

Industrial Policy

The government is following an **industrial policy aimed at advancing the overall objective of developing the manufacturing sector** to drive the economy towards higher growth rates and increase employment opportunities. In this backdrop the current overarching industrial /manufacturing sector strategy is to, **'enable and facilitate'** the private sector and **encourage 'public-private' partnership business models.**

2. **SME POLICY:** SMEs constitute nearly 90% of all the Industrial/Manufacturing enterprises; employ 80% of the non-agricultural labor force; and their share in the annual GDP is 40%, approximately. The SME Policy is based on the following broad outlines:

- i) Creation of a conducive and enabling regulatory environment;
- ii) Development of industrial clusters;
- iii) Provision of Business Development Services to SMEs in all areas of business management.

3. The SME Bill to put effective legislation in place to underpin the SME policy was presented to the Cabinet and is being rectified to take on board the directions of the Federal Cabinet.

4. On a parallel track, **the INDUSTRIAL STRATEGY is under revision to finalize the present governments comprehensive and all encompassing 'Industrial Policy' for which inputs have been invited from the academia, businesses and the public sector.**

5. The new **INDUSTRIAL POLICY will be consistent with the present government's nine point economic agenda** and have a pragmatic approach to capitalize the real potential of the country **and thus generate jobs, maximize national output and benefit the lower income groups by putting indigenous material and labour to their best use.**

6. **A twenty six member Task Force** and a nucleus group have been established which include representatives from the Chambers of Commerce and industry, Federal, Provincial Government, Academia and business experts.

7. **POLICY INTERVENTIONS TO REVIVE THE INDUSTRIAL SECTOR:**

Industrial sector has been hit hard by a combination of economic factors. The 'International Economic downturn'; Energy crisis, lack of un-interrupted supply due to Electricity Load shedding and Sui Gas Load shedding and its increasing rates; High bank Mark up; Law and order situation; Tariff/ Taxation issues; High cost of furnace oil; Rising cost of doing business; Inconsistent policies; Lack of basic infrastructure facilities; Smuggling and other governance related issues. **The above**

factors are being addressed by concerned Ministries like Water and Power for Energy; *MolP specific measures are given below.*

8. HIGH LIGHTS OF THE IMPLEMENTATION OF CURRENT POLICIES OF THE PRESENT GOVERNMENT

I- GOVERNMENT OF PAKISTAN HAS DECLARED THE YEAR 2009-10 AS THE YEAR OF INDUSTRY. *The Government has taken the following steps to address the declining manufacturing sector growth rate:*

- a. Establishment of the first ever SME credit Guarantee Fund:** Worth 10 billion. This fund will be financed by the Government and the private sector in the ratio of 50:50 over the next two years. The government has already proposed Rs. 2.5 billion in the Budget 2009/10 as its share to the fund. **SMEs unable to produce collateral for bank loans will benefit from this facility. (Scheme stands developed by SBP, presentation to the Finance Minister has been made; Time for formal launching has been sought which will take place in a week or so.)**
- b. Venture Capital Fund** of PKR 10 shall be financed in the same manner as the SME Credit Guarantee Fund. A provision of PKR 2.5 billion has been kept in this budget. **(Feasibility concept paper is under preparation by SBP in consultation with all stake holders)**
- c.** With a view to promote industrialization and value addition and or promotion of exports, an **Export Investment Support Fund** worth PKR 40 billion is to be established for FY 2009-10. The Government will contribute PKR 10 billion towards this fund; another 10 billion would be contributed by Export Development Fund; while the balance PKR 20 billion will be contributed by other government agencies through mopping up surpluses in commercial banks. The Ministry of Commerce is disbursing it. **(The total inflow has been 10 billion rupees from govt. sources. 5 billion has been given for textile subsidies; 5 billion for trade policy initiatives for which assignment account stands opened)**

II- PSDP RELATED INTERVENTIONS AIMED AT REVIVING THE INDUSTRIAL SECTOR:

- The objectives targeted in our PSDP (2009-10) aim at rejuvenating the industrial sector through 48 projects worth Rs.7.8 billion with focus on;
 - A. Skill development.
 - B. Technology up gradation.
 - C. Cutting out on energy losses,

D. Development of emerging sectors to achieve the goals of diversification

III- THE SPECIFIC CORE OBJECTIVES OF THESE PSDP INTERVENTIONS ARE:

- a. Innovation and efficiency in industrial sector.
- b. Building high skilled human capacity through targeted worker skills development programs.
- c. Provision of technology through technological up-gradation; provision of sophisticated machines, equipment, tools & spares in Common Facility Centers and machine pools; CAD/CAM facilities.
- d. Research and development in key industrial sectors.
- e. Targeted development of small and medium business entities to boost employment and reduce poverty.
- f. Industrial infrastructure development through Industrial Parks and development of Industrial Estates.

IV- Attracting FDI by incentives of 100% ownership; right to repatriate capital; joint public –private ventures. (BOI)
