



# REVIEW OF EXPORT PROMOTION & EXEMPTION SCHEMES

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# MACROECONOMIC FRAMEWORK

Indicators	2018-19 (R)	2019-20 (P)
Economic Growth (%)	3.3	2.4
Investment to GDP (%)	15.4	15.3
Inflation (%)	7.2	13.0
Tax Revenues (% of GDP)	12.6	14.4
Total Revenue (% of GDP)	14.5	16.7
Expenditure (% of GDP)	21.7	23.8
Fiscal Balance (% of GDP)	-7.2	-7.1
Public Debt (Net % of GDP)	72	73
Exports fob (\$ billion)	24.2	6.0 (Jul-Sep)
Imports fob (\$ billion)	52.7	11.0 (“)
Trade Deficit (\$ billion)	28.5	4.9 (“)
Current Account Deficit (\$ billion)	13.8	1.5 (“)
Workers’ Remittances (\$ billion)	21.8	5.5 (“)
Net Reserves with SBP (\$ billion)	7.7	8.5

Low growth with rising inflation

Weak movement in investment to GDP ratio

Expanded tax effort under weak economic activity

Fiscal deficit and current account deficit stubbornly high

Some bright spots: July-Sept export figures show uptick; reserves with SBP have grown.

## EXPORT PERFORMANCE (JUL-SEPT FY20)

Items/Groups	July-Sept		Change (%)
	FY19	FY20	
	USD '000		
Food	965,628	1,062,473	10.0
Textile	3,480,913	3,415,574	-1.9
Petroleum	182,307	120,705	-33.8
Sports	124,339	129,967	4.5
Leather Manuf.	147,677	120,591	-18.3
Surgical	105,348	107,689	2.2
Chemicals	155,615	125,560	-19.3
Engineering	52,928	78,828	48.9
Cement	72,221	71,706	-0.7
<b>Total</b>	<b>5,893,000</b>	<b>6,032,979</b>	<b>2.4</b>

While textile & leather remain under pressure, uptick seen in food, sports, surgical and engineering goods

Overall export growth remained positive.

# IMPORT PERFORMANCE (JUL-SEPT FY20)

Items/Groups	July-Sept		Change (%)
	FY19	FY20	
	USD '000		
Food	1,234,541	1,005,231	-18.6
Machinery	1,712,529	1,580,816	-7.7
Transport	637,951	434,625	-31.9
Petroleum	4,130,422	2,885,563	-30.1
Textile	805,022	562,506	-30.0
Chemical	2,298,776	1,900,099	-17.3
Metals	1,128,923	874,236	-22.6
Total	14,275,000	11,032,000	-22.7

Almost all commodity groups have seen a decline

Most noticeable for textile, transport, chemical and metals.

# MOTIVATION

Ministry of Commerce aims to see how they can support export-oriented sectors

Pakistan has the lowest MMF-based exports among peers (1.4%)

Use of MMF fibers expected to increase faster than cotton

Can export exemption schemes help?

# EXAMPLE: IS RMG SECTOR INTERESTED IN MUB & DTRE?

Enterprises using export schemes	No. licensed by customs
Duty drawback	1600
Duty and Tax Remission of Exports Scheme	96
Manufacturing Bond Scheme	32
Export Oriented Unit & SME Scheme	?
Temporary Importation Scheme	?

Why such high use of Duty drawback?

Why lack of interest in other schemes?

What needs to be done by both public and private sector for uptake of other schemes?

# POSSIBLE REASONS

- Lack of awareness regarding alternate schemes
- Time to process an application
- Transactions cost involved in accessing schemes
- Time lag/delays in receiving duty rebate
- Refund as percent of duty paid may be less
  
- Any other?
- Experience of export processing zones?
- Non-traditional exporting sectors?

## SOME QUALITATIVE RESPONSES

Need to further streamline/automate process for accessing duty exemptions; reduce documentation (e.g. currently manual copies of documents already uploaded on WeBOC also required)

Audit may be made risk-based so that reputed exporters can have a faster turnaround time

Innovative mechanisms to track the raw material and intermediate inputs in exported items may be explored.

## SOME QUALITATIVE RESPONSES - II

Ease of legal documentation desired; for instance, the SRO on DTRE is 600 pages long

Applicants apply using consultants which increases the cost and time to access schemes

The role of line ministries like Ministry of Textile may be enhanced to remove technical communication barriers

## RECOMMENDATIONS IN AGP REPORT (FEB. '19)

Need for timely revision of duty drawback SROs

Regular review & determination of input output ratios and wastages by IOCO

Timely issuance of input output ratio certificate desired

Excess wastages determined by IOCO may be corrected

Determination of different ratio of wastage in respect of same goods

Weak accounting of weight gains during sizing process for grey cloth manufacturing.

# MEASURES BY FBR (SEPT '19)

Announced an automated system of export facilitation schemes which will decrease the lead time, promote ease of doing business and minimise the human interaction between exporters and the FBR

Helpline is being announced to improve understanding around these schemes

Possibility to merge all schemes.

# DISCUSSION

Aim to learn from FBR regarding the initiatives to improve schemes

Invite exporters' inputs and feedback working of these schemes

Discuss how best these schemes can help the utilization of market access facilities abroad

Inputs for tariff policy and draft Industrial policy.



THANK YOU!

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