



Strategic Trade Policy Framework (STPF) 2020-25



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1. Introduction

Pakistan's exports have remained stagnant for the last ten years – ranging between US\$20 billion to \$25 billion and thereby reducing Pakistan's share in the global export market by 10.5%¹. During the same period, China and India enhanced their share in global exports by 27%² and 18%³ respectively, whereas Bangladesh registered an impressive growth of 95%⁴. While Pakistan's exports have stagnated, imports have kept rising resulting in a huge trade deficit. The consequent balance of payments related crises has made Pakistan's growth trajectory more cyclical and remains a threat to future sustainable economic growth of Pakistan.

In order to address lower exports growth in Pakistan, the Ministry of Commerce (MOC) has prepared the Strategic Trade Policy Framework (STPF) 2020-25 that aims to enhance export competitiveness of Pakistan through a framework of interventions having an impact across the value chains. The STPF intends to make the policy implementation unidirectional by correcting the chronic policy fragmentation related issues that have undermined the effective implementation of previous Trade Policy Frameworks. Overall, it aims to enhance the ability of Pakistani enterprises' capacity to produce, distribute and sell products and services as or more efficiently than is done by the competitors.

The STPF document is a living document that remains dynamic as it will be subject to changes based on constant monitoring and evaluation. The document consists of five sections, the 1st section introduces the readers to the scope and aims of the STPF. Section 2 evaluates the trade performance of Pakistan in the recent years and highlights the problems faced by exporters. Section 3 takes stock of the previous trade policies and highlights the lessons learnt from problems faced in conceptualization and implementation of previous Annual and Strategic Trade Policies. Section 4, broadly outlines the broad contours of the STPF 2020-25, as it highlights the main pillars of the policy framework, sets the guiding principles, outlines the vision & mission, identifies targets and priority sectors, and explains the policy formulation process, monitoring & evaluation mechanism and funding possibilities for the proposed initiatives under the STPF. Lastly, section 5 elaborates the detailed framework of interventions under which the STPF aims to; enhance export competitiveness, spur trade related investments, encourage agriculture development, integrate Pakistan with the global value chains and formulate a supportive export ecosystem in the country.

¹ Calculation based on data from ITC - Trademap

² Calculation based on data from ITC - Trademap

³ Calculation based on data from ITC - Trademap

⁴ Calculations based on data from ITC-Trademap

2. Review of Trade Performance

In the past ten years, Pakistan's trade deficit has increased by an average growth rate of 3.6%⁵ increasing from \$15.6 billion in 2010-11 to \$23.1 billion in 2019-20, after peaking at \$37.6 billion in 2017-18.⁶ The current government has reduced the trade deficit by \$14.5 billion which has led to stabilization in the current account which has therefore turned positive for the first time in July 2020⁷. Pakistan's imports peaked in 2017-18, clocking \$60.8 billion and has since started to stabilize, which reached to \$44.5 billion in 2019-20. The average growth rate of imports during the last ten years remained at 0.9%⁸.

During the last ten years, Pakistan's exports have shown a negative Compound Annual Growth Rate (CAGR) of -1.3%. In the last fiscal year (2019-20), exports started growing by 3.6% until February 2020. Exports registered a double-digit growth in the month of February (13.2%) and during the first two weeks of March (14%)⁹. The growth momentum, however, could not be sustained due to the COVID-19 driven global economic meltdown and the imposition of domestic lockdown. Hence, exports started to decline sharply after the mid of March 2020. The successful smart lockdown approach, preparation and implementation of SOPs by the Ministry of Commerce and Trade Development Authority of Pakistan (TDAP) helped exports to recover, month-on-month, from May 2020 onwards and ended up with a reasonable figure of \$21.4 billion¹⁰, which, at the peak of pandemic seemed too optimistic.

The following sub-sections takes an overview of Pakistan's performance in exports and imports to determine the challenges faced by the business community.

2.1 Performance and Challenges of Exports

Pakistan's exports have been affected due to low level of exports competitiveness faced by Pakistani enterprisers due to higher cost of doing business and low product sophistication. The situation is caused by expensive energy compared to competitors, lower enterprise productivity, cumbersome taxation system, higher tariffs on intermediate and capital goods, lack of quality and standard ensuring ecosystem and unattractive regime for investment in exports-oriented sector.

In case of emerging markets, exports are the main driving force for enhancing national income. However, the relative share of exports in Pakistan's Gross Domestic Product (GDP) is lower compared to the competitor countries, referring to the fact that GDP growth in Pakistan has been led by consumptions and import.

⁵ Calculation based on PRAL data

⁶ PRAL/PBS

⁷ SBP

⁸ PRAL/PBS

⁹ PRAL/PBS

¹⁰ PRAL/PBR

2.1.1 Pakistan's Exports in 2018-19

To enhance exports performance, during the fiscal year 2018-19, the fundamentals of the export sector were significantly improved due to a set of policy measures. Firstly, market-based exchange rate improved export competitiveness, by decreasing the cost, in dollar terms, of rupee-denominated inputs e.g. energy, wages, overheads and indigenous raw materials. Secondly the interest rates under export schemes i.e. Export Refinance Scheme and Long-Term Finance Facility, had been retained at the previous level, despite multiple rounds of policy rate increases by the State Bank of Pakistan. Thirdly, the import duties were reduced on more than 2,000 raw materials of export-oriented industries in the two supplementary budgets (in October 2018 and March 2019) and the Annual Budget 2019-20, with a cumulative annual relief of Rs. 40 billion. Lastly, the support provided under the Prime Minister's Export Enhancement Package was extended for three years to lend predictability to the export-oriented investment.

Despite these facilitative measures, export growth remains sluggish because of the offsetting impact of externalities. First, the contractionary monetary policy gradually increased the cost of capital, especially for the small and medium enterprises, which could not secure concessionary finance under the export schemes. Second, the availability of exportable surplus shrunk as a natural corollary to the slow GDP growth. Third, despite a partial relief of customs duties on 1635 raw materials in the Finance Act 2019-20, the tariffs on all other imports were further increased, in turn, escalating the cost of doing business for certain related sectors. Fourth, the volatility of exchange rate during the first half of 2019 and second quarter of 2020 increased exchange rate risk for the exporters, since at the time of quoting the price they did not know how many rupees would be realized for a dollar when the export proceeds arrive after 6 to 9 months of production.

2.1.2 Pakistan's Exports in 2019-20

As Covid-19 wreaked havoc in the global economy, Pakistan's exports also took a serious jolt in FY19-20. Pakistan's exports which had started to recover and posted double digit growth in February (13.2% Month-on-Month) after a long while, could not sustain the global economic meltdown along with domestic lockdown and hence started to decline in the mid of March 2020. Pakistan's exports faced formidable challenges in the form of cancelled orders, disruption in value chains, and partial suspension of port facilities and closure of retail stores worldwide. All of this generated a huge demand side shock, which was coupled with a supply side disruption within the country due to domestic lockdown. However, with the efforts by the Government and movement towards smart lockdown strategy the exports saw the much-needed recovery in May and June 2020. Ministry of Commerce and TDAP worked closely with the National Command and Control Centre (NCOC) and provincial governments to facilitate exporters. As a

result of these efforts exports which were predicted to close at around \$20 billion in FY 19-20, showed an improvement of \$1.4 billion and reached \$21.4 billion¹¹.

2.1.3 Steps Taken by MOC to Mitigate COVID-19 Related Issues

As an aftermath of COVID-19, the Ministry of Commerce proactively worked and took significant steps to mitigate impact of COVID-19 on trade to provide business facilitation. During these testing times Drawback on Local Taxes & Levies (DLTL) refunds of Rs. 47.5 Billion were paid to textile and non-textile industry to remove their cash flow constraints. The industry having confirmed orders was facilitated to remain operational throughout the lock down. Ministry of Commerce kept a close liaison with provincial governments to open up industry in a phased approach. In the first phase, those industries were allowed to operate which had confirmed export orders. In the second phase an action plan, strategy as well as detailed guidelines and SOPs were formulated to gradually open up industry.

Consultation with top exporters and chambers were convened and their problems were readily addressed. The Trade and Investment Officers abroad were issued directions to follow up with business community and exporters to provide utmost facilitation and also to reach out to the concerned importers of their respective countries in cases where cancellation of orders was feared. To address Afghan Transit Trade & Bilateral Trade issues MOC worked closely with concerned stakeholders to normalize both trade and transit. MOC worked with the Ministry of Finance in preparing the draft stimulus package by the Government of Pakistan to support the economy and safeguard jobs, especially for Small and Medium Enterprises (SMEs) and Micro, Small and Medium Enterprises (MSMEs). Loans were deferred and restructured and concessional loans were provided for building and equipping hospital to fight COVID-19 and also to meet the wage related costs for firms facing trouble due to shutdowns. These measures helped saving many jobs at the time of business shutdown.

2.2 Performance in Imports

Imports in developing world act as a pivotal indicator and enabler of economic growth and facilitate efficient allocation of resources through specialization. Imports provide a much-needed value addition through global value chains, and therefore lead to job creation and export generation. Pakistan's GDP and capital formation growth over the years has been linked with growth in imports¹². Lower imports have coincided with lower GDP growth and investment and vice versa. However, larger imports have brought about balance of payments issues for Pakistan, as exports have lagged. It is important to note that Pakistan's import growth has lagged compared to its competitors over the years¹³, which has restricted Pakistan from

¹¹ PRAL/PBS data

¹² PBS/PRAL data and in-house analysis

¹³ WITS data

integrating into global value chains – which account for 70% of global trade¹⁴. It is worth noting that the single largest importing category is petroleum and energy imports (29%), whereas the remaining imports mostly constitute intermediate goods and raw materials (20% of import value); capital and transport equipment (22% of total import value); and chemicals (16% of import value) and food items (10% of import value). Interestingly consumer goods import share is a mere 3% of the total import value¹⁵. This has been the prevailing break-up during the last ten years.

Pakistan's imports had remained stable around \$45-46 billion from 2012-13 to FY2015-16, but surged by US\$ 16 billion to touch US\$ 61 billion in the next two years (2016-18)¹⁶ primarily due to (a) the investment-driven import of machinery under China Pakistan Economic Corridor (CPEC), industrial raw materials and intermediate goods, (b) 12% additional consumption of petroleum products due to 19% price decline, (c) 17% hike in palm oil price, and (d) increase in import of pulses and cotton by 60% and 7% respectively owing to shortfall in domestic production¹⁷.

During the 2018-19 the imports declined to US\$ 55 billion, mainly due to (a) exchange rate rationalization making the imports expensive, (b) reduction in one-time imports of capital goods under CPEC projects, (c) tightening of regulatory controls on non-essential imports and (d) the demand compression due to sluggish GDP growth. The trend of import compression continued during 2019-20, as imports ended up at \$44.5 billion. Further, to the previous year's trend additional impact on imports was due to COVID-19 and lower petroleum prices.

3. Critical Appraisal of Previous Trade Policies

Pakistan's previous trade policies have not been able to alter the export paradigm. These policies failed to address the supply constraints due to weak thrust and implementation of long-term structural and systemic reforms. Thereupon, the overall policy goals of competitiveness, diversification, product sophistication, productivity, institutional reforms and policy environment could not be achieved. Even the enterprise level interventions in the earlier policies such as duty drawback and cash transfers have not yielded desired results due to limited implementation and weak monitoring and evaluation mechanism.

Until 2008, the MOC had been formulating Annual Trade Policies (ATPs). The ATPs were replaced with a holistic three-year policy framework – Strategic Trade Policy Framework – to broaden the scope of the policy, bring policy continuity and predictability. The first STPF was launched for the years 2009-12, the second for 2012-15 and the third for 2015-18. Despite the policy initiatives and inclusion of key export

¹⁴ OECD

¹⁵ ITC-Trademap

¹⁶ PBS

¹⁷ PBS

growth enablers, the goals stipulated in the previous policies were not achieved because of the following challenges:

- Lack of cohesion and ineffective coordination within the government to successfully implement trade policy. The responsibility of implementing the key enablers lies in different ministries and across provinces.
- Absence of effective Monitoring and Evaluation mechanism. The effectiveness of interventions could not be ensured, as the periodic review of the policies was not conducted.
- One of the major reasons for continuous decline and stagnation in Pakistan's exports during the period of previous trade policies was unrealistic exchange rate.
- High tariffs on primary and intermediate inputs also made Pakistan's exports non-competitive.
- The phenomenon of fragmented industry across all exporting sectors of the country, especially textile, has been another cause of stagnant export growth over the years because it barely encouraged export of value-added goods, product innovation, standardization and real economies of scale.
- Inadequate disbursement of funds often led to partial or non-implementation of policy initiatives. For example, for the STPF 2015-18; out of the budget allocation of PKR. 20 billion, only PKR. 1 billion was released during the entire policy period.
- Policy advocacy by the industry remains mainly focused on protection seeking rather than improving competitiveness and efficiencies.
- There was high dependence of country's exports on textiles and clothing sector rather than the automotive, office equipment and telecom, chemicals and other manufactured products. There was a concentration of primary and intermediate goods, rather than value-added finished products in country's exports. On market side more reliance was on exports to the United States of America (USA), the European Union (EU) and China rather than regional and other emerging markets like Africa, Central Asia and Latin America.
- There was policy disconnection with global production and value chains. The previous policies lacked a comprehensive plan of action to link Pakistan's exports into regional and global production and value chains as well as develop value chains in lead products and hence failed to promote technological development.
- One of the major causes for the stagnation and decline in Pakistan's exports in the recent past is the disconnect between export growth strategies and investment policy that led to lack of investment in export-oriented manufacturing.
- Policy instruments continued to be the same in previous trade policies. However, no specific interventions were proposed in many broad policy areas and responsible ministries / agencies were not tasked with the implementation of trade policy.

4. Strategic Trade Policy Framework (STPF) 2020-25

Based on the analysis of past trade policies and diagnosis of the causes of suboptimal export performance and gaps in implementation of the policy measures, it has been decided to revisit the policy framework. This Policy document will be a living document with option to periodically review the proposed policy interventions after six months and introduce new initiatives where needed. In order to achieve a sustainable rapid export growth a comprehensive strategy has been devised to (a) optimize the growth of existing sectors in the short term, (b) diversify into the new sectors to be identified through stakeholders' engagement in the medium term, and (c) identify the innovation-driven export sectors for support interventions in the long term.

4.1 Pillars of STPF 2020-25

This Strategic Trade Policy Framework is based on the following pillars:

- i) Rendering exports, a national priority and the primary driver of economic growth, that is both inclusive and sustainable, and is the main viable source of foreign exchange earnings;
- ii) Enhancement of exports via a collaborative and cohesive national effort engaging all relevant ministries, departments, government agencies and private sectors so as to ensure policy coherence;
- iii) Introduction of strategic interventions in priority sectors under 'Make in Pakistan' initiative. These interventions have been identified in the Action Matrices;
- iv) Alignment of Trade Policy in tandem with macro-economic framework and other national policies such as Taxation, Revenue, Textiles & Industrial Policy, etc.

4.2 Guiding Principles

Following are the guiding principles of STPF:

- (i) There shall be no element of any duties and taxes on exports. The duty drawback mechanism will be reviewed by the end of 2020-21 to make it simplified, certain and automated.
- (ii) There shall be continuous regionally competitive energy prices for export-oriented sectors.
- (iii) The export enhancement support and incentive initiatives should be made simplified, certain, automated, performance oriented and time-bound. Scope of initiatives should be enhanced for priority sectors.
- (iv) There shall be an institutionalized mechanism for robust monitoring and implementation of the STPF in order to minimize the policy implementation gaps, which have traditionally remained a weak link due to multi-organizational roles in the export ecosystem.

4.3 Vision & Mission

The **Vision** of the STPF 2020-25 is for “Pakistan to become a dynamic and efficient domestic market as well as a globally competitive export driven economy”. The **Mission** is to “transform Pakistan from a factor-driven to an efficiency-driven economy integrated into the regional and global value chains”.

4.4 Model-based Export Projections for Next Five Years

Exports projections for STPF 2020-2025 are based on a sound econometric partial equilibrium model. The explanatory variables used in the model include World GDP, Pakistan’s GDP and real effective exchange rate (i.e. nominal exchange rate, domestic prices, Pakistan’s export prices and competitor’s exports prices). Three scenarios have been constructed to project the future exports. The estimation specification, relevant elasticities and scenario assumptions are given in (**Annex-A**). The difference between the three scenarios was the domestic prices of Pakistan which reflect the competitiveness and cost of doing business in the country. It is assumed that effective government interventions in terms of STPF, National Tariff Policy, Trade Facilitation, Technology Upgradation, Easy Financing and other on-going Ease of Doing Business initiatives will have an impact on competitiveness and thereby enhance exports. Targets for these key factors of competitiveness are explained in (**Annex-B**).

The scenario 1 assumed that the government interventions under the STPF and other initiatives would be minimal and the prices and cost of doing business would follow a status quo trend. Therefore, for FY 21 prices have been taken at 10.8% growth (actual value) followed by 8% in FY 22 and then onwards it will follow CAGR (6.5%) from FY 23 to FY 25. The scenario 2 (medium) assumed that government’s interventions would reduce the growth in domestic prices and therefore the price increase would be 8% in FY21, 6.5% in FY 22 and followed by 6% between FY 23-25. The scenario 3 (optimistic) assumed that growth in domestic prices would be 7.2% in FY 21 and then will remain at 5.5% from FY 22 to FY 25. Based on these scenarios the following export projections were estimated.

				(USD Billion)
Pakistan’s Model Based Export Projections for STPF 2020-25				MoC’s Export Targets
Year	Scenario 1	Scenario 2	Scenario 3	
2020-21	21.51	23.90	24.64	25.30 (Achieved)
2021-22	23.08	27.15	29.10	31.20
2022-23	25.21	30.19	32.98	37.88
2023-24	26.70	32.55	36.26	45.81
2024-25	28.57	35.46	40.27	57.03

Furthermore, to estimate the sectoral export projections of the traditional and new strategic sectors under the STPF their respective exports shares in Pakistan's total exports were taken into account for the past 10 years and the current year FY 21 (11 months). The growth in their shares were estimated using their CAGR and based on these CAGRs the projected share and value of export for each sector was determined. A comprehensive private stakeholder engagement was also undertaken that ascertains that the sector-wise projections formulated above are well within their respective sectors' estimated forecasts.

In the table above, three scenarios have been proposed by the Ministry of Commerce (MoC) for projection of exports. These projections include the recent more than expected growth forecast by the Government of Pakistan. Subsequently, MoC has undertaken an exercise of detailed consultations with the private stakeholders and has proposed to set the Export Target of USD 31.21 Billion for the FY 2021-22. The proposed target has also been approved by the Prime Minister. The model-based sector projections as well as sector wise export targets of MoC are given in (**Annex C**).

4.5 Identification of Priority Sectors

The priority sectors have been identified after studying the international demand trends on one hand and on the other the capacity and capabilities of different export sectors of Pakistan. The guiding principle was to divert the most of efforts and interventions in those sectors that promise greater export opportunities and larger returns. At the same time a due consideration was also made to align the process with government's wider policy priorities in textiles, agriculture, engineering, auto, food processing, pharmaceuticals and services.

Ministry of Commerce has identified following priority sectors which have been bifurcated into traditional and developmental categories:

Traditional Sectors	Developmental Sectors
<ol style="list-style-type: none"> 1. Textile & Apparel 2. Leather 3. Surgical Instruments 4. Sports Goods 5. Carpets 6. Rice 7. Cutlery 	<ol style="list-style-type: none"> 1. Engineering Goods (incl. Auto Parts) 2. Pharmaceutical 3. Marble & Minerals 4. Processed Food & Beverages 5. Footwear 6. Gems & Jewelry 7. Chemicals 8. Meat & Poultry 9. Fruits & Vegetables 10. Sea Food 11. Services Sector (Special focus on IT, Transport, Logistics & Tourism)

TDAP would be mandated to come up with a comprehensive product export marketing strategy within three months focusing on priority sectors and interventions in addition to the domestic enablers as per Action Matrices. Pakistan's Trade Missions abroad would also be energized with realistic and do-able targets to trigger the market and product diversification outreach programmes.

4.6 Formulation Process

This STPF 2020-25 has been formulated through a broad-based consultative and review process, involving all stakeholders, from both private and public sectors. International development partners have also been associated at various levels in the formulation process. Initially, proposals were invited from Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Chambers of Commerce & Industry, trade associations, private businesses, academia, think tanks, Trade Missions, Ministries/Divisions, Provincial Governments and other Government Agencies. Outreach meetings were held with the leading export-oriented sectors in different areas of the country including Karachi, Peshawar, Hyderabad, Sialkot, Faisalabad, Sukkur, Lahore, Multan, Quetta and Islamabad. Besides, an International Conference on Gender and Trade and a Symposium with Buying Houses and Sourcing Agents were organized. The proposals received from the stakeholders in writing or during the consultative events, were examined in a series of consultations with the public-sector stakeholders i.e. relevant Ministries, Departments, Provincial Governments, Regulatory Bodies and the STPF Implementation Organizations, to seek their views and comments on the proposals. The process was open and conducted in a collaborative manner, aiming to accommodate the proposals from all corners of the table, with the objective to formulate an effective and comprehensive trade policy for the next five years.

In its second phase a special task force under the "Make in Pakistan" initiative conducted stakeholder engagements with various sectors and came up with comprehensive proposals that have also become part of this policy document.

Ministry of Commerce invited comments from other ministries and departments on the policy document and same were incorporated in order to align the policy with the recommendations of respective entities.

Furthermore, Ministry of Commerce and TDAP have engaged with private sector stakeholders in order to discuss the post COVID-19 issues being faced by the business community and to identify and advise the mitigating measures. The process of stakeholder engagement will continue till the COVID-19 is fully controlled.

4.7 Implementation, Monitoring and Evaluation Mechanism

Implementation of the policy initiatives is of critical importance to the success of STPF 2020-25. In order to oversee the implementation of STPF 2020-25, it has been decided to constitute a cross functional National Export Development Board (NEDB) comprising of:

- a. Prime Minister of Pakistan (Chairman)
- b. Advisor to PM / Minister of Commerce and Investment
- c. Minister of Planning, Development & Special Initiatives
- d. Minister of Industries and Production
- e. Minister of Finance and Revenue
- f. Minister of Energy/Power Division
- g. Minister of National Food Security and Research
- h. Governor State Bank of Pakistan
- i. Secretary Commerce / Member/Secretary of Board
- j. Secretary Finance
- k. Chairman Board of Investment
- l. Chairman Federal Board of Revenue
- m. President Federation of Pakistan Chamber of Commerce & Industry
- n. Chairman Pakistan Business Council
- o. President Overseas Investors Chamber of Commerce & Industry

In addition to above, following members will represent their respective public sector departments and will be invited on the relevant agenda items:

- a. Minister of Foreign Affairs / Secretary Ministry of Foreign Affairs
- b. Minister of Economic Affairs / Secretary Ministry of Economic Affairs
- c. Special Assistant to the Prime Minister on Petroleum / Secretary Petroleum Division
- d. Minister for Maritime Affairs / Secretary Ministry of Maritime Affairs
- e. Chief Ministers of respective Provincial Governments / Respective Chief Secretaries
- f. Any other Ministry / Department

Private sector representatives will be added accordingly by the Ministry of Commerce.

The Ministry of Commerce will serve as a secretariat of the National Export Development Board (NEDB) and at least bimonthly meetings of the Board will be held in order to ensure the implementation of various policy measures. The Board will provide strategic guidance to all the relevant institutions and stakeholders mandated with the role to promote export-oriented foreign and local investment in the country with the aim to increase Pakistan's export competitiveness by continuously improving the enabling environment for exports and increasing firms' capabilities. It will oversee the alignment, progress and implementation of Strategic Trade Policy Framework (STPF) and various sector specific policy initiatives and will also serve as monitoring and evaluation platform for government's various export enhancement policies / initiatives.

In order to drive the implementation of measures envisaged on regular basis in STPF 2020-25, it has also been decided to constitute an Executive Committee. The Committee will submit its reports to the National Export Development Board. The Executive Committee will comprise of the following:

- a. Advisor to PM / Minister of Commerce and Investment (Chairman)
- b. Secretary Commerce
- c. Secretary Finance
- d. Secretary Industries
- e. Secretary Board of Investment
- f. Chairman Federal Board of Revenue
- g. Representatives of Provincial, GB and AJK Governments

Other departments or private sector representatives can be co-opted on need basis by the Committee. Regular meetings of the subject committee will be held in order to ensure the implementation of policy measures identified in STPF.

To ensure successful completion of initiatives proposed under the STPF 2020-25 and warrant sustainability, a vibrant Monitoring and Evaluation (M&E) mechanism will be instituted. In order to make M&E mechanism effective and relevant to the changing economic dynamics of the country, there will be focus on efficiency, employment of a participatory approach to monitoring progress, utilization of technical and academia expertise, wide dissemination of information and usage of input from multiple sources for Policy improvement. Special attention will be made for setting program priorities, development of program framework and periodic reviews of targets achieved. Relevant surveys and reports will be collected and analyzed, and if required, studies will be conducted to gauge the progress made under STPF.

By reviewing the progress on outcome under STPF, the two forums i.e. National Export Development Board and the Executive Committee will ensure evidence-based decision making, policy formulation & updating, export promotion, improved service delivery and facilitation for exporters.

4.8 Funding Sources to Support STPF Initiatives

Efficient resource identification and allocation is the key to implementation of initiatives and getting desired outcome. Under the STPF, the government intends to undertake a number of trade facilitation and promotion initiatives, encompassing targeted economic infrastructure development to ensure ease of doing business and enhancing exports. Special emphasis will be laid on utilizing all modes of funding resources available, and first among them is the Export Development Fund (EDF). Under the policy, EDF facility will be used to fund most of the ongoing projects and the ones that have been conceived for the future under current STPF. In addition to that, funding will be arranged from regular budget, Public Sector Development Programme (PSDP), government's financing schemes, sponsoring from international donor agencies and financial institution, attracting local and foreign investments etc. Avenues of Public Private Partnership (PPP) will also be explored to create enabling environment for the business community of Pakistan, with

aim to institute a sustainable economic settings and boost exports. Detailed breakup of the funds will be made while designing specific policies and interventions for targeted tariff lines and markets. An estimated financial outlay of the strategic interventions is placed at **Annex-D**

5. Strategic Framework 2020-25

A review of Pakistan's trade performance, an appraisal of previous trade policies and extensive sectoral stakeholder consultations led to the identification of major Critical Enablers (CEs) that would help achieve the objectives of STPF 2020-25. The policy interventions stipulated under each CE are discussed below. Detailed Action Plan identifies the responsible ministry / agency for policy actions and sets the timeline for policy interventions (**See Annex-E for Action Matrix**).

5.1 Competitiveness Enhancement: CE-1

The 18% decline in Pakistan's share in global market¹⁸ during the last decade means that Pakistan's export competitiveness in the global market has been eroding. The regaining of the global market share vitally depends on the restoration of Pakistan's export competitiveness. Ministry of Commerce has identified the following action areas and policy measures to enhance the competitiveness:

5.1.1 Reduction in Cost of Doing Business (CE-1. a)

For exporters to be more competitive and productive, transaction costs must be reduced through efficient logistics, seamless administrative procedures, fewer documentary requirements and less dwell time at ports. Efforts shall be made to ensure continuous supply of regionally competitive energy to the export industry. Furthermore, time-bound exports support incentives such as duty drawback schemes, sales tax refunds and low-cost financing facility etc., with phasing-out mechanisms, shall be made reliable, consistent and automated with special focus on SMEs. The exporters have been facing liquidity crunch due to delayed refund payments and COVID-19 lockdown. Meeting the shortfall through bank financing increases the financial cost and affects competitiveness of exports. In order to reduce the cost of long-term financing/borrowing for exports and minimizing risks involved in international trade, new viable schemes will be proposed on the line of Temporary Economic Refinance Facility (TERF) by the Sector Specific Councils after consultations with the SBP for availing LTFF. In addition to this, a favorable exchange rate will boost Pakistan's exports. Furthermore, the efforts will be made to operationalize the Exim Bank within two months in collaboration with Finance Division and a close coordination will be established for providing one-stop facility for the exporters for availing comprehensive export loan and guarantee/insurance services. This facility will help in pursuing market and product development/diversification initiatives.

¹⁸ Trademap

5.1.2 Tariff Rationalization (CE-1. b)

It is globally acknowledged that the import tariffs, employed effectively, can play a vital role in optimal allocation of resources, removal of anti-export bias, protection of domestic industry, improving competitiveness, attracting and protecting investments, and improving balance of payments, serving as a source of revenue and income distribution by levying higher import duties on luxury goods and lowering tariffs on raw materials and intermediate goods.

The tariff policy has been employed in the past as a revenue generation instrument rather than a trade policy tool, which has created multiple layers of distortions in the industrial structure making exports uncompetitive. The tariff policy as a trade policy tool can be leveraged to undertake the much-needed structural transformation and shifts in comparative advantages by reallocation of economic activity and has profound implications for regional as well as global value chain.

Ministry of Commerce has been given the mandate to implement Tariff Policy with the major objectives of achieving streamlined and transparent tariff regime indicative of trade policy priorities, improving competitiveness of manufacturing sector through duty-free access of imported inputs, improving resource allocation, enhancing growth potential and increasing employment, encouraging value-addition, and removing anomalies in tariff structure. Additionally, under Tariff Policy, special treatment would be accorded to the sectors identified in the STPF in order to promote exports from the country.

Tariff Policy Board has already initiated working on tariff reforms and proposed major changes in tariff structure in the current Finance Bill. Furthermore, as a roadmap for the next phase anomalies will be identified in the current tariff structure and tariff reforms in key manufacturing industries like textiles, auto-parts, iron & steel, plastic, chemicals and pharmaceuticals will be proposed. To make their output internationally competitive, reforms will aim at providing inputs to these industries at internationally competitive prices and ensure competitiveness/protection of the industrial sector through suitable tariff structure. Moreover, studies will be conducted for various sectors to identify the impact of tariff rationalization process.

5.1.3 Productivity Enhancement (CE-1. c)

Productivity enhancement is vital for improving competitiveness of the economy. It depends primarily on the enterprises which are supported by creating an enabling environment by government policies. At the enterprise level, the productivity improvement comes from technology adoption, a culture of innovation, human resource development and management efficiencies. The government through the STPF and with support of international development agencies, shall develop programmes for fostering a culture of innovation, facilitate development of skilled workforce and incentivize efficiencies.

In order to incentivize the technology adoption and upgradation by the enterprises, a Technology Upgradation Scheme was announced in STPF 2015-18 for certain sectors. Assessment studies will be

undertaken by the Sector Specific Councils (SSCs) in collaboration with the industry to identify the need of programmes for Technology Up-gradation for their specific sectors. Based on these studies new improved schemes with effective implementation mechanism shall be introduced in order to make investment in new technologies, both acquisition & upgradation; product development & testing; and international standard compliance.

5.1.4 Enhancement of Quality of Products (CE-1. d)

The quality of products is playing a vital role in enhancement of the trust on Pakistani products locally as well as at export stage. The government will focus on the improvement of the low-cost services of third-party certification bodies (CBs) in public and private sector to facilitate exporters according to the requirement of international buyers.

5.2 Trade Related Investment: CE-2

Investment and trade have a critical nexus. Investment in export-led production is an indispensable component of any export-led growth strategy. Pakistan's economic growth during the last five years has been mainly domestic-market driven rather than export-led. Foreign Direct Investment (FDI) is one of the vital tools that countries employ to develop industrial base, upgrade infrastructure and seek innovation and technology. FDI flows have increased in recent decades. Development in trade logistics, trade liberalization through World Trade Organization and regional trade agreements and emergence of Global Value Chains remained vital factors for this evolution. Resultantly, the policies to attract FDI inflows, trade and investment have become increasingly intertwined.

Ministry of Commerce in collaboration with Board of Investment (BOI) and Provincial Investment promotion agencies, will formulate a framework for integration of trade policy with investment policy for attracting investment into export-oriented production. The framework will be based on the following principles:

- (i) Structural transformation of Pakistan's production base;
- (ii) Sustained medium to long term investment for technology up-gradation, specialization and efficiency enhancement of priority sectors;
- (iii) Increasing competitiveness to make it attractive for the investors to produce in Pakistan;
- (iv) Increasing ease of doing business by removal of bottlenecks, simplifying procedures and improving institutional efficiencies;
- (v) Leveraging market access negotiated with the bilateral and multilateral trading partners;
- (vi) Leveraging the domestic market through time-bound protection for competitive import substitution and eventual export-oriented production;
- (vii) Integration into global value chains by improving competitiveness and trade facilitation; and

- (viii) Leveraging CPEC for regional integration, connecting with the global markets and access to the neighbouring markets especially China.

Timeline of one year shall be given for the development of Trade Related Investment Framework. Furthermore, tax exemption incentive package shall also be formulated and included during the finalization of the said framework.

5.3 Integration into Global Value Chains: CE-3

In today's global economy the production patterns have become increasingly vertically fragmented across the national borders which in turn has restructured the production and world trade around global value chains (GVCs).

To integrate and upgrade into the global value chain, firms require participating in the production processes in the entire value chain. Ideally firms should participate in a higher value-added process to fetch higher return in the end. Countries with advance R&D infrastructure, technology and skilled work force participate at the downstream value-added component of the value chain. The implementation of major initiatives proposed in previous sections i.e. Competitiveness Enhancement and Trade Related Investments will set a ground for enterprises to be able to integrate themselves in the global value chain. Ministry of Commerce will further facilitate the firms, which have upgraded their processes, to help them joining the global value chain, while pursuing the following focal areas:

5.3.1 Enhanced Market Access (CE-3. a)

The market access is an important determinant of competitiveness of a country's products and services in a foreign market. Ministry of Commerce will focus on best utilization of current regional and bilateral trading arrangements through detailed review and negotiation. New trading arrangements will be pursued with utmost care to protect local industry and focus on market access for value added goods and not merely commodities. For optimizing utilization of enhanced market access under Free Trade Agreements (FTAs), Preferential Trade Agreements (PTAs), Generalized System of Preferences (GSP) Plus and post BREXIT, a market communication strategy will be implemented to disseminate the information on opportunities available for Pakistani enterprises under the preferential market access arrangements. The communication strategy will include regular seminars and advertisements through electronic, digital and print media.

Since the grant of GSP Plus concessions by EU to Pakistan in 2014, EU-Pak trade has improved markedly. The total volume of trade was USD \$11.961 billion in 2013-14 which has progressively enhanced and stood at USD \$14.506 billion in 2018-19, with a trade surplus of USD \$1.814 billion¹⁹. The present concessions under GSP Plus arrangement will continue till December 2023 and will be followed

¹⁹ PBS

by a new regime after January 2024. With the conduct of three successful reviews by EU about the fulfillment of implementation commitments under GSP Plus arrangement by Pakistan, and the express resolve of EU political leadership, similar concessions are most likely to continue after December 2023. In this regard Pakistan will make all out efforts to engage EU authorities to secure the benefits granted under the successor trade regime.

United Kingdom (UK) is an important trade and investment partner of Pakistan. It is the third largest export destination of Pakistan's exports in the world and the largest in the Europe. Total bilateral trade between the two countries reached over USD \$2.7 Billion in 2019, with exports from Pakistan to UK touching USD \$1.7 Billion²⁰. With effect from January 2021, UK will no longer be part of the EUs Custom Union and will implement its own fiscal, monetary and trade policies particularly setting its own internal and external tariffs. As part of its economic integration engagements and broader development agenda, UK has announced to launch its own trade preferences schemes for developing and least developing countries starting from 2021. To avail such concessions and to deepen trade and investment relation with the UK, this opportunity will be treated as a priority market for Pakistan.

Tariff reductions at the multilateral level no doubt remains the most efficient way of gaining market access as it reduces inefficiency. In the absence of any progress on Market Access issues in the WTO, Pakistan will continue to pursue market access through bilateral agreements including FTAs /PTAs.

A Negotiation Cell will be established in Ministry of Commerce which will focus on enhancing the skills and capacity building for detailed review and negotiation of bilateral and multilateral market access initiatives. The Cell will formulate a mechanism for objective and quantitative assessment of major existing / proposed Trade Agreements with a view to enhancing their effectiveness. Furthermore, the Cell will also collaborate with Ministry of Foreign Affairs through special committees.

Pakistan will continue to provide unwavering support and full commitment to the Multilateral trading system. It values its negotiating arm, two-tiered dispute settlement system as well as transparency and monitoring mechanisms such as regular Trade Policy Reviews and reporting under regular committee meetings.

5.3.2 Export Diversification (CE-3. b)

Export diversification, in terms of enterprises, products and markets has positive correlation with export growth. The dependence on few products and few markets exposes a country to the negative effects of unfavorable characteristics of world demand. Heavy reliance on a few primary commodities in the export basket and a few markets makes a country extremely vulnerable to external shocks and negative supply side features of the primary products. On the demand side, the low-income elasticity of world demand of

²⁰ PBS

primary commodities and slowdown in a few markets can lead to export decline which can be aggravated by traditionally declining trends in primary commodities vis-à-vis manufactured goods.

Pakistan's exports are concentrated in few products exported by few firms to few markets. Textiles sector accounts for around 61% of total exports of the country. The share of non-textiles in exports is less than 40%. Similarly, concentration of products in same sector is also inclined more towards low value-added side. Policy interventions will be made by Ministry of Commerce by increasing the share of exports in medium-to-high technological content products. Initiatives will be taken for product diversification of Agro Products, covering Mango, Kinnow & Dates, and Non-Agro Products, covering Salt, Glass, Motorbikes, Three Wheelers, Home Appliances, Gems & Jewellery and Tyres. After conducting a detailed benchmarking study, specific policy interventions will be made to enable the industry to steer toward consolidation so that the industrial sectors could expand and enhance their technological know-how to produce high value-added products. Consolidation will help the industry to scale up their respective capabilities and produce more complex and specialized output quickly and effectively, which will make their resultant value-added exports more competitive internationally. This shall be done on priority basis by identifying specific sectoral clusters through the proposed platform of Sectoral Councils, where there is evidence of comparative advantage and needs to be exploited. A special focus will be given on encouraging and supporting diversification within the existing sectors. The provision of conducive business environment, expenditures on innovation and Research & Development (R&D), human capital and FDI can help develop the sectoral clusters.

The breadth of export product portfolio shall be increased by other proposed strategies such as rationalization and liberalization of the tariff regime along with the elimination of duty exemptions and concessions with the exception of FTAs / PTAs and export processing and economic zones, and abolition of complex trade regulations. Moreover, Geographical Indications Act 2020 has been passed by the Federal Government, under this Act, in collaboration with the stakeholders various products will be identified by Intellectual Property Organization (IPO) of Pakistan for registration of G.I Marks.

The market diversification by reducing dependence on a limited number of geographical destinations is essential for expanding opportunities for export and improvement of linkages to domestic inputs and services. Pakistan's export bundle is concentrated geographically, a bulk of the export basket is destined to industrialized countries, making it vulnerable to adverse shocks in these countries. The recent COVID-19 episode largely struck Pakistan's main export destinations, thereby reducing exports drastically during the second half of FY 2019-20.

Pakistan's export markets can be divided into following two major types and a customized strategy will be formulated by Ministry of Commerce on priority basis for increasing the exports to these markets with focus on facilitating the exporters in integrating into GVC:

- i) ***Current / Traditional Markets*** in which Pakistani exports have already created a niche e.g. USA, EU, UK, China and Middle East. The strategy in traditional markets is to sustain and increase our current market shares.
- ii) ***Potential / Non-traditional Markets***, in which Pakistan's presence is considerably below the potential e.g. South Asia, Central Asia, Africa, South America, Russia and South East Asia. Penetration strategy, to be developed by Ministry of Commerce and TDAP in collaboration with Trade Missions, is to be followed for these types of markets. Market penetration programs that include trade shows, business match-making and trade mission plans are required to be enhanced. Look Africa initiative has already been rolled out successfully by Ministry of Commerce, and similar nature of strategic plans will be formulated for other regions / countries. Under Look Africa Policy of MoC, initiatives will be taken to enhance trade and engagement with Africa. The 1st Pakistan-Africa Trade Development Conference was successfully held in Nairobi on 30th-31st January, 2020. Pakistan-Africa Trade Development Conferences will also be held in Nigeria and Egypt. Special emphasis shall also be given for identification of Non-Tariff Measures (NTMs) and their resolution. Furthermore, in order to increase the share of exports of medium-to-high technological content products, Sector Specific Councils (SSCs) shall identify specific Tariff Lines along with destination markets and shall give recommendations for interventions.

5.3.3 Innovation Driven Exports (CE-3. c)

Innovation is one of the main drivers of industrial development and economic competitiveness. Sustainable export growth depends largely on hi-tech research & development base of the country and efficient knowledge input in the economy for innovation and creativity. The innovation, trade, investment and industrial policies of the countries are becoming closely intertwined.

Pakistan's transition from a factor-driven economy to efficiency-driven and subsequently to innovation-driven economy would require a strong public private partnership. The transition to investment and innovation driven stages depend on actions by the public sector - the provision of business environment that invests in innovation, provision of incentives for innovation, revisions in regulatory arrangements (customs, taxation and company law), promotion of FDI, extensive joint venturing and protection of intellectual property, etc. and actions by the private sector – to invest in creativity, R&D, new patents and designs.

In this context as a pilot project, the Ministry of Commerce in collaboration with academia and textiles manufactures will formulate a strategy to introduce 4th Generation Industrial Revolution in the area of Textiles. Focus innovative products will be identified and incentives will be introduced to initiate production through seeking support in technology upgradation / transfer. Similar projects could be developed once this pilot project is proven successful.

Collaborations will be explored with other government initiatives such as ‘Digital Pakistan’, technology zones in major cities and ‘Islamabad Knowledge City’ to promote knowledge economy and innovation led products and services. Ministry of Commerce will also associate with Ministry of Science and Technology for making science and innovation initiatives under CPEC successful.

5.3.4 Branding (CE-3. d)

The importance of branding, has been globally acknowledged. In a competitive global market place, investments in intangible assets often exceed investments in physical assets. These intangibles have become a primary source of value creation and wealth. Pakistani enterprises have been traditionally shy of investing in brand development and focused more on production for the importers’ brands and private labels owned by the chain stores.

At the country level, “Branding” is a means to build and maintain a country’s strategic advantage with the purpose of economic growth. A powerful and positive nation-brand provides a crucial competitive advantage. In case of Pakistan, there appears to be a gap between perceptions and reality as how the country is perceived in the global marketplace. It is therefore important to create a strong and positive national brand image of Pakistan to create global awareness about the country, promote tourism, increase trade and attract foreign investment. Therefore, the Ministry of Commerce has launched a national brand-building initiative by name of “Emerging Pakistan” which entails highlighting and showcasing the numerous strengths of Pakistan, its people, natural beauty, products, liberal investment regime and diversity. Through this initiative the Government seeks to interact with importers, investors, individuals, tourists and corporations who are interested in joining Pakistan’s journey to prosperity.

In its drive to facilitate exporters integrating into GVC, a special focus will be given by the Ministry of Commerce for supporting firms in development and acquiring of brands. At the same time country branding strategy of Ministry of Commerce will further be enhanced.

5.4 Export Ecosystem: CE-4

In trade ecosystem various players participate in trading activities while performing their specific roles as entrepreneurs, trade-supporting institutions, trade facilitators, overall policy environment and internationally accepted best practices. The cohesion amongst the players is the key to gain the favourable trade flows. The trade ecosystem is one of the most important determinant of export competitiveness and integration of Pakistan into the GVCs. The excessively complex procedures and documentation, the inefficiencies and lack of transparency of the border agencies and the lack of adequate infrastructure increase trade costs and cause delays. In an international market marked by intense competition, the efficient, fast and reliable movement of goods with time efficiency has become a key indicator of competitiveness. Moreover, the countries where trade environment is more favorable in terms of

formalities, procedures and the related exchange of information were in a better position to take advantage of new opportunities to grow and to create jobs.

The achievement of the STPF's objectives critically depends on the improvement of synergy in the export ecosystem and alignment of overall policy environment of Ministry of Commerce with STPF. The Ministry of Commerce therefore proposes the following interventions.

5.4.1 Trade Facilitation (CE-4. a)

Trade Facilitation in terms of improved border measures, one-window operations and reduction in the transit time has become vital for the developing countries to improve their exports. Ministry of Commerce will collaborate with concerned departments on implementation of Trade Facilitation Agreement (TFA), establishment of National Single Window (NSW) project and operationalization of regional / international transit agreements. National Trade and Transport Facilitation Committee (NTTFC) is reactivated with a secretariat in the WTO wing under Article 23.2 of Trade Facilitation Agreement (TFA). It will ensure active participation of the private sector in all trade and transport facilitation policy initiatives including effective implementation of Trade Facilitation Agreement of the WTO.

Ministry of Commerce will also initiate work on establishment and operationalization of the National Trade Facilitation Portal. This online platform will provide systematic description of import and export product-specific procedures from the trader's point of view. It will centralize interactions using automation and information technology tools, thereby, reducing operational costs related to export and import transactions. Furthermore, Trade Facilitation Units (TFUs) will be established in TDAP with the aim to map the steps, documents and procedures required to import and export goods from Pakistan and dissemination of information to business community. Ministry of Commerce will also periodically review the import and export regulatory mechanism in consultation with the stakeholders to make it more facilitative. Moreover, in collaboration with FBR and Ministry of National Food Security & Research, improvements will be made in the processes / procedures at the ports to make these efficient and economical for the business community. In addition, effective anti-smuggling strategies will be pursued along with actions against mis-declaration/under-invoicing in collaboration with Customs authorities. The Ministry of Commerce will further rationalize Import Policy Order (IPO) and Export Policy Order (EPO) after consultations with stakeholders and will integrate it with Pakistan Single Window (PSW) for enhanced trade facilitation.

5.4.2 Economic Infrastructure Development (CE-4. b)

Economic infrastructure has a great impact on exports, therefore, under STPF, special focus will be laid on infrastructure development to facilitate exports of manufactured products. It is empirically proved that improvement in economic infrastructure generates huge gains in terms of exports, such as easy access to electricity, rail, road, airports infrastructure and especially establishment of industry-specific areas on

the line of on-going Garment City project, which are paramount in boosting exports of products from the country to the region and worldwide. Likewise, fast internet connectivity for exploiting full potential of e-commerce will improve the efficiency and business environment. Hence, mobilization of resources for investment in economic infrastructure to promote exports of products is inevitable for Pakistan.

Quality infrastructure is recognized as fundamental element of productivity and economic growth and enhanced investments and improvements in infrastructure will significantly lower production and transaction costs, thereby increasing Pakistan's competitiveness and expanding its market access. Improvements in infrastructure at borders and transport efficiency will reduce the cost and time for our exporters. Under the STPF, based on empirical information, possible interventions for trade facilitating infrastructure will be made to enhance the growth in exports while benefiting from the ongoing infrastructure projects such as CPEC, SEZs, ML-1, ROZs border markets etc. Moreover, the Ministry of Commerce will also facilitate the establishment of Joint Border Markets.

5.4.3 Transshipment (CE-4. c)

Given the geographic location of Pakistan, there exists a natural advantage and great potential for the country to be part of internationally flourishing transshipment industry. Pakistan's seaports can be put to maximum use with upgradation and institution of state-of-the-art loading and unloading transshipment facilities as intermediate ports. There are great prospects for the country by virtue of being strategically placed in one of the busiest sea routes between East Asia and Africa since the whole coastal belt has infrastructure limitations and shipping lines have a very small number of adequately equipped ports at their disposal for transshipment purposes. Transshipment operations are growing all around the world and countries are capitalizing on opportunities that are being offered by this mode of business.

In collaboration with public and private stakeholders, due focus will be laid on the Gwadar Port to equip it with modern machinery and associated equipment to handle cargo efficiently and operate it as a transshipment port. There are multiple advantages at the Port; such as, its ability to handle deep draught ships, short access channel, sufficient area to stack containers and other cargo etc. Bigger ships coming and going to Persian Gulf, and bound for Indian Ocean coasts can discharge their cargo at Gwadar and smaller ships can take these to the ports of destination. The transshipment industry of Pakistan will reach its true potential when China, Afghanistan and other Central Asian landlocked economies will be connected with Gwadar through land routes. This will certainly act as source of enhancement of economy.

The need for transshipment is further amplified owing to the fact that China Pakistan Economic Corridor (CPEC), connecting China with Gwadar and Karachi ports of Pakistan, will help in invigorating Pakistan's stagnant economy. This will provide a link between long distance partners like Russia, China, Central Asian Republics, Middle East and Europe. Freight terminals planned along the corridor will facilitate transshipment and logistic industry. The transit trade from our immediate as well as distant neighbors is likely to increase substantially.

Given the fact that Pakistan's present transshipment industry is barely enough to meet the demands of regional and international transit trade, Ministry of Commerce will propose initiatives in consultations with all the relevant stakeholders both from public and private sector for giving boost to transshipment services of Pakistan including logistics and transportation.

5.4.4 Development of Economic Corridor (CE-4. d)

The government is committed to ensure that CPEC is a game changer for Pakistan by transforming it into a true economic corridor as opposed to merely an infrastructure project. But CPEC is not the only economic corridor for Pakistan that can help usher in trade and growth. Pakistan is also actively participating in Central Asia Regional Economic Cooperation (CAREC) Program, a regional partnership of 11 countries covering transport, trade facilitation, energy, trade policy and people to people connections. Both the CAREC and CPEC projects provide a strong foundation for development of economic corridor in Pakistan by providing much needed regional and international economic linkages that can catalyze economic growth for jobs. In this regard, Afghanistan Pakistan Transit Trade Agreement (APTTA) will be revised and negotiations on Uzbekistan-Pakistan Transit Trade Agreement (UPTTA) will be initiated.

Ministry of Commerce will come up with a well-thought-out economic corridor development plan, focusing on achieving high value-addition over the time, providing manufacturers' access to low-cost suppliers competing in the region, encouraging businesses to improve their skills profile and specialize into more sophisticated products, and creating forward and backward linkages benefiting from ongoing CPEC and CAREC plans.

5.4.5 Institutional Strengthening (CE-4. e)

Ministry of Commerce will introduce policy interventions in following institutions in order to further strengthen the work of the institutions in order to facilitate the trade and support the export enhancement strategy of the government of Pakistan:

a) Restructuring of Ministry of Commerce

In a highly competitive environment of international trade, the Ministry of Commerce and its attached organizations are challenged to adopt professionalism, specialization, agility and pro-activeness for an effective service delivery. Administrative anomalies impede the Ministry from developing and deploying professional and specialized human resource in the Ministry. Restructuring of Ministry of Commerce is need of the hour. In this regard, dedicated technical wings will be established within the Ministry of Commerce and will be manned by specialized officers to perform the technical work.

b) Enhancing Role of Trade & Investment Officers Abroad

The trade offices abroad are the important outposts of Ministry of Commerce and Trade Development Authority of Pakistan for promoting and facilitating expansion of Pakistan's trade particularly exports, trade promotion and facilitation. Ministry of Commerce will formulate monitoring and evaluation

mechanism while assigning Key Performance Indicators (KPIs) and specific targets for the Trade and Investment Officers (TIOs).

c) Establishment of Trade Portal/Dashboard

One of the main problems being faced by exporters, importers and investors is the absence of clear, organised and integrated information about trade procedures, policies, trends and opportunities. To address this issue, the MOC with support of TDAP and other relevant agencies will launch a user friendly well-defined one-window or single Digital Trade Portal (website) offering comprehensive, up-to-date and proper data, about different aspects of business transparently and promptly at one desk or in one place to the interested trade actors.

d) PITAD as Regional Hub of Training & Research

Pakistan Institute of Trade and Development (PITAD) is the research arm of the Ministry of Commerce, however, due to the lack of capacity, the institution could not assist the Ministry in formulating policies and trade agreements negotiation strategies. Under the STPF 2020-25, the following measures shall be taken to make PITAD as training & research arm of Ministry of Commerce:

- i. Establishment of Research Wing with the skilled human resource and procurement of trade analysis software.
- ii. Organization of regional training activities for the participants for foreign delegates;
- iii. Development of training modules for entrepreneurs and SMEs on commercial scales.
- iv. Setting-up and maintenance of a digital library that will operate as a repository of documents, agreements, research and background analysis.
- v. Impart training with internationally benchmarked levels to Provincial as well as Federal Governmental agencies/departments in Trade/Commerce and other jointly developed programs catering to professional development of both Public and Private sector.
- vi. Due to COVID-19 restrictions, PITAD will also develop online training system.

e) Operationalization of Trade Dispute Resolution Act

Trade Dispute Resolution Organization was established under STPF 2012-15 to provide exporters and importers a forum to resolve their trade related disputes. In this regard, the draft of the Trade Dispute Resolution Organization Act has been completed. Under the current policy, the TDRO Act will be promulgated and the organization capacity will be developed to implement the Act and Rules under the Act. Operationalization of TDRO will help in prompt settlement of trade disputes and develop the confidence of foreign businessmen and bridge trust gap with their Pakistani counterparts for creating business friendly environment in the country

f) Creation of Sector Specific Councils

In order to engage the private stakeholders in the drive to enhance the exports of Pakistan, it has been decided to create/strengthen sector specific councils for the identified priority sectors. The councils will be comprised of private sector representatives and concerned government departments. The Councils will be

working with TDAP as its Secretariat and shall be a mix of the respective private sector stakeholders supported by the respective sectoral division of the TDAP and will be advising the Ministry of Commerce on the sector specific issues on a bi-monthly basis for consideration in Executive Committee meetings.

g) Capacity Building of Ministry of Commerce and attached departments

In a highly competitive international trading environment, the nature of work in the Ministry of Commerce has become increasingly technical and professional. The Ministry has the organizational mandate of developing and promoting Pakistan's commerce and international trade through formulation, implementation and monitoring of policy and strategy on international trade and negotiation of bilateral and multilateral trade agreements. The effective performance of these functions critically depends on the applied research for which the Ministry lacks an in-house capacity.

The Ministry of Commerce shall build its capacity including attached departments for conducting research through hiring of researchers or involving academia on need-basis and incentivizing research by the Ministry's human resource.

h) Digitalization of Directorate General of Trade Organisations

The Directorate General Trade Organisations (DGTO) is the regulatory body of the Ministry of Commerce to register, regulate and monitor the functions of trade bodies. However, the organisation has faced multiple challenges in regulating trade bodies due to lack of available data. To streamline the data of registered members and administrative issues of the trade bodies, an online portal containing detailed data of all members of Associations and Chambers would be created for facilitation of the business community as well as transparency purposes. The trade bodies and their members would be able to check their data online and the record will be available for evaluation as well as improving administrative efficiencies of the DGTO's office. It would also facilitate an online registration and renewal mechanism for the various Trade Organizations and bodies.

i) Streamlining EDF releases and Strengthening of EDF Secretariat

Export Development Fund (Amendment), Act 2005 stipulates that entire receipts of Export Development Surcharge (EDS) collected by the Federal Government in the preceding year shall be transferred to Export Development Fund (EDF) in the following year. Currently, only around 20% of the total annual receipts from EDS are being transferred each year by Ministry of Finance to EDF. Beginning from FY2020-21 and henceforward, the entire amount of Export Development Surcharge will be transferred to the EDF. As per the export projections for next five years under STPF 2020-25, it can be safely estimated that EDS worth around Rs. 75-80 billion will be collected in the coming 5 years.

Export Development Fund Secretariat will be equipped with IT based proposal management and project monitoring systems to develop a framework which ensures that all contributions made by the exporters are utilized as per the provisions of the EDF Act, resulting in export development and benefits

for the exporters/EDS contributors. This will include creation of complete loop starting from the EDS contributors, beneficiary selection, proposal analysis, project funding, impact assessment, strong monitoring & feedback system and direct services for the exporters.

EDF Secretariat will also hire panel of auditors / engineering / legal firms to ensure proper / effective utilization of the funds disbursed to the projects / organizations / associations / schemes etc. by applying relevant and applicable set of audit processes and procedures and signing of legal contracts for effective controls for asset / project management.

Innovative procedures will be adopted to bring private business development service providers in the system to compete for providing solutions to solve supply chain issues / challenges for enhancing export opportunities.

The Secretariat will be equipped with relevant data and outreach systems which will help it identify capacity gaps within the sectors and also evolve a system which ensures appropriate sectoral and geographical spread including priority sectors as per the provisions of the STPF 2020-25.

The scope of expenditure which has previously remained limited to few beneficiaries and sectors will be enhanced to non-traditional sectors and even those which do not have registered sectoral trade bodies. This may include development of border markets, strengthening of supply chain infrastructure, e-export platforms, and common facility centers for export-oriented regions / sectors. Similarly, special focus will be given to the meat and seafood industry, technical textiles, processed food, engineering, chemicals and pharmaceutical sectors which have unfortunately remained neglected despite having good export potential.

j) Improvement of National Quality Infrastructure (NQI)

Standards and conformity assessment have always been the main determinant of quality infrastructure impacting the trade flows in the global market. The National Quality Infrastructure (NQI) of any country is an institutional framework in public or private domain for implementation of standardization, metrology (scientific, industrial and legal), accreditation and conformity assessment (inspection, testing and certification) services certifying that products and services meet desired technical regulations. The NQI has a vital role in facilitating trade enhancement.

In collaboration with Ministry of Science & Technology, the strengthening and capacity building of Pakistan Standards and Quality Control Authority (PSQCA), National Physical and Standards Laboratory (NPSL) and Pakistan National Accreditation Council (PNAC) will be given special attention for achieving the goal of improved quality of the products.

k) Collaboration with International Development Partners

The role of international development agencies has been widely acknowledged by the developing countries for supporting their export enhancement policy initiatives. Ministry of Commerce will explore

the possibilities of attracting collaborations with international development agencies for technical and financial support in order to implement the policy initiatives under STPF 2020-25.

5.4.6 Establishing Provincial Linkages (CE-4. f)

STPF 2020-25 has identified an important area of trade related multi-level governance structures in the context of increased role of provinces especially after promulgation of the 18th Constitutional Amendment, which so far lacked due attention in the policy-making. There are various areas of trade related activities that directly fall under the realm of the Provincial governments. Since there are no permanent consultative mechanisms in place, on an institutional basis, engagement of provincial executives, senior officials and business representatives will be formalized. To promote sectoral interests for enhancement of exports, provincial governments will be engaged for specific policy interventions and development of their respective export plans. The concerns of provincial governments will be duly considered in the policy making exercise, international negotiations and during trade disputes, but for the most part, a regular contact will be established with specialized relevant departments which are more familiar with the technical aspects of trade and industry-related issues. Regional offices of TDAP in the provinces will act as linkages between Ministry of Commerce (through Domestic Commerce Wing/Product Wings) and relevant Provincial departments in order to facilitate the trading activities and formulation of provincial export development plans in line with the STPF.

5.4.7 Gender Mainstreaming (CE-4. g)

Gender mainstreaming is a process of considering the implications of Government decision-making on gender relations at all stages of the policy making process. Pakistan is a signatory of a number of the UN Conventions and multilateral commitments to streamline women participation in the economic activities and mainstream gender perspective in the policy formulation process.

Pakistan's 51% population comprises of women, however, the participation of women in the formal sector is still negligible. In most cases, women are concentrated in low value added and low productive activities with lower wages. They tend to be excluded from high-skill occupations and from the commercialized and capital-intensive segments of production and trade, thus providing few pathways of advancement unless specific policy interventions are put in place.

It is need of the hour to enable Pakistani women to actively participate in the economic activities and the Government to undertake more gender-sensitive trade policies. For attracting the government's greater attention to promote and increase women's participation in business activities, Women Entrepreneur Facilitation Desks will be established at TDAP offices to focus on following areas:

- a) Facilitating women participation in international trade fairs
- b) Arranging and sponsoring more women specific delegations abroad, and accelerating the regional trade by taking women business delegations to regional counties
- c) Organizing awareness campaign in form of seminars and workshops, and arranging skill

- development programs for women entrepreneur
- d) Providing interested women entrepreneurs with complete information about registration process for setting up a business, business development plans, business feasibility studies, Intellectual Property Rights, and registering patents
- e) Organizing capacity building activities through skill development
- f) Facilitating access to finance for women entrepreneurs
- g) Facilitating the development of special incentives for companies with a higher number of registered women workforce as well as skill development initiatives with National Vocational and Technical Education Commission (NAVTEC)
- h) A consultative group is formed under National e-Commerce Council (NeCC) to ensure policy level interventions for gender mainstreaming.

5.4.8 Export-Oriented Entrepreneurship Development (CE-4. h)

Entrepreneurship development is vital for the growth of an economy since it increases wealth creation, encourages innovation and balances development between regions and sectors. Similarly, the export-oriented entrepreneurship is essential for infusing fresh blood into the body of exporting enterprises. Ministry of Commerce will formulate export-oriented entrepreneurship development programme in collaboration with Small and Medium Enterprises Development Authority (SMEDA) and TDAP along with sector specific entrepreneurship development support from international development agencies with detailed implementation and monitoring plans.

5.4.9 Standards (CE-4.i)

The government will support national standard body to participate in international standard development activities of ISO, IEC, OIML, SMIIC and SARSO, to ensure the interest of national enterprises and their integration globally. Assistance will be provided for compliance with quality standards through accreditation/certification as per relevant national and international standard. Initiatives will be formulated in collaboration with Intellectual Property Organization (IPO) and Federal Board of Revenue (FBR) for integrated and efficient intellectual property enforcement and management in the country.

5.4.10 Social and Environment Compliance & Sustainable Development (CE-4. j)

As a result of more awareness in the general public, adherence to social and environment -friendly standards are gaining an increasing importance in the modern global business and trade environment. Compliance with international legislation pertaining to social and environment standards often places on all the parties involved in the supply chain of the export-oriented industries some mandatory compliance requirements. These requirements are also used as Non-Tariff Barriers (NTBs) which restrict our market access and market penetration of the developed countries. Compliance with international social and environmental standards will not only result in enhanced market access for Pakistani products but will also improve the local business and industrial environment in the long run. To this effect the Ministry of Commerce will develop a support mechanism for export-oriented industries. Government will provide support for the establishment of common combined effluent treatment plants and air bag house fitters on

stacks/chimneys for protection of public health and environment with support of the respective provincial governments. Special emphasis will be given for promoting emission-reduction; by upgrading industrial processes and technologies. Moreover, Cleaner Production Strategies will be encouraged in the industrial sector by making more efficient use of inputs such as energy, water and raw materials.

Our planet cannot sustain the exploitation of its resources for ever increasing needs of a population expanding at a historically unprecedented rate. Pakistan is now the 5th populous country in the world. It is imperative to use the resources for development goals in a responsible manner. Pakistan has already started implementation of sustainable and environment friendly development policies. Instead of Linear Economy, a Circular Economy approach creates value with minimum wastages. Government has already taken initiatives like Electric Vehicles (EVs) Policy, the Alternative and Renewable Energy (ARE) Policy 2020 with aim of bringing shift in transportation and increasing the share of ARE in total power supply to 30% in 2030. These efforts will prevent the irresponsible use of resources in pursuing poverty reduction and national development goals. Ministry of Commerce will provide support in technology upgradation, establishment of recycling plants, sustainable and responsible resource utilization in the export-oriented sectors of the economy. This will not only lead to better image building and productivity but will also add more value for a highly competitive international market.

5.4.11 Sectoral Roadmap (CE-4. k)

Textiles sector has been the major sector where exports of Pakistan are concentrated. In view of this two Textiles Policies have already been issued focusing the growth and development of the specific sector. Ministry of Commerce is already working on 3rd Textiles Policy and 1st E-Commerce Policy. Ministry of Commerce will also work on more sectoral policies covering the sectors such as rice, leather, engineering goods, chemicals and horticulture. The sector specific councils along with other relevant stakeholders will be tasked to come up with proposals for formulation of sector specific policies.

Textile Policy

Pakistan is the 5th largest cotton producing country in the world; however, this comparative advantage needs to be fully translated to become one of the major textiles exporting country in the international market by value-addition of textile products. In tandem with STPF, the 3rd Textile and Apparel Policy 2020-25 is also being launched by the Ministry of Commerce. The Policy is aimed at utilizing the potential of home-grown cotton augmented by Manmade Fiber / Filament to boost value-added exports and become one the major players in global textile supply chain. The Textile sector will be provided a conducive business environment; consistent, predictable and foreseeable measures will be taken to create a level playing field for the domestic and export-oriented textiles value chains. The Textile and Apparel Policy 2020-25 proposes initiatives to tackle the immediate issues arising from pre/post COVID-19 international trade scenario and undertake measures to address the long-term problems. It will also attract domestic and foreign investment in textiles value chains and development of value-added sectors.

Multiple steps will be taken under Textile and Apparel Policy 2020-25 to accomplish Pakistan's vision of becoming a leading textile products exporter in the world, such as: keeping energy pricing consistent, regionally competitive and rationalized among provinces; automation of refund mechanism and continuous simplification of procedures to the satisfaction of SMEs; launching new Technology Upgradation Fund Support Scheme to attract rapid investment in each stage of textile values chain specially in value added sectors; review of Export Financing Facility Scheme of the SBP and allocation of additional funds; facilitation of the international buying houses to re-open their offices in Pakistan and hold of TEXPO on yearly basis, instead of holding it on alternate years. A special focus group will be constituted comprising academia and manufactures to formulate a special strategy and propose measures to introduce the 4th Generation Industrial Revolution in the areas of Textile.

Ministry of Commerce will provide necessary resources for the implementation of the Textile Policy 2020-25 so that Pakistan fully benefit from its comparative advantage in Textile sector.

E-Commerce Policy

While moving towards the goal of digital transformation, Pakistan announced its first ever e-Commerce Policy, prepared by Ministry of Commerce, on 1st October, 2019. The Policy aims to provide a launching pad to Pakistan's e-Commerce market and its exports, while proving to be a driver of youth empowerment and employment generation through digital connectivity. Moreover, it will empower the women entrepreneurs in Pakistan and encourage the Micro, Small and Medium enterprises to play their role in economic prosperity of Pakistan. It will also be a tool for export enhancement through connecting with global e-Commerce platforms.

Under this Policy, a high-powered National E-Commerce Council (NeCC) is constituted at the Federal and the Provincial levels for proper and effective implementation of the e-Commerce Policy. The NeCC will focus on priority areas and targets related to e-Commerce including developments related to international e-platforms such as Amazon, proper implementation of WTO regulations on e-Commerce, consumer protection, cross border e-commerce exports, taxation laws, financial inclusion, digital payments and data protection etc. The Policy presents an opportunity to bring SMEs especially women entrepreneurs and youth in the mainstream and connect them with Pakistani as well as international markets through online platforms. An e-Commerce business facilitation hub will be created, by ensuring facilitation for free-lancers, e-Commerce initiatives and startups through effective coordination with SECP, FBR and SBP. Pak e-SME program will be initiated to identify, train, enable and connect 50,000 e-SMEs of the remote areas of Pakistan to online market places for promoting e-Commerce. An e-Commerce Aggregator will be developed with Public Private Partnership to show-case e-Commerce companies of Pakistan to the world. The existing Federal and Provincial consumer protection laws are being amended to adequately address consumer disputes arising through e-Commerce Platforms. Consumer Protection will be ensured through proper implementation of the Code of Conduct by e-Commerce Platforms. e-Courts will be established for

quick processing of consumer cases and their disposal in an efficient and effective manner. To promote financial inclusion and digitization, efforts will be made to convert all Cash-on-Delivery (COD) payments into e-Payment preferably within 10 years. Availability of international payment gateways in Pakistan will also be ensured. All government procurements and transactions will be shifted to e-Procurement and online payment systems within three years. Provincial Revenue Authorities will harmonize their GST collection system to avoid double taxation for e-Commerce Platforms. Availability of quality IT infrastructure, Data Protection Law and Cloud policy are being developed by the Ministry of Information Technology and Telecom to facilitate this transformation.

Pakistan is on a stronger footing now with the e-Commerce Policy in hand and Ministry of Commerce will allocate requisite resources for the implementation of the Policy which has become even more relevant in the wake of COVID-19 pandemic situation around the globe, driving nations to transition to electronic modes of transactions both domestically and internationally.

Support to National Small Medium Enterprise Policy-2020

Small and Medium Enterprises (SMEs) have been playing a very critical role in the development of national economy, be in GDP growth or employment generation. There are approximately 5.23 million SMEs across the country and their collective contribution to national GDP is 40%; besides, these SMEs are providing employment to around 65.50 million labor force and have 25% share in country's exports. In the backdrop of this increasing relevance of SMEs for acceleration of national economic activity and enhancing exports, Ministry of Industries and Production through SMEDA has undertaken research and sector analysis to form the basis of National Small and Medium Enterprises Policy-2020. The exercise will include, data analysis, public and private sector stakeholders' consultations, review of international best practices etc.

The upcoming National SME Policy-2020 will involve major overhauling to mainstream and boost SMEs through simplifying regulatory environment for SMEs. Furthermore, fiscal and tariff measures will be undertaken to warrant separate and distinct treatment of SMEs. Under the proposed National SME Policy, both supply and demand sides' challenges being faced by SMEs will also be addressed.

Through the STPF-2020-25, the Ministry of Commerce, in coordination with relevant organizations, will extend requisite supports and technical expertise for affective implementation of National SME Policy with the objective to improve business and regulatory environment, strengthen entrepreneurial ecosystem and institutionalize SME support.

Agricultural Growth Development

Being the backbone of Pakistan's economy, agriculture plays a pivotal role in Pakistan's economy. Contributing almost 21% to the GDP and employing 45% of Pakistan's workforce²¹, agricultural growth and development has a very significant and important role in Pakistan's economic and financial sustainability.

The Ministry of Commerce in collaboration with Provincial Government Authorities, along with the support of the related private sector stakeholders, will work towards the mechanization of the agriculture sector, starting with rice as a pilot project. The reason for selecting rice is that rice output is three times Pakistan's consumption which makes rice 10 percent of national exports. Exporters report further space in global markets for rice grown in Pakistan if yields can be increased at farms. Improved seed is being used by farmers in many rice cultivation areas but mostly without mechanization. This mechanization can rapidly increase yields per acre which makes Pakistan's rice more globally competitive as well. Interventions in such sectors are intended to encourage a higher yield per acre through usage of better variety of seeds, modernizing planting and harvesting techniques. Soil treatment, seeds variety, fertilizers and water management will be given priority in formulating initiatives. Furthermore, the issues concerning logistics such as storage facilities and development of cold chains will be given due attention for reducing post-harvest losses of the farmers. This would lead to an enhancement of productivity of both the farmer and the industry and consequently towards a higher export surplus. Additionally, E-Agriculture initiatives in collaboration with Ministry of National Food Security & Research will compliment value addition and enhanced farm income opportunities.

Cotton is the major commercial crop and availability of cotton has played an important role in the development of complete textiles value chain in Pakistan. Ministry of Commerce in collaboration with Ministry of National Food Security and Research will facilitate to attract international/domestic seed companies to introduce latest seed technology, reduce cost of production, and extend support for Better Cotton Initiative (BCI) and Organic Cotton. Further, Ministry of Commerce in consultation with the stakeholders will introduce the quality/grading-based cotton marketing mechanism.

Services Sector Development

Services sector is largest and fastest growing sector of world economy, its value was US\$13.3 trillion in 2017²², accounting largest share in total output and employment in most developed countries. Its share in global trade has increased from 9% in 1970 to 20% and is likely to be one third of the world trade by 2040. Distribution services and financial services constitute 40% of the services trade. There is 10% growth

²¹ Economic Survey of Pakistan

²² WTO World Trade Report 2019-The future of Services

in the developing countries share of services trade in the recent years, leading to global exports share of 25% and global imports share of 34%. According to WTO projections developing countries share would further increase in services trade around 15% by 2040. The four major trends are likely to affect services trade a) Digital technologies, b) Demographic changes, c) Rising per capita income, d) Climate change. The sector accounts for a significant and rising share in cross-border trade and foreign direct investment and gives more export opportunities for services suppliers and lower costs for imported services. It is expected that rising trend of services sector would continue, to gain more and more importance through advancement in the area of knowledge based and skill-oriented activities. In case of Pakistan, the shares of services are increasing in all sectors of economy over the period. Services sector accounts for 60 percent of GDP and little over one-third of total employment. Services sector has strong linkages with other sectors of economy; it provides essential inputs to agriculture sector and manufacturing sector. Services sector contributes the major share in the economic activity of Pakistan.

In the light of ever-increasing growth of services sector in the economy of Pakistan, priority services areas have been identified to complement efforts made by the Ministry of Commerce. The priority services sectors include:

- Information / Digital Technology
- Logistics, Transport, Distribution and
- Tourism

Relevant organizations will be urged to come up with definite proposals on prioritized services sectors and identify targeted policy interventions which will be required to give impetus to these sectors. Ministry of Commerce will conduct a comprehensive exercise in consultation with the concerned Ministries/Divisions for determining the export projections of services sectors in order to have a holistic export profile of Pakistan.

5.4.12 Trade Development Authority of Pakistan (CE-4. I)

The Trade Development Authority of Pakistan (TDAP) is mandated to holistically enhance and develop Pakistan's exports. The organization has undergone a restructuring program and new divisions have been created on the basis of sectors in order to reinvigorate the efforts to develop the export oriented sectors of Pakistan. TDAP will be tasked to formulate and implement sector specific marketing plans for the priority sectors identified in STPF 2020-25 and will also serve as a secretariat for the proposed sectoral councils. Trade Facilitation Units (TFUs) will be established in TDAP with the aim to map the steps and procedures required to import and export goods from Pakistan and for dissemination of information to the business community. TDAP, with the support of other relevant agencies will launch a user friendly and well-defined one-window Digital Trade Portal (website) offering comprehensive and up-to-date data about different aspects of business to the interested trade entities. In collaboration with the MoC, TDAP will also focus on development of an E-portal/marketplace for supporting the development of local as well as international marketing by private sector in Pakistan and will support firms' participation in virtual

exhibitions due to COVID-19 pandemic. Women Entrepreneur Facilitation desks will be created at TDAP offices for supporting women entrepreneurs. For facilitating Domestic Commerce and the formulation of provincial export development plans in line with the STPF, the regional offices of TDAP in the provinces will act as linkages between MoC and the relevant Provincial departments.

5.4.13 Domestic Commerce (CE-4. m)

Domestic commerce is the key to economic growth, developing sophisticated and high value-added products with a potential to accelerate export growth. The state of domestic commerce is the deciding factor what will be produced and traded internally and externally in an economy. It is essentially about developing domestic markets to facilitate local exchange and consumption. Recognizing this very weak linkage and lack of any institutional arrangement to pursue the objective of promoting domestic commerce, Domestic Commerce Wing was established in July 2013 in Ministry of Commerce for domestic commerce reforms and development in collaboration with other ministries, provincial and local governments, in pursuance of the Strategic Trade Policy Framework (STPF) 2012-15.

The Domestic Commerce Wing/Product Wings, among other things, are performing multiple functions such as: examination of post-18th constitutional amendment scenario with the aim to develop domestic commerce and devise a workable strategy; engagement with government agencies and trade bodies to identify problem areas of domestic commerce; identification of bottlenecks on major sub-sectors of the domestic commerce like transportation, supply chain, retail, marketing, financing, and investment, capacity and skill development, product development; identification of areas of policy, legislation, frameworks and bye-laws needing revamping and reforms; conducting surveys & studies to monitor the state of Domestic Commerce and devising ways and means to improve the same and publishing annual Domestic Commerce report. Domestic Commerce Reform and Development Committee (DCRDC), comprising of Commerce Minister as its chairman and Secretary Commerce, CEO TDAP, and Commerce Ministers of all the four Provinces, AJK and Gilgit Baltistan as members, has been established in February 2015. The Committee is mandated to oversee the introduction of necessary laws and regulations and institutional arrangements to develop Domestic Commerce in Pakistan and strengthen the linkages of domestic commerce with Pakistan's international trade.

Under STPF 2020-25, special focus will be laid on the Domestic Commerce Wing/Product Wings to further improve its performance output. This is intended in a two-pronged strategy whereby on one side is the collaborative effort at the federal and provincial levels to evolve a consensus based regulatory framework for the major components of Domestic Commerce i.e., logistic, warehousing, storage, networking, sourcing and importantly the e-commerce. This would be supplemented by the development of a facilitative environment with fiscal support to trade and industry as an enabler area.

On the other hand, and in parallel with the regulatory framework development, is the linkage of the small and medium private sector entrepreneurs at the lowest retail sector with E-Commerce. Plans are

underway to encourage a participatory effort by the private sector in both agriculture as well as trade and industry at wholesale and retail levels to partner on an E-Commerce ecosystem so as to enhance not only their sales, but also documentation of the economy. Clubbed with the private sector facilitation on the regulatory and fiscal side, it is expected that these focused interventions would lead towards strengthening the supply side for the local as well as export markets.

In collaboration with the TDAP, the Commerce Ministry would also focus on development of an E-portal/marketplace for supporting the development of local as well as international marketing by private sector in Pakistan. Furthermore, the Ministry of Commerce, in collaboration with all the stakeholders will formulate National Domestic Commerce Policy. In this regard, the MoC has already initiated consultation process with the key stakeholders.

6. Post COVID-19 Export Strategies

The COVID-19 (coronavirus) pandemic has exponentially spread across the globe since late December 2019. Experience with similar diseases reveals that while the human costs are significant, the bulk of the economic costs are due to the preventive behavior of the individuals and the transmission control policies of governments. As the virus spread internationally, many countries have already taken or will eventually take action to limit the spread, through social isolation policies, such as shutting educational institutions, limiting work and restricting the mobility of people and preventive measures for industries as well. These preventive actions have had an immediate and significant impact on all economies. Different countries are responding differently to curtail the threat of COVID-19 and the situation is evolving into disruptions of global supply chains. The Ministry of Commerce will chalk out a mechanism to support Pakistan's export-oriented industries which have adversely been affected by COVID-19 pandemic through regulatory and fiscal measures and ensure that the adverse effect of Covid-19 on Pakistan's industry (both domestic and export related) is mitigated to the maximum possible limits possible.

Like other countries in the world, Pakistan has also faced the economic shock caused by the coronavirus and the country's exports have been hit hard. However, Pakistan's industrial sectors have shown resilience and bounced back impressively by capitalizing on the opportunities in the wake of COVID-19 pandemic. With the aim to support the local business community in these trying times of global economic slowdown, the Ministry of Commerce, through the STPF-2020-25, will focus on policies and actions to recover stronger and better as the COVID-19 crisis decreases.

The post-COVID-19 scenario will provide a perfect opportunity to increase the local exports to the international markets under the "Make in Pakistan". The initiative's success relies heavily on the ability of Pakistani producers to access raw materials and intermediate inputs at world prices through elimination of tariffs, regulatory duties, and additional customs duties on inputs. Therefore, under the STPF, targeted tariff rationalization of raw materials and intermediate goods will be done so that the local manufacturing base

cashies on this opportune time to be part of global value-added supply chains. By implementing the initiatives envisioned under STPF, the industry will be fully equipped to exploit the economic and trade opportunities expected in the wake of the post COVID-19 pandemic to increase market share of locally produced products in global potential markets.

Business processes are changing and bringing out new opportunities, new products, and new ways of thinking. Under the STPF, emphasis has been laid on exploiting the huge opportunities of increasing exports in the health and safety products like personal protective equipment (PPE). Many textile and apparel firms have adapted quickly to the COVID-19 crisis and shifted their production to face masks and shields for healthcare providers and frontline workers at home and abroad. Likewise, all sectors of the economy, including textile, non-textile, and agriculture and engineering sectors are being focused to build the export potential of the country in the coming years.

Taking stock of fast-changing reality and increased relevance of e-Commerce in COVID-19 backdrop, online marketing and regulatory information platforms will be established to help exporters harness its potentials as envisioned under the e-Commerce policy. In addition to that, since testing standards and certifications are non-negotiable in global markets, necessary help will be extended to the local firms enabling them to comply with international standards and securing the right certifications to make inroads into the world markets. It will be made sure that online information about standards requirements and certifications are made available to support the country's exporters to comply with them.

On the other hand, the opportunities associated with the Pandemic will be explored where exports can be enhanced in the emerging high demand products. Incentives will be formulated to enhance the production of high demand products and facilitate their exports to the world.

7. Tasks Envisaged under STPF Already Completed

The Ministry of Commerce, right before the outbreak of COVID-19 pandemic, was in its final stages to formulate its Strategic Trade Policy Framework 2020-25 (STPF); however, the crisis-like situation at the global stage necessitated drastic changes and amendments in the STPF by factoring in emerging international developments. It also required fresh consultation with the business community for devising a strategy best-suited to the changing global trade environment. Therefore, the Ministry of Commerce restarted its consultation process with the public and private sector stakeholders in year 2020 and 2021 and in the light of feedback received from the stakeholders, the STPF was overhauled in an effort to bring it in conformity to the new normal. A number of tasks which were originally envisaged under the STPF 2020-25 were simultaneously being pursued and many of these have already been completed during this period. Furthermore, the Ministry of Commerce has already initiated work on the development of detailed strategy documents of ten priority sectors selected under STPF 2020-25. Detail of the tasks completed during the said time is at **Annex-F**.

8. ANNEXURES

Estimation specification, relevant elasticities and scenario assumptions

(Refer Section 4.4)

The export projections are based on an empirical analysis to determine elasticities of aggregate merchandise exports with respect to relevant variables in Pakistan. The variables that have been employed for this estimation include world income and real exchange rate from the demand side and Pakistan's income and relative export-to-domestic price from the supply side. The present study employs the autoregressive distributed lag (ARDL) model subject to the existence of a long run relationship between the variables to determine elasticities. The demand and supply equations of exports are estimated separately and then solved simultaneously to derive the reduced form. Once the elasticities are obtained, they are used to forecast Pakistan's aggregate export performance on the basis of three scenarios from 2019-20 to 2024-25. The scenarios differ in terms of competitiveness; higher competitiveness implies lower cost of production and hence lower inflation rates. Higher the competitiveness, higher the exports.

The export demand function (Equation 1) and export supply function (Equation 2) can be expressed as:

$$X_t^D = f\left(YW_t, \frac{ER_t * PW_t}{UVX_t}\right) \quad \text{Equation (1)}$$

$$X_t^S = g\left(Y_t, \frac{UVX_t}{PD_t}\right) \quad \text{Equation (2)}$$

where

X_t^D is the demand for Pakistan's aggregate exports of goods in time period t ; X_t^S is the supply of Pakistan's aggregate exports of goods in time period t ; YW_t is world income; Y_t is Pakistan's income; ER_t is the Pakistani rupee against US dollar exchange rate; PW_t is the world price index considered as Pakistan's competitor price; UVX_t is the price of Pakistan's export, or the unit value of export; and PD_t domestic price level in Pakistan.

Solving equations (1) and (2) simultaneously for X and UVX yields the reduced form. The reduced form for exports is

$$X_t = \varphi(YW_t, Y_t, ER, PW_t, PD_t) \quad \text{Equation (3)}$$

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The study uses time series data from 1980-81 to 2018-19 and all variables are taken in real terms. Data has been sourced from World Development Indicators, State Bank of Pakistan, Pakistan Bureau of Statistics and Ministry of Finance's Pakistan Economic Survey. The world price index is constructed as an export-weighted average of unit export price of selected competitor countries of Pakistan including India, Bangladesh, Cambodia, Vietnam, Indonesia, Malaysia, Mexico, Philippines, Thailand, Korea, Egypt and Hong Kong. Countries have been chosen for their similarity in export basket composition and their 60al proximity to Pakistan, which makes them potential competitors.

The Bounds test is utilized to check for the presence of co-integration. The results of the Bounds test show that a long run relationship exists in both the export demand as well as export supply functions. For export demand, the F-statistic is 6.94 (significant at 1%) and for export supply, the F-statistic is 3.43 (significant at 10%). Co-integration techniques are recommended for time series data, therefore, the autoregressive distributed lag (ARDL) approach is adopted. The econometric form of the export demand and supply equations (1 and 2, respectively) can be expressed as follows:

$$\ln X_t^D = \alpha_1 + \alpha_2 \ln YW_t + \alpha_3 \ln ER.PW_t - \alpha_3 \ln UVX_t + \varepsilon_{D,t} \quad \text{Equation (4)}$$

$$\ln X_t^S = \beta_1 + \beta_2 \ln Y_t + \beta_3 \ln UVX_t - \beta_3 \ln PD_t + \varepsilon_{S,t} \quad \text{Equation (5)}$$

The ARDL representation for export demand is given by

$$\begin{aligned} \Delta \ln X_t^D = & \lambda_0 + \sum_{i=0}^a \lambda_{1i} \Delta \ln YW_{t-i} + \sum_{i=0}^b \lambda_{2i} \Delta \ln ER.PW_{t-i} - \sum_{i=0}^b \lambda_{2i} \Delta \ln UVX_{t-i} + \\ & \sum_{i=1}^c \lambda_{3i} \Delta \ln XD_{t-i} + \theta_1 \ln XD_{t-1} + \theta + \theta_2 \ln YW_{t-1} + \theta_3 \ln ER.PW_{t-1} - \theta_3 \ln UVX_{t-1} + \xi_{D,t} \end{aligned} \quad \text{Equation (6)}$$

Where,

$$\theta = -\theta_1 \alpha_1; \quad \theta_2 = -\theta_1 \alpha_2; \quad \theta_3 = -\theta_1 \alpha_3$$

Here, Δ is the difference operator; the λ terms represent the short run effects while θ represents the long run effects. The error term from Equation (4) has been nested into Equation (6).

Similarly, the export supply function from Equation (5) can be transformed as follows:

$$\begin{aligned} \Delta \ln X_t^S = & \gamma_0 + \sum_{i=0}^m \gamma_{1i} \Delta \ln Y_{t-i} + \sum_{i=0}^n \gamma_{2i} \Delta \ln UVX_{t-i} - \sum_{i=0}^n \gamma_{2i} \Delta \ln PD_{t-i} + \sum_{i=1}^p \gamma_{3i} \Delta \ln XS_{t-i} + \\ & \delta_1 \ln XD_{t-1} + \delta + \delta_2 \ln Y_{t-1} + \delta_3 \ln UVX_{t-1} - \delta_3 \ln PD_{t-1} + \xi_{S,t} \end{aligned} \quad \text{Equation (7)}$$

Where,

$$\delta = -\delta_1 \beta_1; \quad \delta_2 = -\delta_1 \beta_2; \quad \delta_3 = -\delta_1 \beta_3$$

Equations 6 and 7 are estimated to obtain short and long run coefficients. Once these models are estimated, the parameter estimates of long run export demand and supply functions (Equations 4 and 5) can be retrieved. The next step is to obtain the estimates of reduced form parameters, which can be done by solving the long run export demand and supply functions simultaneously (setting $X_t^D = X_t^S$) for X and UVX. The reduced-form equation for X is given by:

$$\ln X_t = \pi_0 + \pi_1 \ln YW + \pi_2 \ln Y_t + \pi_3 \ln (ER_t.PW_t) + \pi_4 \ln PD_t + \varepsilon_{R,t} \quad \text{Equation (8)}$$

The reduced form parameters in this equation are the combinations of structural parameters

$$\pi_0 = \frac{\alpha_1 \beta_3 + \alpha_3 \beta_1}{\alpha_3 + \beta_3}; \quad \pi_1 = \frac{\alpha_2 \beta_3}{\alpha_3 + \beta_3}; \quad \pi_2 = \frac{\alpha_3 \beta_2}{\alpha_3 + \beta_3}; \quad \pi_3 = \frac{\alpha_3 \beta_3}{\alpha_3 + \beta_3}; \quad \pi_4 = -\frac{\alpha_3 \beta_3}{\alpha_3 + \beta_3}$$

Tables 1 and 2 show the long run elasticities for the export demand and export supply functions respectively.

Table 1: Long run Elasticities of Exports Demand Function

Independent Variable	Long run Elasticity
lnYW	1.674*** (20.73)
lnRER	2.444*** (6.267)
C	-26.84*** (-9.297)
Error Correcting Coefficient	-0.537*** (-5.67)

Note: t-statistics are provided in parentheses. Asterisk superscripts show the level of significance; *** represents 1%, ** represents 5% and * represents 10%.

A 1% increase in world income will lead to 1.67% increase in the level of exports while a 1% increase in the real exchange rate will lead to an increase of 2.44% in exports. The co-integrating coefficient has a value of -0.537, which indicates moderate adjustment towards the equilibrium path following any random shocks.

Table 2: Long run Elasticities of Exports Supply Function

Independent Variable	Long run Elasticity
lnY	1.321*** (4.617)
lnRP	1.534* (1.524)
C	-12.09* (-1.582)
Error Correcting Coefficient	-0.498*** (-4.097)

Note: t-statistics are provided in parentheses. Asterisk superscripts show the level of significance; *** represents 1%, ** represents 5% and * represents 10%.

A 1% increase in Pakistan's GDP leads to 1.32% increase in exports from the supply side. Relative price (RP) is significant at the 10% level and has an elastic and positive relationship with exports. The error correcting coefficient reported here is within the appropriate range, which implies the model is stable and robust.

Future values for the independent variables are projected. These values along with reduced form long run elasticities are then used to construct the forecast value of exports of goods.

Scenario 1: The following assumptions are made for export projections under the first scenario:

- World GDP Growth is -4% in FY 2019-20, followed by 2% in FY 2020-21, 6% in FY 2021-22, 4.4% in FY 2022-23 as per IMF forecasts²³ and following CAGR until FY 2024-25.
- Pakistan's GDP Growth is -0.50% in FY 2019-20 (as given by Government of Pakistan), followed by 3.92% in FY 20-21, 4.8% in FY 21-22, 5.2% in FY 22-23, 5.5% in FY 23-24 and 5.8% in FY 24-25.

²³ [IMF World Economic Outlook](#) for April 2021

- Exchange rate is 158 PKR/USD in FY 2019-20 (as per Pakistan Economic Survey), 159.4 in FY 20-21 (based on current value) and then remain stable at 160 until FY 2024-25.
- Pakistan's Domestic Price increases by 10.8% in FY2020-21, 8% in FY 2021-22 and then following CAGR (6.5%) until FY 24-25.
- World Price (Export weighted average of Pak competitors) declining by 2% in FY 2019-20 (on account of falling petrol prices and general deflation across the world), increasing by 4.9% in FY 2020-21 and then following CAGR until FY 24-25.

Scenario 2: The second scenario is built under the assumption that Pakistan would be able to reduce its cost of production and become a more competitive player in the global market. The assumptions developed for Scenario 1 are carried forth in Scenario 2, except the assumption regarding domestic prices. Scenario 2 is developed on the following assumption on domestic prices:

- Pakistan's Domestic Price increases by 8% in FY20-21, 6.5% in FY 21-22 and then by 6% until FY 24-25. Efforts by the National Tariff Commission to reduce tariff will contribute to improved competitiveness (tariff down by 1 percentage point in FY 19-20).

Scenario 3: The third scenario is built under the hope that a further increase in competitiveness may be achieved. Under Scenario 3, all assumptions remain the same as the previous two except for domestic prices. Scenario 3 assumes:

- Pakistan's Domestic Price increasing by 7.2%²⁴ in FY20-21 and then increasing by 5.5% until FY 24-25. Further efforts to bring down tariff will contribute to this.

²⁴ Despite rising inflation in FY 2020-21, Government of Pakistan continued to provide concessionary energy tariffs, DLTL and rationalized tariff on inputs which has helped lower the cost of doing business for export sector, therefore this assumption is plausible.

8.2 ANNEX-B

Targets for Key Priority Factors of Competitiveness (Refer Section 4.4)

Sr. No.	Competitiveness Priority Factors	Target & Current status	Targets				
			2020-21	2021-22	2022-23	2023-24	2024-25
1	Ease of Doing Business (EoDB)	Improve Distance to the Frontier score Current score 60.91	62	64	66	68	70
2	Tariff Rationalization and Simplification (under National Tariff Policy)	Reduce Simple Average Tariff Current Tariff (CD+RD+ACD)	CD /dispersion (12.6)/ (15.4) RD+ACD (8.16)	CD/dispersion (11.97)/ (14.6) RD+ACD (7.47)	CD/dispersion (10.77)/ (13.2) RD+ACD (6.83)	RD+ACD (6.25)	RD+ACD (5.67)
3	Ease of Financing	Easy Financing Current status	LTFF @5% EFS @ 3%	LTFF @5% EFS @ 3%	LTFF @5% EFS @ 3%	LTFF @5% EFS @ 3%	LTFF @5% EFS @ 3%
4	Trade Facilitation	Implementation of Trade Facilitation Agreement (TFA) Category C Commitments Status	1.Advance Rulings 2.Average Release Time 3.Authorized Economic operators	1. Further Trade Related info. Through internet 2.Expedited Shipments	Single Window	-	Border Agency Cooperation
5	Increased Utilization of Export Facilitation Schemes (EFS), especially for SMEs.	Currently, between 5-6% of exporters utilize these schemes because of difficult compliance mechanism.	-	20% of total exporters utilizing EFS schemes.	30% of total exporters utilizing EFS schemes.	40% of total exporters utilizing EFS schemes.	50% of total exporters utilizing EFS schemes.

Sector Wise Export Projections (Refer Section 4.4)

Scenario 1: Sector-Wise Export Projections (\$ Millions)					
	2020-21 (E) ²⁵	2021-22	2022-23	2023-24	2024-25
Traditional Sectors					
Value Added Textiles (Apparel, Made ups, & Carpets)	10,246	11,418	12,955	14,251	15,841
Textiles	2,979	3,064	3,209	3,258	3,343
Leather	700	723	759	773	796
Surgical Instruments	372	413	466	510	564
Rice	1,775	1,856	1,975	2,038	2,124
Sports Goods	171	180	192	200	209
Cutlery	73	77	83	87	92
New Strategic Sectors					
Engineering goods (includes final vehicles)	145	138	134	126	120
Pharmaceutical products	231	261	300	335	378
Auto parts	55	60	67	72	79
Processed Food & Beverages	713	800	915	1,015	1,137
Chemicals	201	218	242	260	282
Gems and Jewelry	19	15	12	9	7
Footwear	109	120	134	145	158
Meat & Poultry (unprocessed)	298	345	407	465	537
Fruits & Vegetables (unprocessed)	638	720	828	922	1,038
Sea Food (unprocessed)	351	391	442	486	539
Marble and Granite	23	25	27	29	31
Others	2,412	2,260	2,064	1,720	1,296
Total	<u>21,511</u>	<u>23,084</u>	<u>25,210</u>	<u>26,700</u>	<u>28,570</u>

²⁵ E stands for extrapolation on 11 months current year's export data

Scenario 2: Sector-Wise Export Projections (\$ Millions)					
	2020-21 (E)	2021-22	2022-23	2023-24	2024-25
Traditional Sectors					
Value Added Textiles (Apparel, Made ups, & Carpets)	11,384	13,432	15,514	17,374	19,661
Textiles	3,310	3,604	3,843	3,972	4,149
Leather	778	850	909	943	988
Surgical Instruments	414	485	558	622	700
Rice	1,972	2,183	2,365	2,484	2,636
Sports Goods	190	212	230	243	260
Cutlery	81	91	100	106	114
New Strategic Sectors					
Engineering goods (includes final vehicles)	161	163	161	154	149
Pharmaceutical products	256	307	359	408	469
Auto parts	61	70	80	88	98
Processed Food & Beverages	792	941	1,096	1,237	1,411
Chemicals	223	257	290	317	350
Gems and Jewelry	22	18	14	11	9
Footwear	121	141	160	176	196
Meat & Poultry (unprocessed)	331	406	487	567	666
Fruits & Vegetables (unprocessed)	709	847	991	1,124	1,288
Sea Food (unprocessed)	390	460	530	592	668
Marble and Granite	25	29	32	35	38
Others	2,680	2,658	2,471	2,096	1,609
Total	<u>23,901</u>	<u>27,154</u>	<u>30,190</u>	<u>32,550</u>	<u>35,460</u>

Scenario 3: Sector-Wise Export Projections (\$ Millions)					
	2020-21 (E)	2021-22	2022-23	2023-24	2024-25
Traditional Sectors					
Value Added Textiles (Apparel, Made ups, & Carpets)	11,738	14,397	16,947	19,354	22,328
Textiles	3,412	3,863	4,198	4,425	4,712
Leather	802	911	993	1,050	1,122
Surgical Instruments	426	520	609	693	795
Rice	2,033	2,340	2,583	2,767	2,994
Sports Goods	196	227	252	271	295
Cutlery	84	98	109	118	129
New Strategic Sectors					
Engineering goods (includes final vehicles)	166	174	175	171	169
Pharmaceutical products	264	329	393	455	533
Auto parts	62	75	87	98	111
Processed Food & Beverages	816	1,009	1,197	1,378	1,602
Chemicals	230	275	317	353	398
Gems and Jewelry	22	19	16	13	10
Footwear	125	151	175	196	223
Meat & Poultry (unprocessed)	342	435	532	631	757
Fruits & Vegetables (unprocessed)	731	908	1,083	1,252	1,463
Sea Food (unprocessed)	402	493	579	659	759
Marble and Granite	26	31	35	39	44
Others	2,763	2,845	2,700	2,335	1,827
Total	<u>24,641</u>	<u>29,100</u>	<u>32,980</u>	<u>36,260</u>	<u>40,270</u>

Sector Wise MoC's Export Targets

Sector-Wise Ministry of Commerce's Export Targets (\$ Millions)					
	2020-21 (A ²⁶)	2021-22	2022-23	2023-24	2024-25
Traditional Sectors					
Value Added Textiles (Apparel, Made ups, & Carpets)	11,955	15,474	19,342	23,984	30,940
Textiles	3,497	4,526	5,658	7,016	9,050
Leather	816	910	1,047	1,203	1,384
Surgical Instruments	434	540	621	714	821
Rice	2,037	2,037	2,343	2,694	3,098
Sports Goods	277	300	345	397	456
Cutlery	134	160	184	212	243
New Strategic Sectors					
Engineering goods (includes final vehicles)	166	174	200	230	265
Pharmaceutical products	270	400	460	529	608
Auto parts	62	70	81	93	106
Processed Food & Beverages	830	1,010	1,162	1,336	1,536
Chemicals	237	257	296	340	391
Gems and Jewelry	21	40	46	53	61
Footwear	132	151	174	200	230
Meat & Poultry (unprocessed)	338	435	500	575	662
Fruits & Vegetables (unprocessed)	740	900	1,035	1,190	1,369
Sea Food (unprocessed)	395	442	508	585	672
Marble and Granite	26	27	31	36	41
Others	3,239	3,350	3,853	4,430	5,095
Total	25,304	31,203	37,883	45,816	57,028

²⁶ Actual Exports figures for fiscal year 2020-21

ESTIMATED FINANCIAL OUTLAY STPF 2020-25 (Refer Section 4.8)

Value in Rs. Billion

Sr. No.	Key Enabler	Actionable Areas	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1	Competitiveness Enhancement	Productivity Enhancement (Technology Up-gradation Scheme; Improving entrepreneur human resource development and management efficiencies; Product Development Scheme; Supporting testing and international standard certification etc.)	2.0	2.2	2.4	2.6	3.8	13.0
		Enhancement of Quality of Products (Improvement of third-party certification bodies (CBs) services etc.)	0.04	0.04	0.05	0.05	0.06	0.24
2	Integration into Global Value Chains	Enhanced Market Access (Establishment of Negotiation Cell in Ministry of Commerce etc.)	0.05	0.04	0.04	0.03	0.03	0.19
		Export Diversification (Promoting penetration in the existing markets; Diversification into non-traditional markets; diversification within sectors, supporting innovation driven exports, etc.)	2.0	2.2	2.4	2.6	2.8	12.0
		Branding (Strengthening of national brand-building initiative; Support to firms in development and acquiring of brands etc.)	0.5	0.53	0.56	0.59	0.61	2.79
3	Export Ecosystem	Infrastructure Development, Institutional Strengthening, Standards Compliance, Social & Environmental Safeguards, etc. (Establishment and operationalization of the National Trade Facilitation Portal, Establishment of Trade Facilitation Units (TFUs) in TDAP; Institutional Strengthening; Improvement of National Quality Infrastructure (NQI); Support to National Standard Body; Support for establishment of common facilities; Agricultural growth development etc.	4.0	4.0	3.5	3.0	2.0	16.5
Total			8.59	9.01	8.95	8.87	9.3	44.72

STPF – SECTOR WISE ACTION MATRICES

Sector: Chemicals					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Tariff protection for naphtha and Coal feedstock sectors for manufacturing of chemicals.	Tariff Board to examine and consider the sectors for tariff rationalization	MOC (Lead Agency) /NTC	Finance Bill 2021
	Decrease in input Costs	Facilitation of non-traditional exporters to compensate for higher utility rates.	MOC and FBR to examine and consider the task force's recommendation for (i) inclusion of the chemical sector in the export rebate scheme under the STPF 2020-25 and (ii) to improve implementation of the SRO 711 DLT	MOC (Lead Agency)/ FBR	06-12 Months
Trade Related Investment	Enhancing Production Efficiencies & Product sophistication	Government support for large investment projects under the PPP e.g. coal and naphtha for producing chemicals and crackers	Formulation of supporting policies	BOI (Lead Agency)/ MOC/ Ministry of Industry & Production/ Provincial Departments	01 Year
Integration into GVC	Enhanced Market Access	Addressing Industry concerns on certain chemical products under phase-II of Pak-China FTA by imposing RD	To deliberate and propose a solution in consultation with industry	MOC (Lead Agency)/ Ministry of Industry & Production	06-12 Months
Export Eco System	Institutional Strengthening	Collection of anti-dumping duties (imposed by NTC) by customs at the import stage.	Further investigation of the matter and submission of report with recommendations.	MOC (Lead Agency)/NTC, FBR/Customs	06-12 Months
Sector: Cutlery and Utensils					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Protection of Domestic Industry	<ol style="list-style-type: none"> 1. Increase of RD on Cutlery (8211). Current Tariff: CD 20% ACD 7% RD 0% 2. Industry to identify various smuggling routes and type of smuggled goods 	MOC (Lead Agency)/	Finance Bill 2021

	Reduction in Cost of Doing Business	Review implementation of government's current export incentive schemes.	MOC to ensure effective implementation to facilitate the business community to avail the incentive.	MOC (Lead Agency)	06-12 Moths
		Streamline the process of export / import permits	MOC to develop user friendly, facilitative and less time-consuming SOP for importing/exporting wood handles (especially knife handles made of rosewood i.e. dalbergia sissoo)	MOC (Lead Agency)	06-12 Moths
Integration into Global Value Chains (GCVs)	Innovation Driven Exports	Facilitate the cutlery & utensils industry in technology up gradation.	Implementation of the recommendations of the study (available with TUSDEC and Ministry of Industries) for creating 'Common Facility Center.	Ministry of Industries & Production (Lead Agency)/ TUSDEC	06-12 Moths
Export Eco System	Trade Facilitation	i. Allocation of resources to TDAP ii. Exporters facilitation by TDAP	Submission of proposal for consideration of the EDF Board to allocate extra resources to TDAP in order: i. to facilitate cutlery & utensils exporters in showcasing their products in international exhibitions. ii. to facilitate shipment of exhibition material samples/goods particularly in China/Tukey where taking blades is not allowed in personal baggage or exhibitions.	TDAP (Lead Agency)/ EDF Board	06-12 Months
Sector: Engineering Goods (Electric Fans, Pumps, Transformers & Switch Gears)					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Improve tariff structure of machinery to reflect various components of power plants and capital equipment, to avoid importation of components and machinery under a single Product code	MOC and FBR to recommend a strategy and also include better defined HS codes	MOC (Lead Agency)/ FBR, MOI&P (EDB)	Finance Bill 2021
	Decrease in input Costs	Relaxing Qualification Criteria for Domestic players in smart metering projects	Relaxation of pre-qualification criteria to extend level playing field to domestic industry in smart metering projects	Ministry of Energy (Power Division) (Lead Agency)	06-12 Months
Integration into GVCs	Product Diversification & Value addition	Price Preference to local manufacturers for government procurement of engineering goods	To ensure proper implementation of "Price Preference" incentive to local manufacturers under SRO-827	PPRA (Lead Agency)/ MOC	06-12 Months
		Constitution of certification agency in the country as per internationally accepted standards	To enhance support, building upon the existing certification support initiatives in collaboration with PSQCA for accreditation issue	MOST (Lead Agency)/PSQCA /MOC	01 Year
		Compliance with International standards	Establishment of accredited lab in Pakistan to avoid higher costs (as high as \$300, 000) involved in accreditation from foreign labs	MOST (Lead Agency)/PSQCA /MOC	01 Year

Sector: Fisheries					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Rationalization of duties on machinery	Reduction in high duty on imports of machinery used by Fisheries Industry	MOC (Lead Agency)/MOIP	Finance Bill 2021
	Reduction in the Cost of doing business	Facilitation to aquaculture industry by provision of cheap or free land;	Land to be provided for aquaculture at attractive lease	Marine Fisheries Department/ Provincial Governments	06-12 Months
		Introduction of large-scale schemes at the Federal Level	Marine Fisheries Department to consider aquaculture policies;		
Integration into GVCs	Enhanced Market Access & Market Diversification	Facilitating Market access- China	Inclusion of 3 items not added in China-Pakistan FTA	MOC (Lead Agency)/Marine Fisheries Department	06-12 Months
	Product Diversification & Value addition	Utilization of Export Development Fund (EDF) for the development and promotion of the fisheries industry.	i. Industry to conduct and apprise of feasibility studies of projects that may be shared by the fisheries industry for better utilization of EDF. ii. EDF Board and MOC to allocate resources for support of industry.	MOC (Lead Agency)/ Marine Fisheries Department	06-12 Months
Export Eco System.	Trade Facilitation	Conformance with quality standards	Streamlining and simplification of the process of certifying fish processing	Marine Fisheries Department (Lead Agency)/PSQCA	06-12 Months
Sector: Food Processing (Dairy, Spices, Confectionary)					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Integration into GVCs	Product Diversification & Value addition	Conformance with quality standards	i. Formulation & harmonization of food quality standards at federal level to be implemented at the provincial level to achieve product standardization ii. Implementation of Minimum Pasteurization Law on a national level by a central food authority* *Only Punjab Gov't has passed Minimum Pasteurization Law, which will come into effect in July 2020.	PSQCA (Lead Agency)/MNSF &R	01 Year
Export Eco System	Trade Facilitation	<u>CONFECTIONARY</u> : Participation in International Trade Fairs	Allocation of extra funds to TDAP to facilitate exporters in international exhibitions	MOC (Lead Agency)/EDF	06-12 Months

Sector: Footwear					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in the cost of doing business	Simplification of procedure for availing DLTL Scheme-SRO 711	Consultation with the stakeholders and finalization of report for Effective implementation of MOC SRO-711 (DLTL)	MOC (Lead Agency)/ SBP	06-12 Months
Integration into GVCs	Product Diversification & Value addition	Product Development and provision of subsidy for R&D	Effective implementation of SRO-578 and SRO-579	MOC (Lead Agency)/SBP	06-12 Months
Export Eco System	Trade Facilitation	Increased participation in international trade fairs	Allocation of resources to TDAP to facilitate footwear exporters in showcasing their products in international exhibitions	MOC (Lead Agency)/EDF	06-12 Months
Sector: Furniture					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Increase in Labour & Enterprise productivity	Upgradation of technical training centers *Woodworking training centre by TEVTA (Govt. of Punjab), Furniture Pakistan by PIDC (Ministry of Industries) have state of the art machinery but lack funds and human resources to keep these operational.	Allocation of funds	MOC (Lead Agency)/NAVTEC, MoIP	01 Months
Export Eco-System	Trade Facilitation	Increased participation in international trade fairs.	Allocation of extra funds to TDAP	MOC(Lead Agency)/EDF	06-12 Months
Sector: Glass					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Curbing of smuggling *Tariff was studied and found appropriate	Conduct study on the impact of smuggled glass on the local industry (glass and others)	MOC (Lead Agency)/ NTC	06-12 Months

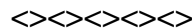
Sector: Horticulture					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Export Eco System	Trade Facilitation	Prompt clearance of export consignment	Increasing resources of Plant Protection Department (MNFSR) to facilitate and reduce time for clearance of exports, especially during peak season as the current situation causes serious wastage	MNFSR (Lead Agency)/MOC	06-12 Months
	Innovation Driven Exports	Support to Industry in tech upgradation & capacity building	Support in reducing incidence of uncompetitive and high lab testing charges compared to competitor countries	MNFS&R (Lead Agency)	06-12 Months
Integration into Global Value Chains (GCVs).	Enhanced Market Access & Market Diversification	Pak-India bilateral Trade	Elimination of the 200% MFN duty imposed by India on Pakistan's exports, (causing serious impact on exports of dried dates', amounted to \$90 million in the last year)	MOC (Lead Agency)	01 Year
Sector: Iron & Steel					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Introduce specific tariff classifications to differentiate between bare and coated pipes	Tariff Policy Board to examine the request, make separate classifications for bare & coated pipes & implement the agreed duty on coated pipes	MOC (Lead Agency)/NTC	Finance Bill 2021
	Reduction in the cost of doing business	Include steel products under DLT SRO 711	To consider the required inclusion in consultation with Industry	MOC (Lead Agency)/SBP	06-12 Months
Integration into GVCs	Product Diversification & Value addition	Effective implementation of price preference	To ensure proper implementation of "Price Preference" incentive to local manufacturers under SRO-827	PPRA(Lead Agency)	06-12 Months

Sector: Leather and Tanning					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Competitiveness Enhancement	Reduction in Cost of doing business	Inclusion of finished leather products in the DLTl list of products	MoC to reconsider the inclusion of following finished leather products in the DLTl scheme: (4107.1200, 4107.9200, 4107.9100, 4112.000, 4113.9000 & 4113.1000)	MoC (Lead Agency); SBP	06-12 months
Sector: Meat					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in the Cost of Doing Business	Classify meat as agriculture produce	Removal of 4% WHT on purchase of livestock* *Transactions are mostly cash based	MNFSR (Lead Agency)/FBR	06-12 Months
		Effective implementation DLTl- Scheme	Stakeholder Consultations and preparation of report with recommendations	MOC (Lead Agency)/SBP	06-12 Months
Integration into GVCs	Enhanced Market Access & Market Diversification	Enhanced Pak-China Bilateral Trade	To expedite the resolution of SPS / Quarantine issues to get permission from AQSIQ China. This will help meat exporters from Pakistan to take advantage of 0 rate take advantage from 0 rate under CPFTA Phase-II	MNFSR (Lead Agency)/MOC/ MOFA	01 Year
	Product Diversification and Value addition	Introduction of uniform regulations on meat producers by various departments	Holding of consultation with concerned department	MNFSR (Lead Agency)/ Provincial, District and Local municipal authorities	06-12 Months
Export Eco System	Trade Facilitation	Registration of the proposed Meat Processors Association	Facilitation in early processing of the application for licence	DGTO (Lead Agency)/MOC	06-12 Months

Sector: Pharmaceuticals					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Integration into Global Value Chains	Product Diversification	Review and adjustments of contribution of pharma companies to the Central Research Fund (CRF) for bio-equivalence studies. that costs the industry \$200k-300k for each study and give rebate of 1% to exporters for export amount realized through proceed realisation certificate * DRAP charges 1% of Profit Before Tax for CRF	MOC, DRAP, Ministry of Health to review CRF and devise a policy that facilitates the industry on following options: <ul style="list-style-type: none">- The contribution of each company for the year to the CRF to be adjusted with the total expenses of Bio-Equivalence studies carried out by the companies- A 1% rebate to be given to exporters through an adjustment of payable from the company's CRF of amount export amount realized through proceed realisation certificate	Ministry of Health (Lead Agency) MoC, DRAP	1 year
Export Eco System	Institutional Strengthening	Re-activation and institutional strengthening of Pakistan Drug Testing and Research Center (PDTRC)	Ministry of Health to provide funds to PDTRC and devise a policy that clearly limits local government intervention in PDTRC.	Ministry of Health (Lead Agency)	1 year
		DRAP registration with Pharmaceutical Inspection Co-operation Scheme (PIC/S)	DRAP and Ministry of Health to take up the matter as top priority for DRAP's registration	Ministry of Health (Lead Agency)	1 year
Sector: Poultry					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Competitiveness Enhancement	Decrease in input Costs	Amend SRO 711 (DLTL) to include additional Exportable products	MOC and SBP to alter SRO 711 to include following headings and remove the 10% increase requirement in the STPF 2020-25 <ul style="list-style-type: none">• 0105.1100 (live bird: chicken)• 0407.1100 (fertilized eggs of chicken)• 0407.2100 (fresh eggs of chicken)• 1601.0000 (sausages and prepared products)	MOC(LEAD AGENCY); Ministry of Finance & SBP	06-12 Months
Integration into Global Value Chains	Enhanced Market Access	Negotiate with Afghan Govt. to remove ban on the export of cull birds from Pakistan	Ministry Commerce to take up with Afghan Govt. under the Economic Working Group (EWG) of Afghan Pakistan Action Plan for Peace and Solidarity (APAPPS)	MOC (LEAD AGENCY), MOFA, FBR	06-12 Months

		Resolving issues related to GCC market	Coordination with host governments in getting access to GCC Poultry & meat market	MOC (LEAD AGENCY), MSFNR, MoFA	1 year
		Facilitation for export to Nepal	Coordination with Pakistan's mission in Nepal for facilitation of following products: 1. Day old chicks HS Code 0105.1100 2. Hatching eggs HS Code 0407.1100	MOFA (LEAD AGENCY), MOC (TDAP)	1 year
Sector: Sports Goods					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Competitiveness Enhancement	Reducing Cost of Doing business	Infrastructure cess charged @ 1% on exports by Provincial Government	To raise the issue in the Council of Common Interest (CCI) meeting for expeditious resolution.	MOC (Lead Agency)/ Ministry of Inter-Provincial Coordination	06-12 Months
Export Eco System	Trade Facilitation	Improved participation in trade fairs abroad	TDAP to be made more proactive in arrangements of exhibitions and trade fairs for SMEs	TDAP (Lead Agency)	1 year
Sector: Surgical Instruments					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Increase in Labor & Enterprise productivity	Upgradation of the training institutions	Allocation of sufficient funds for the Efficient operationalization of training institutes	MOC (Lead Agency)/ MOIP/NAVTT EC	06-12 Months
Sector: Tyres					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in the cost of doing business	Infrastructure cess charged @ 1% on exports by Government of Baluchistan	To raise the issue in the Council of Common Interest (CCI) meeting for expeditious resolution.	MOC (Lead Agency)/Ministry of Inter-Provincial Coordination	06-12 Months
		Incentivization of the Tyre industry	Amend SRO 711 (DLTL) to include Tyres industry in the list of beneficiaries	MoC (lead Agency)/SBP	06-12 months

Trade Related Investment	Efficiency Seeking Investment	Regulatory simplification	<ul style="list-style-type: none"> i. Simplification of the qualification criteria under both Greenfield and SEZ status. ii. Simplification of the approval process for awarding of Greenfield status for a single company which has an estate of greater than 50 acres and streamline and limit discretionary powers given to commissioner and EDB to demand documents to avoid delays. 	BOI (Lead Agency)/MOIP /EDG	06-12 Months
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8.6 ANNEX-F

Tasks Envisaged under STPF Already Completed

Sector: Chemicals					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Status
Competitiveness Enhancement	Decrease in input Costs	Revision of rates of repayments of duties under SRO 209 paid on the import of raw materials meant for exports. The current rate is considered very low.	MOC & FBR to work together for resolution of the matter.	FBR (Lead Agency) / MoC	Completed.
		Removal of anomaly i.e. <i>zero sales tax on imported chemicals for Export Oriented Units (EOUs), whereas full sales tax on the purchase of chemicals inputs from domestic sources</i> . It affects sourcing from domestic input suppliers as purchase have to go through refund process which is considered a hassle by the customer/EOU	FBR to remove the anomaly MoC to follow up	FBR (Lead Agency)/MOC	Completed.
		Allowing adjustment of input tax against unregistered buyers (harming the businesses, particularly paints businesses) by amending/removing section 73 of the new ordinance from FBR	FBR to consult the stakeholders (manufacturers, dealers, distributors) to devise a better mechanism/solution	FBR (Lead Agency)/MOC	Completed.
		Review of mechanism and policy formulation for determination of import values based on authentic global publications/benchmarks, etc.	FBR/Customs to define frequency to review all ITPs and use authentic publication/benchmarks to set them. *Industry association to share which global publication or benchmark to be used for ITP setting	FBR (Lead Agency)/NTC	Completed.
Sector: Cutlery and Utensils					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in Cost of Doing Business	Concessional financing for cutlery & utensils sector	Cutlery industry to be included in either of the 6 core categories or 14 developmental categories, eligible for LTFF schemes.	SBP (Lead Agency)	Completed.

Integration into Global Value Chains (GCVs)	Innovation Driven Exports	Review SME definition to extend the status of SME to all large cottage industries.	SBP to include all industries falling under large cottage industries including cutlery & utensils in SME definition	SBP (LEAD Agency)	Completed.
Sector: Engineering Goods (Electric Fans, Pumps, Transformers & Switch Gears)					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Review of SAFTA and import duties of all importing countries particularly Bangladesh which has levied very high duty on Pakistani origin products (up to 90% on fans)	Exclusion of Fans from the sensitive list of SAFTA.	MOC (Lead Agency)/ MOFA	Completed.
		Elimination/reduction of CD on Electrical Steel Sheet.	MOC to examine and move the case for rationalization of tariff on the Electrical Steel Sheet (HS Code 7225.1900) * * Specified at a specified width of less than 600 mm or less, therefore there will be less chances of misuse	MOC (Lead Agency)/Tariff Policy Board / FBR	Completed.
		Reduction of duties on imported inputs	Tariff Policy Board to examine cases like VCB (Vacuum Circuit Breaker-HS Code 8535.2110), which is a major component with high duty incidence. Current CD 20% ACD 7% Proposed CD 11% ACD 2%	MOC (Lead Agency)/ FBR, MOI&P (EDB)	Completed.
		Recovery of Funds	i. Facilitate recovery of payments to be received from 3 rd party (despite being notified in Shipping/LC documents) particularly from Iraq/Sudan/Yemen/Africa ii. SBP to strengthen the existing mechanism	SBP (Lead Agency)/ MOC	Completed.
		Customers' Credit Report	i. Review and Issuance of instructions to commercial banks by the SBP ii. commercial banks arrange customers' credit report before certification of Form-E	SBP (Lead Agency)	Completed.
	Decrease in input Costs	Imports of small quantity materials	i. Allow small quantity import of material on open account basis ii. SBP to investigate and devise industry friendly policies	SBP (Lead Agency)	Completed.

		Facilitate in purchasing tender documents and others	i. Abolishment of requirement for buying tender documents with an LC, which is the major stumbling block in doing international business ii. SBP to put up a limit of USD 10K for incurring such expenses (like in the case of raw material import)	SBP (Lead Agency)	Completed.
		Review current input duty drawback of 1.72% compared to actual duty impact of 8%	Devising a formula-based export rebate mechanism to reflect quantum of actual duty/taxes to be given to exporters.	FBR (IOCO) (Lead Agency)	Completed.
		Effective implementation of DTRE	Detailed audit of the industry to determine the tax impact on exportable products and to provide duty drawback to the extent of that impact (against \$ export proceeds in PKR by SBP).	FBR (lead Agency)	Completed.
		Providing level Playing field to Local Engineering, Procurement and Construction (EPC) contractors	Extension of duty exemption to local Engineering, Procurement and Construction (EPC) contractors at par with foreign EPCs for setting up power plants	FBR; MOC, SBP, EDB	Completed.
		Providing level playing field at par with regional competitors	Providing duty rebates to industry at par with competitors e.g. India providing rebate at 4%	FBR (Lead Agency)/MOC	Completed.
Sector: Fisheries					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in the Cost of doing business	Effective implementation of DTRE.	Detailed audit of the industry to determine tax impact on exportable products and provide duty drawback to the extent of that impact (against \$ export proceeds in PKR by SBP).	FBR (Lead Agency)/SBP	Completed.
		Implementation of fish net rule and controlling over-populated boats on Karachi harbor to restrict over-fishing	Marine Fisheries Department to effectively implement fish net rule Fisheries Industry to provide status of fish trawlers to Marine Fisheries Department	Marine Fisheries Department/ Provincial Governments	Completed.
Integration into GVCs	Enhanced Market Access & Market Diversification	Facilitating Market access-EU	Streamlining and simplifying the process of certifying fish processing by Marine Fisheries Department to facilitate exports to EU.	Marine Fisheries Department (Lead Agency)/MOC/MNFSR	Completed.
		Facilitating Market access-Saudi Arabia	Streamlining, facilitating and simplifying the procedure to comply with the Plant Enlistment criteria to enhance accessibility to Saudi Arabia's market.	Marine Fisheries Department (Lead Agency)/MOC/MNFSR	Completed.

		Facilitating Market access- USA	i. Effective implementation of Turtle Extruder Device (TED) to facilitate access in USA market ii. Details of implementation of TED be shared by the Fisheries Industry. iii. To take up the issue with USA Embassy which has been nominated as competent authority by the US FAO to ensure implementation of TED. iv. To build capacity of domestic players in order to effectively implement TED.	Marine Fisheries Department (Lead Agency)/MOC/MOFA/TDAP	Completed.
Sector: Food Processing (Dairy, Spices, Confectionary)					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement.	Tariff Rationalization	DAIRY: Eliminate/reduce tariffs on import of inputs not manufactured locally	Tariff Policy Board to consider elimination/reduction of Customs Duty on following inputs not manufactured locally: i. Vaccines (PCT Code: 3002.3000) CD 11%; ACD 2%; RD 0% ii. Vitamins (PCT Code 2309.9000) CD 20%; ACD 7%; RD 0%	MOC (Lead Agency)/Tariff Policy Board	Completed.
		DAIRY: Maintain protection on Skimmed Milk Powder and Dried Milk Powder	Continuation of RD on imports of powder milk: i. Milk Powder (HS Code: 0402.1000) CD 20%; ACD 7%; RD 25% ii. Whey Powder (HS Code: 0404.1010) CD 20%, ACD 7%; RD 25%		
	Reduction in the Cost of doing business	CONFECTIONARY: Review of the withholding Tax	Review 20% WHT (10% filer; 20% non-filer) on foreign exchange proceeds paid to external parties to book stalls at international exhibitions and other market development efforts.	FBR (Lead Agency)/SBP	Completed.
		CONFECTIONARY: Increase export rebate from the current 0.5%.	To review the current rebate and consider increasing it to facilitate industry	FBR (Lead Agency)	Completed.
		SPICES: Periodical Review of Import Trade Prince valuation	The ITP policy should have defined revision frequency in order to avoid use of outdated prices (higher than market prevailing prices).	FBR (Lead Agency)/Pakistan Customs	Completed.
		DAIRY: Extension of zero rating regime	Revision of White Milk back to zero-rated regime from the current tax-exempt Regime to make GST on input adjustable	FBR (Lead Agency)/MOC	Completed.

Trade Related Investment.	Efficiency seeking investment	i. Production efficiencies & Product sophistication through Local/foreign investment in manufacturing: ii. Investment in plant & machinery:	i. Abolishment or gradual reduction to 1% of income tax and sales tax on import of plant & machinery at import stage ii. Reduction of income tax withholding from 5.5% to 1% on import of plant & machinery by export-oriented sectors	FBR (Lead Agency)/MOC	Completed.
Integration into GVCs	Product Diversification & Value addition	SPICES: Development of seed for hot spices	Organization of agri-conferences on R&D for development of host spices to curtail import.	MNFS&R (Lead Agency)	Completed.
		Value creation through branding	SBP to review and rationalize the retention limit to facilitate industry.	SBP (Lead Agency)	Completed.
Export Eco System	Trade Facilitation	DAIRY: Timely completion of NSW / Anti-Smuggling Crackdown	Crackdown on illegal imports of powdered milk under the recent PM’s Anti-Smuggling Initiative Custom and Border Enforcement Agencies to curb smuggling of following products: i. Milk Powder (HS Code: 0402.1000) ii. Whey Powder (HS Code: 0404.1010)	Customs, Border Enforcement Agencies	Completed.
		CONFECTIONARY: Curbing Under invoicing	Determination of import value of gum base in light of international indices	FBR (Lead Agency)/Pakist an Customs	Completed.
		SPICES: Formulation and provision of Health Certificate for custom clearance for exports to different markets	To formulate a mechanism for issuance of credible health certificate and to ensure its effective implementation.	PCSIR (Lead Agency)/DPP	Completed.
Sector: Footwear					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in the cost of doing business	Effective implementation of DTRE	Detailed audit of the industry to determine the tax impact on exportable products and to provide duty drawback to the extent of that impact (against \$ export proceeds in PKR by SBP).	FBR (Lead Agency)	Completed.
Sector: Glass					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Export Eco System.	Trade Facilitation	Anti-Smuggling Crackdown	Crackdown on smuggling/ mis-declaration (quoting correct weight but incorrect area) through Iran, China FTA	FBR (Lead Agency)/Pakist an Customs	Completed.

Sector: Horticulture					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	Protection of the domestic Horticulture sector	Imposition of 20% RD on the following: Grapes- 0806 Apples - 0808 Other Fruits- 0810	MOC (Lead Agency)/NTC	Completed.
	Reduction in the ccc coo doing business	Effective implementation of DTRE	i. FBR to disseminate information about special provision in law allowing for 24 Months Window for DTRE utilization. ii. Detailed audit of the industry to determine the tax impact on exportable products and to provide duty drawback to the extent of that impact (against \$ export proceeds in PKR by SBP)	FBR (Lead Agency)	Completed.
Trade Related Investment	Efficiency Seeking investment	Increase access to finance	i. Creating awareness about micro financing scheme as currently 90% of the farmers are not currently utilizing any available financial scheme. ii. to synergize efforts to disseminate information about micro financing schemes	SBP (Lead Agency)/MOC	Completed.
Integration into Global Value Chains (GCVs).	Enhanced Market Access & Market Diversification	Pak-Indonesia bilateral Trade	Effective implementation of the quota for Kinnow exports to Indonesia under Indonesia-Pakistan PTA *Quota under PTA not honored by Indonesia, resulting in a two weeks delay	MOC (Lead Agency)	Completed.
		Pak-EU bilateral Trade	Lifting of ban imposed by MNFSR on export of Kinnow to EU, citing presence of truck disease in Pakistan's produce Taskforce and MNFSR to investigate the issue and devise a solution	MOC (Lead Agency)	Completed.
	Product Diversification and Value addition	Enhancing R&D	Allocation of resources for R&D	MOC (Lead Agency)/EDF	Completed.

Export Eco System	Trade Facilitation	Development of Infrastructure	Provision of Cold storage facilities at airports and seaports	MOC (Lead Agency)/ Ministry of Maritime Affairs/CAA	Completed.
Sector: Iron & Steel					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Tariff Rationalization	<p>i. For Iron & Steel, and Line Pipe Industry: Elimination/Reduction of Custom Duty on imports of basic raw material - Hot Rolled Coil (HRC) - currently facing high tariffs</p> <p>ii. For Line Pipe Industry: Continuation of SRO 641(1)/2018 that protects the Line Pipe industry by stopping CRC manufacturers to sell their product to pipe manufacturers *This SRO was published to re-establish the playing field that had been disrupted by misuse of by SRO-565</p>	<p>Tariff Board to examine elimination/reduction on tariffs of the following HRC products: HS Code 7208.1010 CD 20%, ACD 7%, RD 12.5% For all others HS Code 7208.1010 CD 5%, ACD 7%, RD 12.5% For CRC manufacturers (SRO-565) Industry has proposed 3 different options, given as follows: Option-1: Reduce HRC CD to 5% for everyone in PCT and remove HRC concessionary import under SRO 565 – this will have revenue implication which will be offset by resulting industrial growth; OR Option-2: Maintain HRC CD at 5% under SRO 565 but allow CRC manufacturers to sell to Pipe Makers with mandatory filing of Annex-J along with their Sales Tax Returns to account for Quantity thereby having check on misuse of concession; OR Option-3: <Least Preferred>: Propose HRC Duty at 10% in PCT for everyone but also increase CRC Duty by 5% to offset reduction in duty protection for CRC Manufacturers. This will be revenue neutral however result in increased costs of all industrial users</p>	MOC (Lead Agency)/NTC	Completed.
		Valuation imported prime and secondary steel to be assessed using LME HRC Index as ITP benchmark instead of LMB (which is a private journal)	To adopt LME HRC Index and fix \$20 for freight to device a mechanism to base ITP on accepted international indices, with a defined revision frequency.	FBR (Lead Agency)/Pakistan Customs	Completed.
	Reduction in the cost of doing business	Revision of ITP	Reduction of secondary quality steel products to 5% from the current 15%		
		Tax concessions under large infrastructure projects, to be made available for local suppliers/contractors at par with offshore suppliers/contractors.	To provide similar tax concessions to local and foreign suppliers/contractors	FBR (Lead Agency)/MOC	Completed.

Export Eco System	Trade Facilitation	Anti-Smuggling Crackdown	<ul style="list-style-type: none"> i. To curb smuggling through Iranian borders, allow steel bars imports only through sea ii. FBR, Customs to prioritize steel bars under the on-going anti-smuggling drive under the PM's initiative. iii. To consider imposing ban on imports of steel bars from Iran via land border 	FBR (Lead Agency)/Pakistan Customs	Completed.
Sector: Leather and Tanning					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Competitiveness Enhancement	Tariff Rationalization	Allow duty concession for import of raw material by removing tariff anomaly	FBR to expedite necessary approval for inclusion of HS Code 4104.1100 (Raw Hide & Wet Blue of Cow/Buffalo) in the exemptions list of the 5 th Schedule so that exemption can be availed via SRO 670(1)/2019 to remove the tariff anomaly	FBR (Lead Agency) , MoC	Completed.
		Elimination / Reduction of Customs Duty for leather treating chemical Chromium Sulphate (3202.9010)	MoC / NTC to examine if Customs Duty can be eliminated or reduced on Chromium Sulphate (HS Code: 3202.9010) CD 20%, ACD 7%, RD 0% Keeping in view to protect interests of a small local manufacturing sector (There are 3 small manufacturers of chromium sulphate in Pakistan).	Tariff Policy Board Headed by MOC, (Lead Agency)	Completed.
		Allow duty concession for import of raw material by removing tariff anomaly	FBR to expedite necessary approval for inclusion of HS Code 4104.1100 (Raw Hide & Wet Blue of Cow/Buffalo) in the exemptions list of the 5 th Schedule so that exemption can be availed via SRO 670(1)/2019 to remove the tariff anomaly	FBR (Lead Agency) , MoC	Completed.
	Reduction in Cost of doing business	Effective implementation of DTRE scheme as currently customs duties & taxes on inputs are not being adjusted due to complexity of the industry	Review by FBR / Input Output Coefficient Organization (IOCO) to reflect quantum of actual duty / taxes which should be given back to exporters by devising formula based export rebate mechanism	FBR (Lead Agency)	Completed.
Sector: Meat					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in the Cost of Doing Business	Amendment in Regulations (EFS/LTFF)	<ul style="list-style-type: none"> i. Amendments Export Finance Scheme (EFS) to include fresh meat products as it currently includes only frozen meat. ii. Removal of the word frozen from the law and to Include meat processing equipment in SBP's LTFF (Long term finance facility) as it constitutes 60% of the total equipment* * Chilling equipment (40% of the total equipment) is in the list and must be retained 	SBP (Lead Agency)	Completed.

		Effective implementation of DTRE scheme	Detailed audit of the industry to determine the tax impact on exportable products and provide duty drawback to the extent of that impact (against \$ export proceeds in PKR by SBP)	FBR (Lead Agency)	Completed.
Integration into GVCs	Enhanced Market Access & Market Diversification	Enhanced Pak-China Bilateral Trade	Accessibility of Chinese market for Pakistan meat products as export of meat to China is disallowed unless the meat is semi processed with heat (livestock in Pakistan is prone to trans-boundary diseases - Foot & Mouth disease)	MOC (Lead Agency)/MNF SR/ MOFA	Completed.
Sector: Pharmaceuticals					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Competitiveness Enhancement	Tariff Rationalization	Protection of local pharmaceutical manufacturers against import dumping by products from India	NTC to conduct investigation pertaining to low priced pharma imports from India and recommend anti-dumping measures.	NTC (Lead Agency)	Completed.
	Reduction in cost of doing business	Review of 10% retention limit of export proceeds by SBP to help brand building activities, listing fees, hiring agencies etc. and link the increase to export growth	SBP to increase the retention limit of export proceeds and eligible activities and link it to exports growth	SBP (Lead Agency)	Completed.
Integration into Global Value Chains	Product Diversification	Placement of pharmaceutical industry in priority export industries of Pakistan to benefit from the scheme	MOC to include pharma industry among the priority export industries of Pakistan	MOC (Lead Agency)	Completed.
Export Eco System	Trade Facilitation	Efficient registration process for pharma products	Ministry of Health and DRAP to fast-track registrations of the pharma industry	Ministry of Health (Lead Agency)	Completed.
		Review of Toll manufacturing framework	Ministry of Health and DRAP to allow Toll manufacturing of pharma products along with certain restrictions on products that are prone to misuse.	Ministry of Health (Lead Agency; DRAP	Completed.

Sector: Poultry

Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Competitiveness Enhancement	Tariff Rationalization	Reduction of Customs Duty to zero on inputs not manufactured locally	Tariff Policy Board (Ministry of Commerce) to examine and move case for inclusion in Finance Bill to zero rate the following: - Vaccines (3002.3000) CD 11%, ACD 2%, RD 0% - Poultry medicine (3004.9099) CD 11%, ACD 2%, RD 0% - Vitamins (2309.9000) CD 20%, ACD 7%, RD 0%	Tariff Policy Board Headed by MOC (LEAD AGENCY)	Completed.
		Imposition of Additional duty/RD to protect meat processing domestic industry being hurt due to concessionary imports under Malaysia Pakistan FTA (MPCEPA)	Tariff Policy Board (Ministry of Commerce) to examine and consider imposition of 40% RD on following products. 1601.0000 (sausages and prepared products) CD 20%, ACD 7%, RD 0% 1602.3200 (prepared chicken products) CD 20, ACD 7%, RD 20%		
	Decrease in input Costs	Simplification of duty drawback	Detailed audit of the industry to determine the tax impact on exportable products and to provide duty drawback to the extent of that impact (against \$ export proceeds in PKR by SBP)	FBR (LEAD AGENCY), MOC	Completed.
Integration into Global Value Chains	Enhanced Market Access	Negotiate with Afghan Govt. to remove ban on the export of cull birds from Pakistan	Ministry Commerce to take up with Afghan Govt. under the Economic Working Group (EWG) of Afghan Pakistan Action Plan for Peace and Solidarity (APAPPS)	MOC (LEAD AGENCY), MOFA, FBR	Completed.
		Resolving issues related to GCC market	Coordination with host governments in getting access to GCC Poultry & meat market	MOC (LEAD AGENCY), MSFNR, MoFA	Completed.
		Facilitation for export to Nepal	Coordination with Pakistan's mission in Nepal for facilitation of following products: Day old chicks HS Code 0105.1100 Hatching eggs HS Code 0407.1100	MOFA (LEAD AGENCY), MOC (TDAP)	Completed.

Sector: Sports Goods					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Timeline
Competitiveness Enhancement	Reducing Cost of Doing business	Resolution of cash flow issues of exporters	SBP to be provided Cash Margins against LC for raw materials to resolve cash flow issues for exporters.	SBP	Completed.
		DLTL Refund	To expedite refund under DLTL under SRO 711	MOC (Lead Agency)/ SBP	Completed.
Sector: Surgical Instruments					
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line
Competitiveness Enhancement	Reduction in the cost of doing business	Effective implementation of DTRE scheme	To conduct detailed audit of industries, determine their tax impact on exportable products and provide duty drawback to the extent of that impact. (against \$ export proceeds in PKR by SBP)	FBR (Lead Agency)/SBP/ MOC	Completed.
		Sales Tax Refund	To Expedite payment of pending sales tax refunds	FBR (Lead Agency)/MOC	Completed.
		DLTL Refund	To expedite refund under DLTL under SRO 711	MOC (Lead Agency)/ SBP	Completed.
		Advance Payment	Allow the import/purchase of new or used machinery as well as payment for testing (or allied) services up to \$10,000 against advance payment	SBP (Lead Agency)	Completed.
Integration into Global Value Chains (GCVs).	Support to Industry in tech upgradation& capacity building	Upgradation of technical and vocational training centers – Metal Industries Development Center (MIDC), Auto Identification and Data Capture (AIDC) application standard and Improving Surgical Training (IST)	Allocations of sufficient funds	MOC (Lead Agency)/ MOIP; NAVTTEC	Completed.
	Innovation Driven Exports	Enhancement of production capacity of SMEs and linkages with Global markets	i. Provision of common facilities or display centers to enhance efficiency of SMEs ii. Industry to make a feasibility study on both the projects and share with SMEDA and Task Force	MOC (Lead Agency)/SME DA	Completed.
	Enhanced Market Access & Market	Access to Non-Traditional Markets	Effective dissemination/awareness campaign of SRO 711 (PM Package) and other MOC, SBP, FBR schemes by MOC/SBP/FBR	MOC (Lead Agency)/TDAP /SBP	Completed.
		Access to African Countries	TIOs, Foreign Missions, EDB, PSQCA to provide support under timelines iii.	MOC; Foreign Missions; EDB; PSQCA	Completed.

		Access to the EU Market	Take up with EU for relaxing the costly and newly introduced MDR (Medical Devices Rules) standards (which will come into effect in May 2020 or May 2024 if extension is implemented).	MOC (Lead Agency)/MoFA	Completed.																														
	Product Diversification & Value Addition	i. Brand Development & Promotion ii. Conformance with quality standards * Costs will be up to EUR 60K for industry and is likely to cause severe damage to industry	i. Incentivizing and facilitating exporters to establish their own branding. ii. Allocation of funds from the EDF for brand promotion iii. Facilitation to comply with anticipated EU MDR (Medical Devices Rules) standards (which will come into effect in May 2020 or May 2024 if extension is implemented).	MOC (Lead Agency)/PSQCA/MOIP	Completed.																														
Trade Related Investment.	Efficiency seeking investment	High interest costs, affecting financing for smaller businesses	To educate the industry on its schemes like Finance against Foreign Bills (FAFB) and make it easier to have access to these.	SBP (Lead Agency)/MOC	Completed.																														
Sector: Tyres																																			
Critical Enablers	Policy Initiatives	Key Areas of Action	Actions	Actions By	Time Line																														
Competitiveness Enhancement	Tariff Rationalization	Rationalize duty rates on valves/nozzles and carbon black	Conduct of study and preparation of recommendations for the Tariff Policy Board on the following lines: <table><tr><th rowspan="2">Description</th><th rowspan="2">HS Code</th><th colspan="3">Current</th><th colspan="3">Proposed</th></tr><tr><th>CD</th><th>ACD</th><th>RD</th><th>CD</th><th>ACD</th><th>RD</th></tr><tr><td>Valves/Nozzles</td><td>8481.1000</td><td>16</td><td>4</td><td>0</td><td>11</td><td>2</td><td>0</td></tr><tr><td>Carbon Black</td><td>2803.0010</td><td>16</td><td>4</td><td>0</td><td>11</td><td>2</td><td>0</td></tr></table>	Description	HS Code	Current			Proposed			CD	ACD	RD	CD	ACD	RD	Valves/Nozzles	8481.1000	16	4	0	11	2	0	Carbon Black	2803.0010	16	4	0	11	2	0	MOC (Lead Agency)/NTC	Completed.
			Description			HS Code	Current			Proposed																									
				CD	ACD		RD	CD	ACD	RD																									
	Valves/Nozzles	8481.1000	16	4	0	11	2	0																											
Carbon Black	2803.0010	16	4	0	11	2	0																												
	Reduction in the cost of doing business	Mechanism and Policy for determination of import values.	Review of mechanism and policy formulation for ITP valuation based on international indices, with defined revision frequency to avoid using outdated prices that are higher than market prevailing prices	FBR (Lead Agency)/MOC	Completed.																														
		Duty rebate calculation	Revision of duty rebate calculation which is currently at 0.39% as per SRO 209 issued in 2009	FBR (Lead Agency)/ Input Output Coefficient Organization (IOCO)	Completed.																														

		Incentivization of the Tyre industry	i. Inclusion of Tyre industry in SBP's Long Term Financing Facility (LTFF) and Export Finance Scheme (ERF) scheme.	SBP (Lead Agency)/MOC	Completed.
Export Eco System.	Trade Facilitation	Timely completion of NSW/Anti-Smuggling Crackdown	i. To curb smuggling especially through Torkham (APTTA) and Chaman border that is causing a loss of approx. \$500 million ii. To curb mis-declaration/under-invoicing/Green channel (Tyre stuffing). iii. To review ITP on both finished goods and raw materials using broad based indices	FBR (Lead Agency)/Pakistan Customs/Ministry of Interiors; Customs	Completed.

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