,077	1,214	1,416	1,570	1,834
Manufacture of drugs & pharmaceutical products	-	842	1,031	1,620	2,199	2,655	3,162	3,368	4,287	4,944	5,270	5,907
Manufacture of Industrial chemicals	-	1,287	1,614	2,028	2,872	3,290	4,056	5,474	8,228	8,888	9,584	11,328
Manufacture of other chemical products	937	744	901	1,190	1,493	1,935	2,022	2,501	3,324	3,923	4,243	6,038
Petroleum refining	-	-	-	5,425	8,824	12,505	15,681	15,634	16,653	19,169	20,605	17,545
Manufacture of Misc. products of petroleum & coal	654	498	862	221	270	481	778	1,056	1,091	1,138	1,088	1,305
Manufacture of Rubber Products	75	493	608	892	795	789	1,264	1,537	2,260	2,024	2,171	1,874
Manufacture of Plastic products n.e.c.	-	48	109	213	361	225	503	615	692	995	981	1,302
Manufacture of pottery China & earthenware	-	28	53	80	92	102	127	209	231	272	305	326
Manufacture of Glass & glass products	-	59	104	158	208	196	403	451	403	590	741	904
Manufacture of non-metallic mineral products	401	944	1,080	1,611	2,657	2,738	3,158	4,589	5,350	5,795	6,747	8,785
Iron & Steel basic Industries	385	1,402	1,719	2,434	3,038	3,369	5,569	6,197	6,287	10,814	9,601	13,662
Non-ferrous metal basic Industries	-	21	23	46	99	55	13	24	76	28	29	59
Manufacture of fabricated metal products (except machinery & equipment)	252	498	637	880	1,688	924	993	1,081	1,321	1,318	1,219	1,729
Manufacture of Machinery (except electrical)	172	873	672	1,014	1,219	1,424	2,047	2,298	4,111	5,343	4,966	5,540
Manufacture of Electrical Machinery	339	908	1,105	1,679	2,012	2,656	3,117	3,316	4,532	4,668	5,196	7,055
Manufacture of Transport Equipment	247	1,631	1,383	2,444	3,196	2,319	2,623	2,586	4,831	5,505	6,341	7,627
Manufacture of scientific, measuring, photographic and optical goods	-	106	95	120	165	221	195	225	322	413	395	493
Manufacture of sports & athletic goods	-	38	40	65	88	89	75	155	176	252	302	375
Other Manufacturing Industries	1,486	109	85	153	232	212	126	161	215	287	318	287
All other industries	-	2,130	3,013	6								

Source:- Economic Survey

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ANNEX. - XIV

FIXED ASSETS STATISTICS BY MAJOR GROUP OF INDUSTRIES (Rs Million)

Major Industry	1984-85	1985-86	1986-87
Food Manufacturing	6489	8065	8770
Beverage Industries	437	742	1486
Tobacoo Manufacuring	328	397	391
Manufacture of Textiles	1020.9	12024	14932
Wearing Apparels	187	215	330
Leather and Leather Products	253	380	507
Paper and Paper Products	552	982	723
Printing & Publishing	613	640	1095
Drugs & Pharmaceutical Products	1436	831	1018
Industrial Chemicals	5614	7573	8075
Other Chemical Products	492	453	807
Petroleum Refining	666	2560	2536
Product of Petroleum & Coal	45	45	66
Rubber Products	462	725	671
Plastic Products	360	388	523
Non-Metalic Mineral Products	4135	6089	14568
Iron and Steel	11854	14728	23568
Non-Ferrous Metal	10	8	9
Basic Industries			
Fabricated Metal Products	402	226	540
Non-Electrical Machinery	1084	1395	1687
Electrical Machinery & Supplies	967	1034	1245
Transport Equipment	1160	1424	1609
Scientific & Measuring & Photographic Optical Goods	86	91	111
Sports & Athletic Goods	31	30	43
Handi-Crafts and Others	62	58	74
Wood, Wood Products & Furniture	623	632	2105
Others	485	381	608
Total	49042	62116	88097

Source: Federal Bureau of Statistics

ANNEX - XV

ENGINEERING SUBSECTOR
NOMINAL TARIFF EQUIVALENTS, EPRs AND DRCs
1985/86

Product Group	Value Added Unassisted (Rs Million)	NTEs (%) Outputs	NTEs (%) Inputs	EPR %	DRC
Base metals (1)	679.7	37	38	35	1.12
Ingots & billets	(96.8)	41	24	NVA	NVA
Rolled products	634.4	34	44	(24)	0.79
Castings	110.0	48	26	71	1.35
Pipes	27.0	41	34	331	1.49
Forgings	5.2	32	9	128	1.01
Metal products (1)	844.0	41	62	45	1.06
Sug. instruments	594.7	2	92	2	0.76
Metal utensils	42.4	95	68	198	1.89
Metal fasteners	6.2	100	81	577	2.09
Other metal products	132.3	69	53	159	1.40
Transport components	68.4	34	34	54	1.42
Mechanical Machinery (1)	570.4	50	46	91	1.24
Diesel engines	32.9	44	37	64	1.14
Metal/woodworking	17.2	56	48	117	1.40
Textile machinery	14.0	65	41	178	2.49
Other industrial	210.1	54	48	112	1.27
Other machinery	296.3	46	44	73	1.16
Electrical Equipment (1)	1,311.0	34	57	(11)	0.64
Fans	441.0	14	98	(36)	0.43
Switchgear	56.4	22	48	32	0.78
Domestic appliances	64.9	35	58	(21)	0.45
Transformers	578.9	14	58	(28)	0.52
Other electrical	169.8	70	49	103	1.28
Electronics (1)	487.2	50	46	(1)	0.73
Entertainment	252.0	60	55	(12)	0.74
Communication	235.2	31	21	10	0.71
Transport (1)	1,151.3	21	33	(32)	0.76
Motor vehicles	(156.3)	83	49	NVA	NVA
Motorcycles	(274.9)	173	68	NVA	NVA
Tractors	1,450.1	24	11	(93)	0.23
Bicycles	82.5	0	68	(15)	0.35
Railway carriages	50.2	47	64	2	0.84
SUBSECTOR	5,043.6	34	41	12	0.91
Standard Deviation (2)	327.2	35	22	133	0.22

Source: IMG report, Vol.3, p.55 & p.58
Original Source: IEIDSS Field Survey Data Base.
Notes: 1. weighted figures
2. of all unweighted figure
NVA is negative value added in unassisted prices.
As the value added-unassisted is negative, an EPR cannot be estimated.

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CHEMICAL SUBSECTOR
NOMINAL TARIFF EQUIVALENTS, EPRs AND DRCs - 1985/86

Product Group	Value Added Unassisted (Rs Million)	NTEs (%) Outputs	NTEs (%) Inputs	EPR %	DRC
Paper and Paper Products (1)	317.1	20	37	(25)	0.83
Security paper	15.9	28	34	0	1.12
Other paper	92.5	20	50	(28)	0.77
Paperboard	208.8	20	36	(26)	0.83
Industrial Chemicals (1)	(65.1)	71	36	NVA	NVA
Basic industrial chemicals	(88.3)	82	24	NVA	NVA
Dyes, Pigments & c	15.1	84	47	323	1.47
Pesticides	44.0	20	18	70	1.30
Industrial gases	37.0	31	107	13	0.99
Synthetic resins	(72.9)	161	59	NVA	NVA
Fertilizers (1)	1,081.0	(7)	(34)	117	0.99
Urea	726.0	3	(53)	126	1.00
Other fertilizers	355.0	(26)	0	99	0.97
Man-made fibres (1)	155.3	55	54	222	1.38
Chemical Products (1)	925.8	55	76	0	0.81
Paints	265.3	68	104	(11)	0.64
Inks	0.9	75	81	386	1.91
Perfumes, cosmetics	20.8	109	116	50	1.07
Matches	55.3	43	42	79	1.06
Soaps, detergents	388.8	57	82	(11)	0.83
Other chemical products	194.6	36	53	10	0.75
Rubber and Plastic Products (1)	486.0	59	71	88	0.99
Vehicle tyres and tubes	84.7	46	46	(11)	0.99
Bicycle tuyres and tubes	47.3	58	50	87	1.14
Tyre retreads	0.4	83	44	221	1.82
Other rubber products	208.1	24	64	(14)	0.66
Simple plastic products	47.7	81	101	66	1.09
Other plastic products	97.9	97	105	151	1.35
Glass and Ceramics (1)	315.1	44	55	50	1.12
Glass containers	119.0	16	43	(49)	1.07
Sheet glass	95.7	51	43	45	1.06
Other glassware	11.6	35	52	94	1.15
Ceramic insulators	25.9	32	32	48	0.89
Other ceramics	63.0	69	88	240	1.29
SUBSECTOR	3,215.2	52	25	78	1.04
Standard Deviation (2)	97.8	37	14	107	0.41

Source: IMG report, Vol.10, p.38 & p.40
Original Source: IEIDSS Field Survey Data Base.
Notes: 1. weighted figures
2. of all unweighted figure
NVA is negative value added in unassisted prices. As the value added-unassisted is negative, an EPR cannot be estimated.

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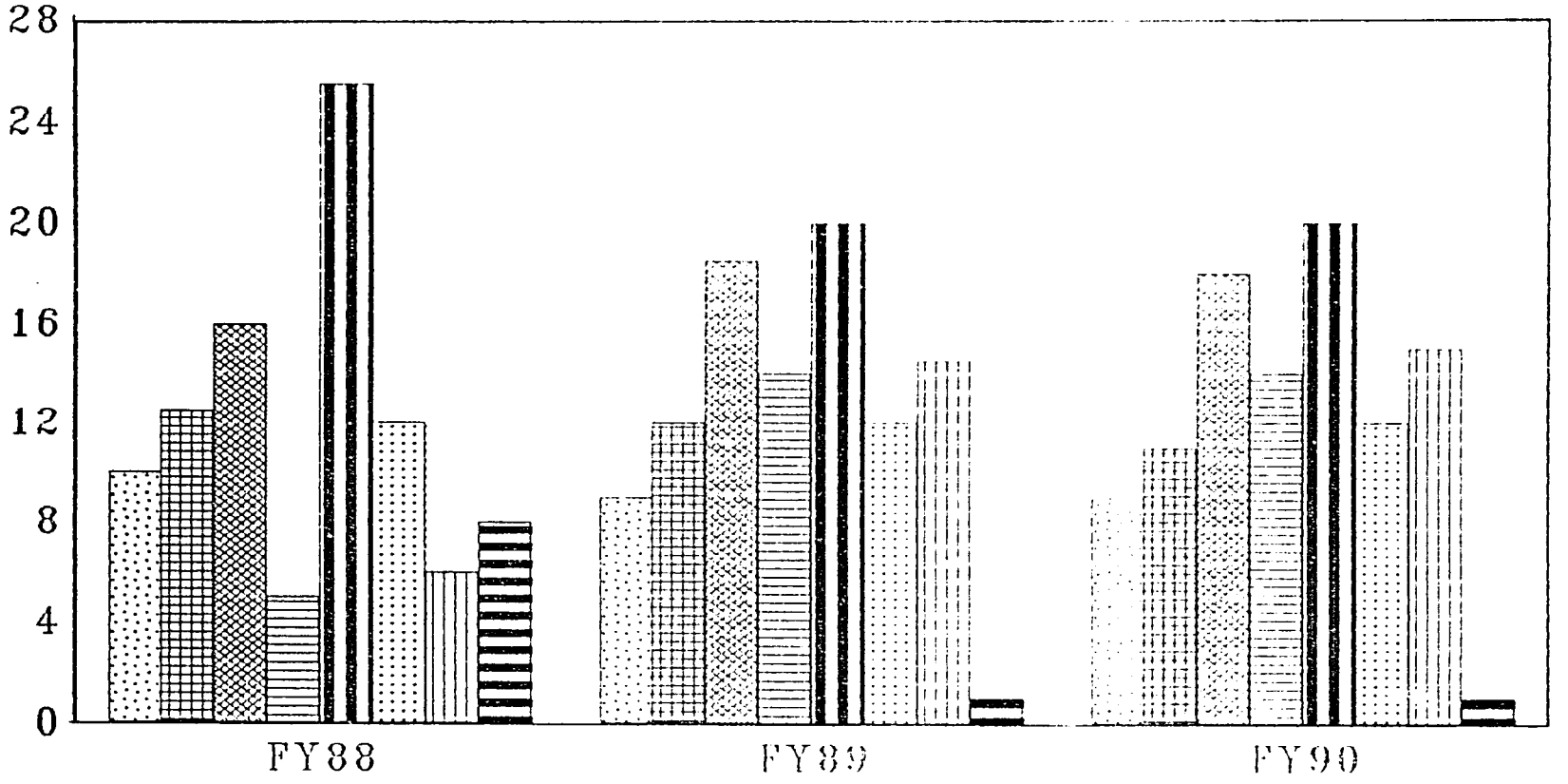
TEXTILE SUBSECTOR
NOMINAL TARIFF EQUIVALENTS, EPRs AND DRCs
1985/86

Product Group	Value Added Unassisted (Rs Million)	NTEs (%) Outputs	NTEs (%) Inputs	EPR %	DRC
Cotton Spinning (1)	6,550	(2)	11	(27)	0.65
Integrated Mills	N.A	0	10	(9)	0.61
Mixed Fabric	N.A	9	64	(61)	0.49
Cotton	N.A	(7)	(8)	(24)	0.76
Weaving & Finishing (1)	1,911	30	30	78	1.07
Short Staple Yarn	N.A	5	(1)	83	0.99
Commission	N.A	46	0	60	1.16
Cotton Blend	N.A	15	20	(23)	0.78
100% Filament	N.A	41	32	86	1.08
Sizers	N.A	58	108	103	1.08
Bleach & Dye	N.A	46	93	81	1.13
Print	N.A	48	96	92	1.13
Knit Dyes	N.A	60	99	131	1.20
Made Ups (1)	2,691	5	16	42	0.82
Towel	N.A	(1)	1	31	0.66
Canvas	N.A	(5)	(6)	14	0.68
Knitwear	N.A	2	16	26	0.72
Garment	N.A	9	17	74	0.96
Other Made-ups	N.A	3	22	16	0.70
Wool (1)	981	12	12	9	0.98
Non Mill Yarn	N.A	20	26	(20)	1.15
Integrated Mill	N.A	1	(17)	(16)	0.71
Synthetic HH Carpet	N.A	107	103	143	1.15
Wool HH Carpet	N.A	14	(25)	121	1.43
Hand Knotted Carpets	N.A	1	(12)	29	0.91
Jute (1)	278	32	12	99	1.40
SUBSECTOR	12,411	8	16	10	0.81
Standard Deviation (2)	N.A	29	43	57	0.24

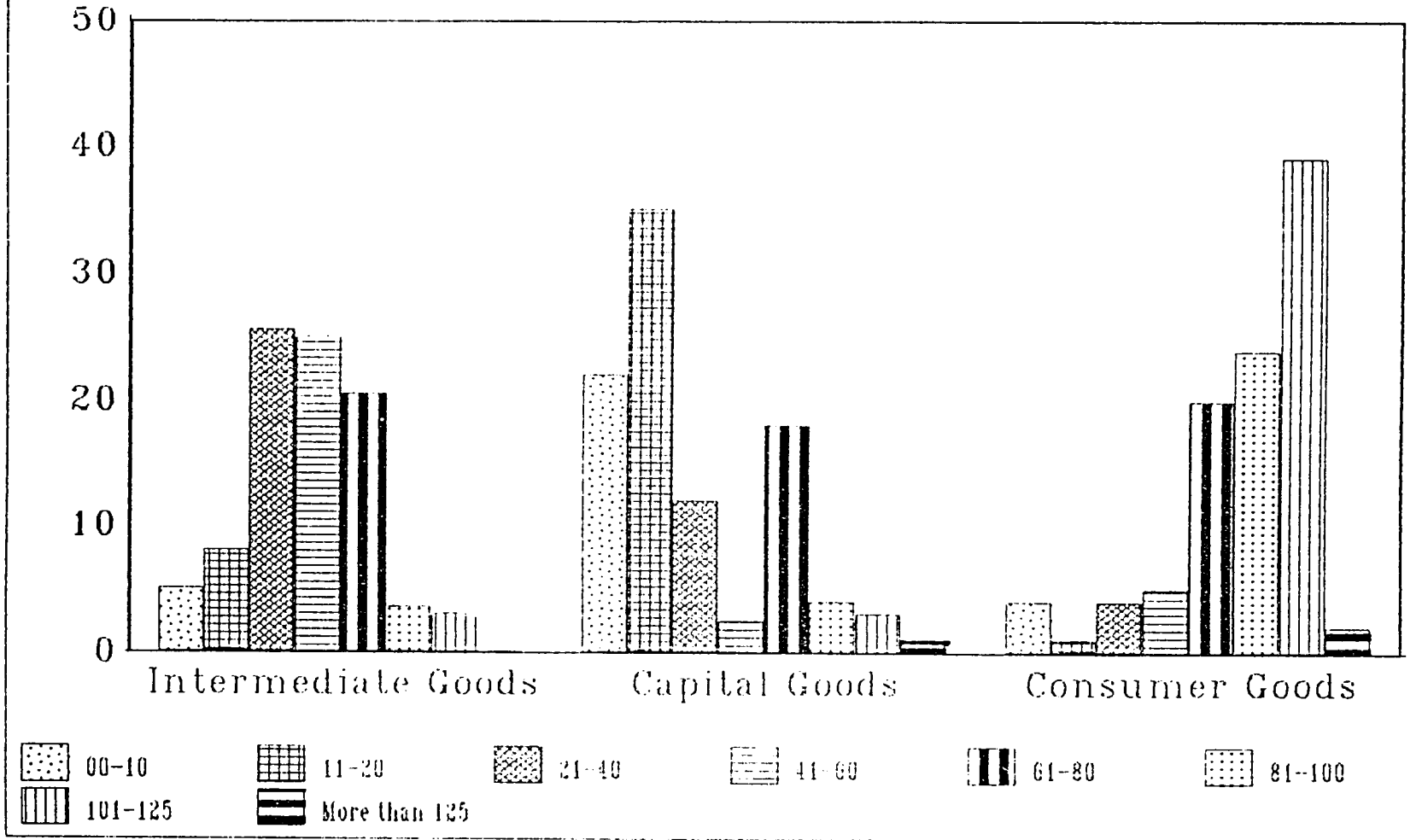
Source: IMG report, Vol.3, p.41 & p.44
Original Source: IEIDSS Field Survey Data Base.
Notes: 1. weighted figures
2. of all unweighted figure

FREQUENCY DISTRIBUTION OF TARIFF RATES



SOURCE: PAKISTAN CUSTOM TARIFF

FREQUENCY DISTRIBUTION OF TARIFF RATES IN FY90



SOURCE: PAKISTAN CUSTOM TARIFF

ANNEX. - XX

INDIRECT TAXES [illegible] MAJOR GROUPS OF INDUSTRIES*

(Rs million)

Groups of Industries	1969-70	1975-76	1976-77	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
ALL INDUSTRIES	989	3.868	4.477	5.037	5.246	10.039	10.120	13.048	15.120	15.749	15.201	16.143
Food Manufacturing	210	1.641	1.520	1.597	1.957	1.900	2.616	2.818	3.199	3.676	3.449	2.542
Beverage Industries	22	60	107	135	258	301	417	511	588	764	611	513
Tobacco Industries	186	624	1.054	902	2.515	3.247	3.476	4.057	4.982	5.325	4.457	4.862
Manufacture of Textile	281	276	262	123	255	324	314	367	430	453	614	718
Manufacture of wearing apparel (except footwear)	-	1	1	1	-	11	-	-	1	2	2	2
Manufacture of leather & leather products (except footwear & wearing)	3	12	28	8	28	7	2	19	20	3	4	8
Manufacture of footwear (except rubber or plastic footwear)	4	-	-	-	-	7	4	3	2	1	-	9
Ginning, pressing & bailing of fibre	-	4	1	26	46	55	51	61	39	39	102	95
Manufacture of wood & cork products (except furniture)	9	4	1	4	4	6	2	4	6	8	6	8
Manufacture of furniture & fixture (except primarily metal)	-	-	-	-	2	1	1	1	-	2	-	1
Manufacture of Paper & paper products	15	26	32	43	30	65	60	78	85	99	115	105
Printing, pressing & allied industries	-	1	1	1	2	1	1	3	14	12	3	14
Manufacture of drugs & pharmaceutical products	-	21	17	25	21	24	46	19	98	77	70	61
Manufacture of Industrial chemicals	-	93	166	159	100	251	159	520	616	722	513	205
Manufacture of other chemical products.	50	126	129	168	192	250	261	262	371	423	322	545
Petroleum refining	-	-	-	339	1.130	1.731	712	1.631	1.518	2.030	2.470	3.380
Manufacture of Misc. products of petroleum & coal	45	-	3	21	52	48	60	101	135	151	214	222
Manufacture of Rubber Products	9	13	44	46	10	55	52	70	86	91	114	138
Manufacture of Plastic products n.e.c.	-	6	13	7	17	21	12	11	17	20	16	35
Manufacture of pottery China & earthenware	-	-	-	2	-	1	3	2	2	3	1	1
Manufacture of Glass & glass products	-	8	21	32	38	39	50	58	69	91	96	74
Manufacture of non-metallic mineral products	74	110	159	650	1.218	1.250	1.324	2.083	2.403	1.248	1.642	2.116
Iron & Steel basic Industries	10	41	27	21	59	53	111	23	33	65	55	88
Non-ferrous metal basic Industries	-	-	2	5	4	2	-	3	4	4	4	5
Manufacture of fabricated metal products (except machinery & equipment)	9	25	40	64	51	44	152	38	91	93	27	44
Manufacture of Machinery (except electrical)	2	419	4	20	7	3	5	3	26	27	30	21
Manufacture of Electrical Machinery	38	91	88	140	157	175	181	230	248	237	223	296
Manufacture of Transport Equipment	2	75	33	30	74	114	4	15	36	36	35	18
Manufacture of scientific, measuring, photographic and optical goods	-	2	1	-	2	4	2	5	3	8	1	2
Manufacture of sports & athletic goods				-	-	-	-	-	-		-	-
Other Manufacturing Industries	10	12	2	3	17	14	1	2	3	4	5	5
All other industries	-	177	531	-	-	-	-	-	-		-	

Source: Economic Survey

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