BUSINESS RECORDER
Founded by M.A. Zuberi

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FY20 Budget: Rs 74 billion set aside for exporters, industries

The government has allocated Rs 74 billion for exporters/industries in the budget for fiscal year 2019-20. The export package of Rs 40 billion announced in the federal budget 2019-20 comprises of Rs 35 billion for Duty Drawback of Taxes Order 2016-17 and Rs 5 billion for export package under Strategic Trade Policy Framework (STPF), revealed officials in the Commerce and Textile Divisions.

When Business Recorder approached concerned Divisions, they maintained that Rs 40 billion export development package allocation was made under the head of Duty Drawback of Taxes Order 2016-17 and Export package strategic trade policy reflected in the development expenditure outside PSDP.

According to budget documents 2019-20, in addition to the export development package, the government has earmarked Rs 34 billion for gas and electricity subsidies to industry. In addition the government will provide electricity at 7.5 cents per unit and RLNG at $6.5 per MMBTU to the industrial sector; and to continue subsidies on utilities for the industrial sector the government has earmarked Rs 34 billion for next fiscal year.

Officials further revealed that the government has so far released Rs 21 billion to the export sectors under the Prime Minister package for exporters against the claims of Rs 43 billion. To cater to the outstanding claims of exporters, the government has earmarked Rs 35 billion in the budget for next fiscal year.

Minister of State for Revenue Hammad Azhar in his budget speech stated that to boost exports, the government provided subsidized electricity and gas to industrial and export sectors, loans at low interest rates, reduced import duties on raw materials of export-oriented industries with a benefit of Rs 10 billion, and the Prime Minister's export package was extended for three years. These initiatives, according to the Minister led to higher volumes of exports. Knitwear exports increased 16 percent, readymade garments 29 percent, fruits 11 percent and vegetables 18 percent, and basmati rice 22 percent.

The Pakistan Tehreek-e-Insaf-led government has projected $25.66 billion exports in 2018-19, $28.1 billion in 2019-20, $31.1 billion in 2020-21, $34.67 billion in 2021-22 and $38.99 billion in 2022-23. However, Pakistan's exports during the period July-April (fiscal year 2019) stood at $20.01 billion compared with $20.49 billion during the corresponding period of fiscal year 2018, reflecting a decline of 1.9 percent.

Pakistan witnessed highest ever exports of $25.1 billion in 2013-14. However, in subsequent years exports have declined considerably. Former Prime Minister Nawaz Sharif had announced incentives worth Rs180 billion in a bid to boost exports initially for 18 months ie. till June 2018. Former Prime Minister Shahid Khaqan Abbasi had extended the PM Export Package for the next three years ie. up to June 30, 2021 aimed at improving the competitiveness of the textile and non-textile export sector.

The exports package was targeted to provide competitiveness benefits of around Rs 65 billion annually (including Rs41 billion in Drawback of Local Taxes and Levies) to the export sector. However, around Rs 21 billion has been released so far under the PM package, sources added.

Textile division has identified three pressing impediments before the Prime Minister Imran Khan including pending liabilities with Federal Board of Revenue (FBR), cost of doing business & ease of doing business for not achieving exports targets. Textile division has listed several reasons for not achieving the targets which include lack of skills development, infrastructure, product and market diversification, compliance, cotton standards, cluster development, combined effluent treatment plant, revitalization of textile and garment cities, unnecessary import of textile goods, increase in cotton yield and production of long staple cotton, SME development, pending liabilities, tariff rationalization and regulatory regime.

The division has also proposed tariff rationalization of textiles value chain, international branding ie. branding strategy and establishment of brand development scheme. Further e-commerce may be promoted through virtual trade fairs, business match making, e-product filing, online business analyses and digital marketing. Textile division has also proposed introduction of latest seed technology, improving cotton staple length, up-gradation of ginning machinery, cotton standardization, introduction of hedge trading, research and development grant fund for new and existing markets, introduction of new fibers, new products and new blends.

MUSHTAQ GHUMMAN & TAHIR AMIN