Budget Analyses

Financial Year 2022-2023 as a background

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Budget for the fiscal year 2023-24

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1. Budget at Glance

At Glance
Federal Budget 2023-24

(Rs. in Billion)

RESOURCES		EXPENDITURE	
Revenue Receipts		**Revenue Expenditure**	
Tax Revenue (FBR) - Federal (i+ii)	**9,200**		
I Direct Tax: Income	3,759		
: Income tax	3,714	Defense Services	1,804
: Workers' Fund & Others	45	Mark-Up	7,303
: CVT	0	: Foreign Debts	3,539
ii Indirect Tax: Custom duties	5,441	: Domestic Debts	511
: Custom duties	1,178	Grants	1,464
: Sales Tax	3,538	: Provincial	82
: FED	725	: Others	1,160
		Emergency & Other reserves	200
Non-Tax Revenue	2,963	Subsidies	1,074
: Levies & Fee		Govt. Running Expenses	714
: Mark-up			
: Civil Adminstartion		: Economic Affairs	
: Miscellaneous		: Health Affairs & Services	
	17,439	: Education Affairs & Services	
a) Gross Revenue Receipts	**12,163**	: Others	
b) Less Provincial Share	**(5,276)**	Pension	761
I. Net Revenue Receipts (a-b)	**6,887**	**Total Revenue Expenditure**	**13,320**
Capital Receipts		**Capital Expenditure**	
II. Non Bank Borrowing (NSSs & Others) - Public Account	1,906	Development (PSDP 950 b)	1140
III. Net External Receipts - Fed. Consolidated Fund	2527	Infrastructure(Energy, transport & com, water and housing)	490
IV. Estimated Provincial Surplus		Social Sector	241
V. Bank Borrowing (T-Bills, PIBs, Sukuk) - Fed. Consolidated Fund	3,124	Health	23
VI. Privatization Proceeds - Fed. Consolidated Fund	15	Higher Education	82
		Other(SDGs	114
		PPP/BOT Projects(Energy)	190
Net Capital Receipts	7,573	Total Capital Expenditure	1140
TOTAL RESOURCES	**14,460**	**TOTAL EXPENDITURE**	**14,460**
Mazhar Mahmood F-937		Mazhar Mahmood & Co - Rawalpindi	

Performance in FY 2022-23 as a back ground for FY 2023-24

2. Preamble

The Elected representatives are basically the agents of general public or inhabitants of country. General public elects the representatives who will make the decisions or policies in best interest of country and general public's well beings, regardless of any stratum of society, on merit bases by establishing the good governance. But, since 1947, we are waiting for good news for required good governance from any of ruling governments. Intervention of establishment since 1947 is the major reason for bad governance because representative are selected by them rather than elected by the general public. Now, this time, a strong commitment of establishment is there for no intervention in political process and to standby the constitution of Pakistan. The commitment of establishment is with profession, constitution of Pakistan and Pakistan's sovereignty.

Hopefully the public demand will be intact and, in feature, elected representatives will deliver as per expectation. We should not be disappointed from the politicians who, in spite of such intervention, Pakistan attained nuclear power capacity, entered into CPEC regime, eliminated 18-hours load shedding, curb the terrorism, controlled the chaotic situation of Karachi and Baluchistan and uplifted Pakistan's economy from 47th to 24th position from 2013 to 2018.

The dynamics of current budget mostly depend upon the macroeconomic indicators of outgoing government in April last year and, later on, the present ruling collation government could not put on hold the economic down fall continuity due to one or the other reasons.

No doubt all growth target missed for the fiscal year 2022-23 were seriously affected by the policies of the previous administration, the devastating summer 2022 floods, supply disruptions due to the ongoing Russia-Ukraine war, political uncertainty, and the lingering on negotiation on Extended Fund Facility (EFF) with International Monetary Fund (IMF).

Following are the backend situations, in detail, that badly affected the performance of Current PDM collation Government and set a hard task to prepare the coming budget for 2023-24.

- **Base year (2021-22) macroeconomic indicators**:
  - Carrying forward the Budget/Fiscal deficit of Rs. 5,600 billion in 2021-22.
  - Current A/C deficit for 2021-22 was around $19 b and above $ 50b for previous three years.
  - GDP growth of 5.7% on the bases of imported raw material where production decreased and cost increased.
  - Circular debt, power sector, from Rs. 1.10 trillion to Rs. 2.5 trillion.
  - Circular debt, energy sector-gas (for the first time), Rs. 5.0 billion.
  - Inflation in double digit of 12%.

- Dollar the then, ever highest, Rs. 189.
- Foreign debt from $ 94 b to $ 132b
- Overall loans increased from Rs 24,000 b to Rs 44,000 (rounded).
- The ratio of debt servicing, due to heavy loans, to net fiscal revenues was 103% in FY19 and averaged at 81% during FY18-22. This ratio is expected to jump to 113% in FY23
- Debt servicing increased to Rs. 1.7 trillion (2017) to 4.1 trillion in 2022.
- Poverty line increased from 23 % to more than 50 %(Social Indicator) in 2022.
- Reserve, with SBP, dropped to $ 2 billion in 2022.

Period	2018		Apr-22		Apr-23	
Total Reserve		19		17		10
Private Banks		(7)		(6)		(5)
Net		12		11		5
Less:						
China's restricted contribution (not to use)	-		(3)			
UAE's restricted contribution (not to use)	-		(3)			
Saudi Arabia's restricted contribution (not to us	-	-	(3)	(9)		
Net Government / SBP's reserves		12		2		5

- Pak economy's world ranking dropped from 24th to 47$^{th.}$

➢ IMF (Extended Finance Facility):

This facility (EFF) arrangement was agreed with IMF in October - December 2019 with harsh terms and condition. Following were few of the important terms and conditions that had seriously affected the economic condition since then:

- The flexible market to determine exchange rate on the bases of supply & demand.
- Reduction in Current Account deficit.
- Increase tax and other revenue generation activities.
- Faster progress is needed to improve the AML/CFT framework.
- Reduction in Circular debt.
- SBP reserves up to $3 b.
- Withdrawal of subsidies.
- Increase in energy prices and tariff on power etc.

Fulfilment of a these conditionalties created a complete turmoil in Economic Front. Depreciation of currency in the hands of market forces, increasing energy and power tariff and reduction in supply due to curtail of imports pushed the inflation to highest in history and pushed GDP growth rate to its lowest..

Inflation is the primary macroeconomic indicator along with two other macroeconomic indicators including GDP growth rate and unemployment rate. Economy can only be stabilized when GDP growth rate exceeding both inflation rate unemployment rate which happened in 2017-18.

- **Political Situation:** its duty of parliament to make the decisions on all economic, political & diplomatic fronts with intention to bring the positive impact on economic condition of country. But, this time, political scenario was totally different. Desolation of provinces assemblies, change of government through vote of no confidence and disagreement of both position and government on holding of elections created a complete political turmoil. The internal chaotic situation depicted bad image of Pakistan at international front and none of the countries was tilted to sing any contract or ready for any financial transaction under desperate political uncertainty.

- **Devastated Flood due to climatic change:** Abnormal moon soon rain fall in July-August last year was another killer of our economic growth. A loss of around $ 25-30 b was estimated regarding demolition of crops, vegetables, livestock, fruit, houses and land erosion, along with precious human lives. Short of supply also contributed in pushing the inflation upward. The report noted that in Pakistan, the lasting effects of the August 2022 floods, along with policy uncertainty and limited foreign exchange resources to pay for imports of food, energy, and intermediate inputs, have depressed activity, with industrial production contracting by about 25 percent in the year to March 2023. World Bank report, with the 2022 floods in Pakistan leaving one-third of the country under water and causing damage estimated at 4.8 percent of GDP.

- **Russia –Ukraine war:** Energy sector of Russia contributes around 45% revenue to entire income. War badly hit the global supply chain of important commodities like energy. Before Russia invaded Ukraine, projections estimated global economic growth in 2022 would be around 5 percent. The war in Ukraine was a “massive and historic energy shock” to the markets, according to a November 2022 report by the OECD. The “shock” of the war was one of the main factors that had slowed economic growth in 2022 to just 3.1 percent, and why the OECD projected it to slow to 2.2 percent in 2023. The war, the report found, has had the greatest impact on Europe's economy, where growth in 2023 is projected to be just 0.3 percent. Pakistan had no exemption being the part of global economy and energy is one of major imports.

3. Key Priorities of Budget 2023-24.

- GDP growth target set at 3.5 percent.
- No new taxes for the upcoming year.
- IT sector being granted SME status.
- Export Council of Pakistan established for export sector 10pc regulatory duty removed on used cloths.
- Remittance Cards for overseas Pakistanis.
- No increase of duties on import of essential items.

- Trade facilitation and ease of doing business.

- Encourage the industrialization and investment
- Incentives for agriculture sector
- Promotion of Energy efficiency & Conservation
- Promotion of Information Technology (IT) and IT enabled services
- Incentives for agriculture sector.
- Increased in salaries and persion.

4. Budget Highlights 2023-24

- No increase of duties on import of essential items
- Trade facilitation and ease of doing business
- Encourage the industrialization and investment
- Incentives for agriculture sector
- Promotion of Energy efficiency & Conservation
- Promotion of Information Technology (IT) and IT enabled services

RELIEF MEASURES:

(1) Exemption of Customs duties on specific papers and Art card and board for Printing of Holy Quran.

(2) Incentive for Pharma sector by including one more API and 03 drugs in the existing duty free regime.

(3) Incentive for manufacturing of Solar Panels and allied equipment by exempting customs duties on import of machinery, equipment and inputs for manufacturing of solar panels, inverters and batteries.

(4) Incentive for exporters of Information Technology (IT) and IT enabled services by allowing duty free import of IT related equipment equivalent to 1% value of their export proceeds.

(5) Reduction of Customs duties and additional Customs duties on import of intermediary/ industrial inputs falling under 10 PCT codes.

(6) Exemption of Customs duties on raw materials of Diapers, Sanitary Napkins and Adhesive Tape.

(7) Concession of Customs duty on raw materials / inputs for manufacturers of Capacitors.

(8) Reduction of Customs duty from 10% to 5% on non-localized (CKD) of Heavy Commercial Vehicles (HCVs).

(9) Exemption of ACD on import of raw materials of Hem dialyzers fluid / powder.

(10) Extension in exemption on machinery and equipment imported by erstwhile FATA areas till June, 2024.

(11) Continuation of concession on import of Flavoring powders for food preparation for manufacturers of snacks till June, 2024.

(12) Exemption of Customs duty on Organic Composite Solvent and Thinners for manufacturers of Butyl Acetate and Dibutyl Ortho phthalates.

(13) Reduction of Customs duty on import of pet scrap for manufactures of polyester filament yarn.

(14) Exemption of Customs duties on Raw Materials for manufacturing of Moulds and Dies.

(15) Exemption of Customs duties on raw materials/ inputs for Mining machinery.

(16) Exemption of Customs duties on raw materials/ inputs for Rice mill machinery.

(17) Exemption of Customs duties on raw materials/ inputs for Machine tools.

(18) Alignment of Part(V) of Fifth Schedule to the Customs Act with Auto Industry Development and Export Policy (AIDEP) 2021-26.

(19) Exemption of Customs duties on import of seeds for sowing to promote growth in agricultural sector.

(20) Exemption of Customs duties on import of shrimps/prawns/juvenile for breeding in commercial fish farms and hatcheries.

(21) Exemption of Customs duties on roasted peanuts for manufacturing of ready to use supplementary foods (RUSF) by World Food Program certified manufacturers.

(22) Increase of Customs duty on Carbides of Calcium from 3% to 11 % to protect the local industry.

REVIEW OF REGULATORY REGIME:

(23) Removal of regulatory duty on second hand clothing to provide relief to the poor segment of the society.

(24) Reduction of regulatory duty on 151 PCT codes pertaining to second hand clothing, fish, tiles, sports goods.

(25) Removal of regulatory duty on IT related equipment to encourage Information Technology sector.

(26) Removal of Regulatory duty on Synthetic Filament Yarn of Polyester not manufactured locally.

(27) Removal of Regulatory duty on parts for flat panels, monitors, projectors.

(28) Removal of Regulatory duty on Silicon Steel Sheets.

(29) Exemption of RD on special steel round bars and rods of non-alloy steel exceeding diameter 50 mm.

(30) Increase / levy of regulatory duty on import of articles of glass to protect the local industry.

(31) To discourage the use of inefficient Tungsten Filament Incandescent Bulbs, 20% RD imposed on these bulbs and their parts.

(32) Export Regulatory Duty on the export of Molasses increased from 10% to 15%.

MISCELLANEOUS:

(33) Creation of separate PCT Code for Smart Watches.

(34) Creation of separate PCT Code for wooden splints for Matches.

(35) Change in Description of PCT CODE 2501.0021.

(36) Change in Description of PCT CODE 8544.6010.

(37) Changes in Descriptions of PCT codes of localized auto parts.

(38) Conversion of Specific CD rate on Caustic Soda to Ad-Valorem rate.

REVENUE MEASURES:

(39) Withdrawal of capping of the fixed duties and taxes on the import of old and used vehicles of Asian Makes above 1300 CC under SRO 577(I)/2005 by omitting serial number 4,5 and 6 of the said SRO.

LEGISLATIVE CHANGES:

(40)Definition of smuggling is being proposed to be rephrased to enable Customs to conduct anti-smuggling operations within the territorial limits of the country.

(41) Provincial Levies and Khasadar Force have been proposed to be added in the list of Government agencies mandated to assist Customs in anti-smuggling operations in Khyber Pakhtunkhwa and Balochistan.

(42)Penal provisions for offence of smuggling of essential commodities are proposed to be made more stringent.

(43) Penal provisions for the offence of smuggling of banned and contra-banned goods are being proposed to be made more stringent.

(44)To ease out congestion at border customs stations, the mandatory time for filing of goods declaration after arrival of goods in the border customs station is proposed to be reduced.

(45)In order to facilitate the trade, the warehousing period for perishable items has been proposed to be enhanced from one month to three months.

(46)The penalty on documents not found inside the consignment abolished.

(47)The pitch of penalty on documents not uploaded electronically with the goods declaration is being rationalized to facilitate trade.

(48) In order to reduce the clearance time and to eliminate human interaction, option is being provided to the respondent to go for adjudication through Customs Computerized System.

(49)To facilitate the passengers travelling as a group who cannot file their own baggage declarations, the representative of the group of passengers is being allowed to file baggage declaration on behalf of the group members.

(50)To check revenue loss, penal provisions for any attempt to evade duty and taxes in breach of laws and procedures are being proposed to be made more stringent.

The proposed budgetary measures pertaining to Sales Tax for FY 2023-24 are:

RELIEF MEASURES:

1. Extension in exemption of sales tax to NMDs (FATA/PATA) for another one year ending 30.06.2024.

2. Grant of exemption of sales tax on contraceptives and accessories.

3. Grant of exemption of sales tax on plant saplings, combine harvesters, dryer for agricultural products, no-till-direct seeder, planters, trans-planters, other planters AND bovine semen.

4. Grant of exemption of sales tax on import of IT equipment by exporters of IT and ITeS registered with Pakistan Software Export Board.

REVENUE MEASURES:

5. Withdrawal of exemption of sales tax on edible products sold in bulk under brand names or trademarks.

6. Enhancement in reduced rate of sales tax from 12% to 15% on supplies made by the POS retailers dealing in leather and textile products.

STREAMLINING MEASURES:

7. The requirement of shop area for tier-1 retailers is proposed to be withdrawn.

8. The Directorate General of Digital Invoicing and Analysis is proposed to be renamed as Directorate General of Digital Initiatives.

9. The scope of penal action is proposed to be enhanced by substituting the "cigarette packs” with "goods specified by the Board”.

10. S. No. 12(xxv) of Fifth Schedule is proposed to be amended by substituting the current description with the "Other drawing, marking out or mathematical calculating instruments (geometry box) (PCT heading 9017.2000)".

11. Scope of S. No. 21 of Fifth Schedule providing zero-rating to exporter registered under Export Facilitation Scheme, 2021 is proposed to be enhanced by inserting the word "commodities".

12. For the purpose of clarification regarding exemption of sales tax on transfusion sets not packed in the aluminum foil imported in one consignment with the blood bags, explanation is proposed under S. No. 121 of Table-1 of the Sixth Schedule.

13.Omission of S. No. 159 and 160 of Table-1 of the Sixth Schedule is proposed being redundant as the time bound exemption has already expired on 31.12.2021.

HARMONIZATION MEASURES:

14. Production, transmission and distribution of electricity is proposed to be excluded from the purview of sales tax in accordance with the decision of National Tax Council.

The proposed budgetary measures pertaining to ICT (Tax on Services) Ordinance, 2001 for FY 2023-24 are:

RELIEF MEASURES:

1. Services provided by restaurants including cafes, food (including ice-cream) parlors, coffee houses, coffee shops, deras, food huts, eateries, resorts and similar cooked, prepared or ready-to-eat food service outlets etc. are proposed to be taxed @ 5% if payment is made through debit or credit cards, mobile wallets or QR scanning.

REVENUE MEASURES:

2. Electric power transmission services are proposed to be taxed @ 15%.

STREAMLINING MEASURES:

3. Granting the status of cottage industry to the freelance exporter of IT and IT enabled services. Such freelance exporters will not be required to file sales tax return.

4. Rate of tax on IT based system development consultants is proposed to be reduced to 15% from 16%.

5. Scope of IT and IT enabled services is proposed to be harmonized with scope envisaged under the Income Tax Ordinance, 2001 on the proposal of Ministry of Information Technology.

SALIENT FEATURES BUDGET 2023-24 INCOME TAX ORDINANCE 2001

REVENUE MEASURES:

1. Rationalization of Super Tax under section 4C to apply on all persons across the board on income above Rs. 150 (m): insertion of additional three new income slabs of Rs. 350(m) to Rs. 400(m), Rs. 400(m) to Rs. 500(m) and Rs. 500(m) above to be taxed at 6%, 8% and 10% respectively.

2. Re-imposition of 0.6% advance adjustable withholding tax on non-ATL persons on cash withdrawal.

3. 1% increase in withholding tax rates on supply of goods other than sale of rice, cotton seed or edible oils, on rendering of services including service subject to concessionary tax rate of 3% but excluding electronic and print media advertising services and on execution of contracts excluding sportsperson.

4.0.5% increase in withholding tax rate for commercial importer on import of goods falling in Part III of Twelfth Schedule to the Income Tax Ordinance, 2001.

5. Re-imposition of 10% final withholding tax on issuance of bonus shares by a company (20% for non-ATL).

6. Increase in withholding tax rate from 1 % to 5% on payment to non-resident through debit/credit or prepaid cards. (2% to 10% for non-ATL person).

7. Imposition of an adjustable advance tax at Rs. 200,000 at the time of issuance of work permit/visa on employment of a foreign domestic helper.

8. Imposition of additional tax at the rate not exceeding fifty percent on income profit and gains of a person or class of persons on account of extraordinary gains due to exogenous factors.

RELIEF MEASURES:

1. Continuation of concessionary fixed tax rate of 0.25% for IT & IT's exports for Tax years 2024, 2025 and 2026.

2. Automated issuance of an exemption certificate for payment to a non-resident person within 30 days of application.

3. Withdrawal of Sales Tax return filing requirement for availing concessionary fixed tax rate of 0.25% for IT & IT's exports.

4. Increase in business turnover limit of a manufacturer from Rs. 250 (m) to Rs. 800 (m) to qualify for concessionary tax regime for SMEs and inclusion of IT & IT's in SMEs definition.

5. Concessionary tax rate of 20% on banking company's income from additional advances to IT & IT sector instead of standard rate of 39%.

6. Enhancement of monetary limit of foreign remittance remitted from outside Pakistan from five million rupees to rupee equivalent of USD 100,000 for the purpose of section 111(4) which places bar on asking nature and source of unexplained income/assets.

7. Waiver of 2% final withholding tax on purchase of immovable property for nonresident individual POC/NICOP holder where immovable property is acquired through foreign remittances remitted from abroad.

8. 10% reduction in tax liability or Rs. 5 (m) whichever is lower for a builder and 10% reduction or Rs. 1 (m) whichever is lower for an individual for own construction of house for three years.

9.50% reduction in tax liability for three years for youth entrepreneurship (maximum limit of Rs 2 million for Individual / AOP and Rs 5 million for a company). Youth is defined as a natural person up to the age of 30 years.

10. Extension for two years for the purpose of concessionary tax rate of 20% for banking company's income from additional advances to low-cost housing, agriculture, and SMEs including IT.

11. Encouraging export of commodities (Agriculture produce, gems, metals etc.) through online platform by providing 1% concessionary final tax rate to indirect exporters.

12. Reduction of minimum tax liability on turnover from 1.25% to 1.0% for companies listed on Pakistan Stock Exchange.

13. Extension of exemption for one-year granted to a person to profits and gains on sale of immovable property or share of special purpose vehicle to any type of REIT scheme i.e. up to 30th June, 2024.

14. Extension of Income Tax exemption for one year i.e. up to 30th June, 2024 for resident persons of FATA/PATA.

15. Five years tax holiday for agro based industries being SMEs set up on or after 1st July, 2023 from tax year 2024 to tax year 2028.

STREAMLINING MEASURES:

1. Broadening the scope of definition of Permanent Establishment in Pakistan of non-resident person.

2. Streamlining the definition of Associates to make it more succinct and elaborate.

3. Bringing more clarity in carry forward regime of minimum tax on turnover.

4. Removal of technical mistake in banking sector super tax regime by substituting tax year 2022 with tax year 2023.

5. Insertion of enabling provision for computation, collection and payment of super tax under section 4C.

6. Introduction of enabling provision for the purpose of effecting recovery of outstanding non-tax revenue under any other statute or law by the Commissioner Inland Revenue.

7. Giving effect to change of name from "Prime Minister's Flood Relief Fund 2022" to "Prime Minister's Relief Fund for Flood, Earthquake and Other Calamities".

DOCUMENTATION MEASURES:

1.Re-imposition of advance adjustable withholding tax from persons not on ATL.

SALIENT FEATURES BUDGET 2023-24

FEDERAL EXCISE ACT 2005

The proposed budgetary measures pertaining to Federal Excise Duty (FED) for FY 2023¬24 are:

REVENUE MEASURES:

1. Imposition of FED on energy inefficient fans @ Rs. 2000 per fan and incandescent bulbs @ 20% ad valorem is proposed as approved by the Federal Cabinet in Case No. 01/01/23, dated 03.01.2023.

2.The scope of FED on services is proposed to be enhanced by adding royalty and fee for technical services.

STREAMLINING MEASURES:

3. New clause (e) of sub-section (1) of section 3 is proposed to be added which will elaborate further the chargeability of federal excise duty on goods and services.

4. The Directorate General of Digital Invoicing and Analysis is proposed to be renamed as Directorate General of Digital Initiatives.

5.The procedure for publication of general orders and departmental instructions and ruling of the Board on its official website are proposed to align with provisions under the Sales Tax Act, 1990.

5. Budget 2023-24 in my opinion.

Budget targets are very much optimistic and there are sufficient chances of missing the targets if Current Account Deficit and Fiscal Deficit is floating. Along with these twin problems, EFF availably is very important for achieving the fiscal targets. Finance minister's statements are dwindling between to avail or not to avail the EFF from IMF. Pak economy is running at knife edge without EFF from IMF. Honorable Finance minister has many times ensured that economy will not expose to default. Moreover, very trivial action plans, due to declining economy, announced in most of the economic sectors. In my opinion, setting aside the appreciated measures adopted by the economic manager, followings are serious hurdles to achieve budget targets;

- ✓ Growth target of 3.5% can only be achieved conditionally in if there is no political unrest, natural havocs like flood of 2022 and availability of IMF's EFF. Agriculture sector can ensure to meet such challenge and agriculture energy must be seriously implemented.
- ✓ Fiscal deficit depends upon the quantum of tax collection. Growth rate of 3.5% is not sufficient to generate the sufficient taxes to reduce ti fiscal deficit to 6.54%. Supper tax on higher earners may help reducing the fiscal deficit to some extent.
- ✓ Once again, Pakistan should wait for some miracles to happen to drag down the inflation to 21%. These miracles may include supply of Russian crude oil, bumper agriculture production and reduction of inflation at globe.
- ✓ Targets total tax revenue of 9.2 trillion rupees depends upon economic growth and activeness of tax collection machinery. Last year collection target was missed due to low economic growth of 0.29%. Very little hop to meet the target.
- ✓ It would be a hard task, in present economic scenario, to maintain the balance between / among the different macroeconomic variables such as growth & inflation, exchange rate & deb servicing, remittances & motivators of remittances, revenue & expenses, trade deficit & exchange rate, employment & PSDP and another variable depending upon more than one variable.
- ✓ Chances of mini budgets are there.
- ✓ No planning in budget to used ideal resources including a vast virgin land, waste of rain fed water in Pothohar Plateau and huge young labor force. YIPS and other schemes are not sufficient to activate these dormant sources.
- ✓ Agriculture sector is still not getting the required attention. No revolutionary policy in agriculture sector announced to feed agro-based industry and to address the food security as a most brisk danger of near feature.
- ✓ No planning of production and export of non-tradition crops to reduce the CAD.
- ✓ No tangible planning for substitution industry for imported raw material. Still huge quantity of chemicals & parts for textile industry are imported to burden the trade gap. Moreover, our production for local consumption is comprises of 45% imported raw material.
- ✓ No accountability system for inefficient ministers for their failures.
- ✓ Reduction in CAD by 28.5% from \$ 65.519 b to \$ 46.88 b was at the cost of compromising on economic growth. On one hand CAD was reduced, a good news,

but at the same time growth rate declined due to declination of imported raw material. The reduction in production created the twin problems of high inflation and more unemployment at a time. The pressure may persist for current fiscal year also.

- ✓ To maintain fiscal discipline with 3.5% GDP will be a cumbersome job with alarming peak of all macroeconomic indicators bagged by the current government. Different external and internal resources will be used to finance the fiscal deficit of Rs. 7,573 b which is 52% of total budget outlay. This will make harder to achieve the targets set in budget. After debt service, defense payment and other government expenses, only 8% budget is left development of 230 million people.

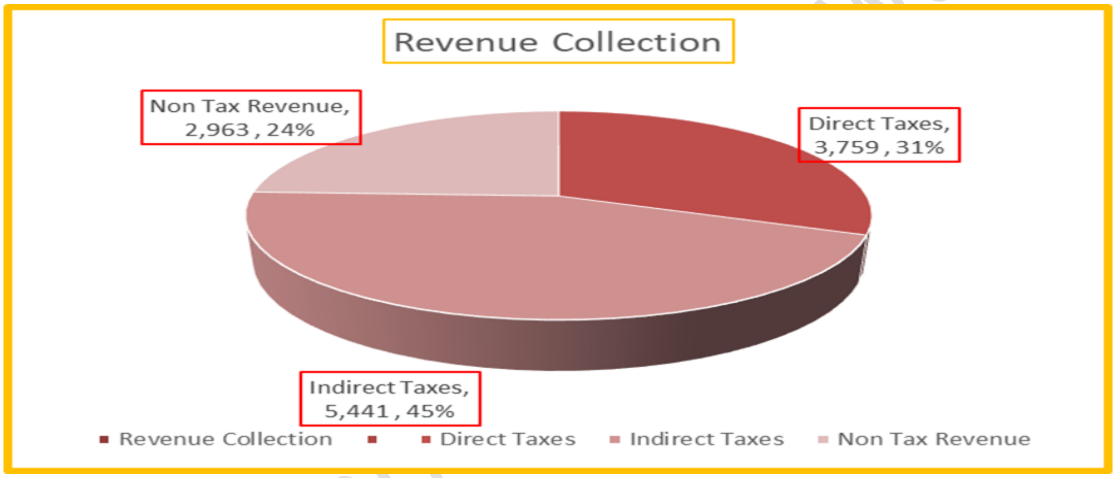
Management of Fiscal Deficit			
			(Rs. in Billion)
Fiscal Deficit		**Financing**	
A) Federal Revenue (Net)	**6,887**	**A) Net External Financing(I +ii)**	**2,527**
i) Current Expenditure (13,320)	(13,320)	Multilateral & Bilateral	
ii) Development and Net (1140)	(1,140)	Sources	
B) Total Fexpenditure	**(14,460)**	Commercial Sources	
		i) Total	6,973
		ii) Less: Debt retirement	(4,446)
		B) Total internal Resources	**5,046**
		i) Total Internal Bowrrings	**5,031**
		Non Bank Barrowings (National Saving Schemes and Others)	1,906
		ii) Bank Barrowing (T.Bills, PIBs, Sukuk)	3,124
		iii) Privatization Proceeds	15
C) Federal Deficit (A+B)	**(7,573)**	**Total Financing (A+B)**	**7,573**

- ✓ Still a huge forex is required to import edibles items including wheat, tea & pam oil etc.

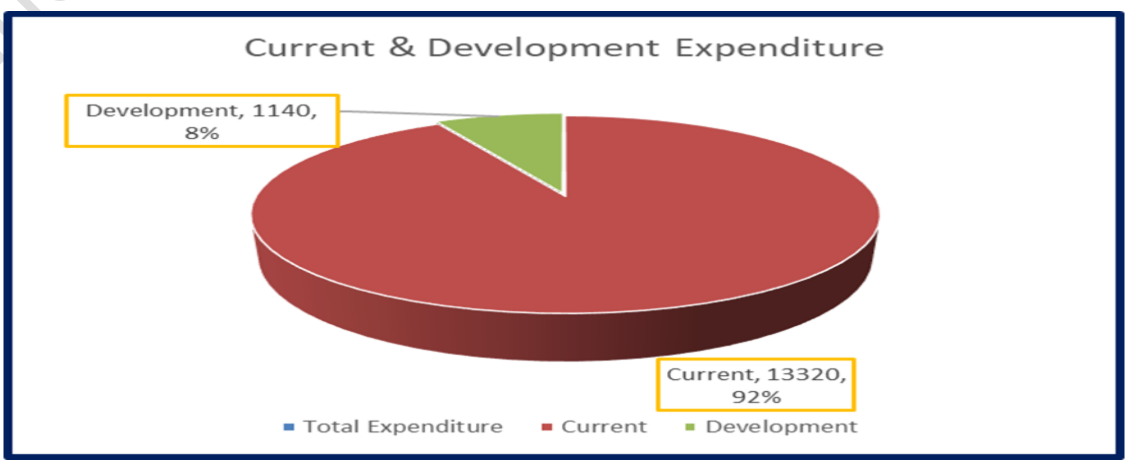
- ✓ PSDP of Rs. 950 b is insufficient to create required quantum of jobs though allocation has been increased from Rs. 808 b to Rs. 950 b.

- ✓ Inflation may take more than six months to bounce back at 21%- the target set for current fiscal year. Inflation increased from 12% to 38% during the current regime - due to many reason including devastated flood, increase in inflation at globe and depreciation in Pak Rupee.

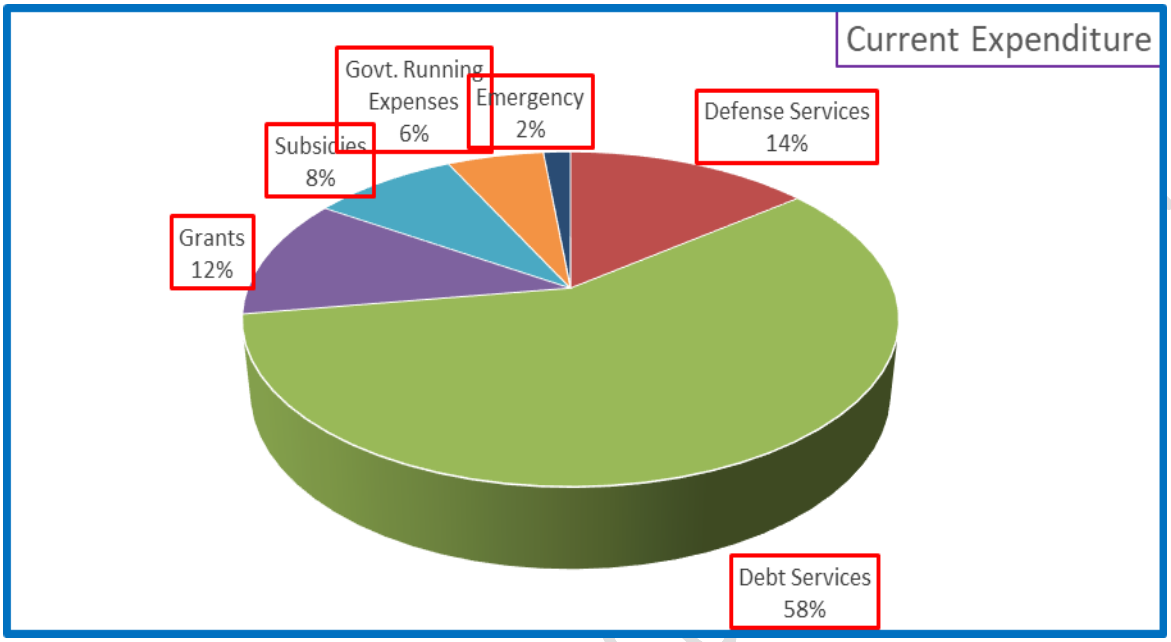
- ✓ It's good that collection burden is slightly shifted to income winner through direct taxes, especially imposition of super tax on high income slabs. Direct taxes share has been increased from 29% to 31% and indirect taxes reduced from 49% to 45% which is good sign.



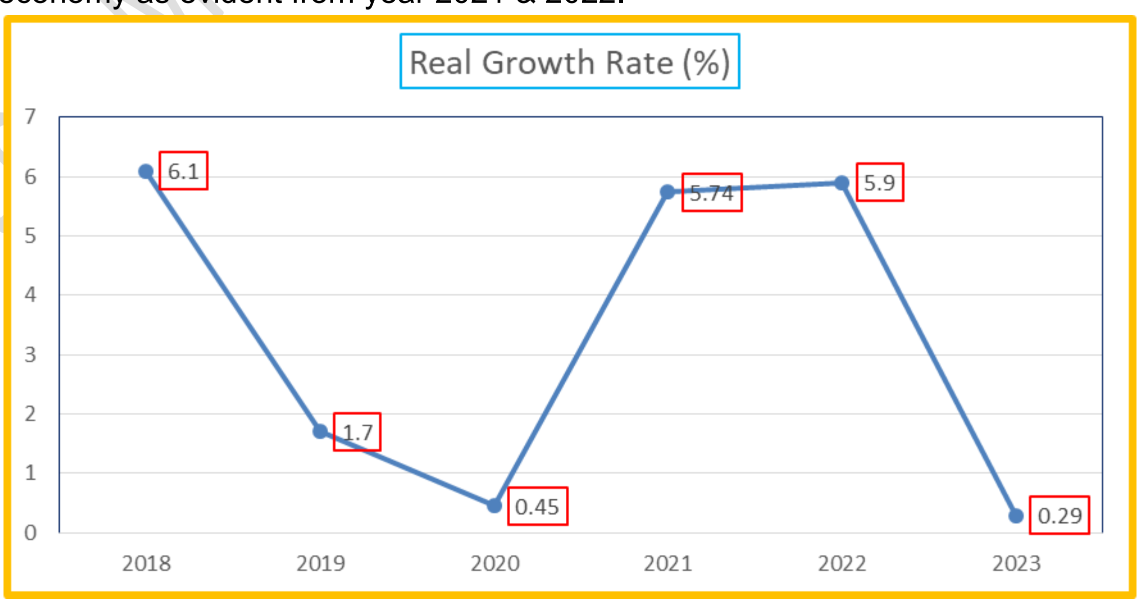
- ✓ Major portion of revenue (both revenue & capital receipt) is eroded by only two head of accounts i.e. Defense Services and Debt Services. Current expenditure supersedes Development expenditure so much so that very tiny amount left for development of 230 million people. About 92%funds will go to current expenditure and only 8% are reserved for development to create jobs. In case of emergency, development expenditures are cut down to feed the current expenditure.



✓ Share of other current expenses is depicted in graph below.



✓ Less GDP growth target of 3.5% as against .029% % of previous year, to correct the inflated economy. Heavy imports, at higher cost, to produce the goods for local consumption was the only factor which inflated the growth rate at 5.9% through quantity produced was less in 2022. Such high cost of imported material pushed import bill all-time high in the history in 2021-22. There was only possible measure was to slow down the economy (Growth rate) to correct inflation, CAD and Rupee value against Dollar etc. It will take another one year to correct all macroeconomic indicators to make economy sustainable. Current economic management visualize the organic growth rate instead of V-shaped growth rate which is tested killer of economy as evident from year 2021 & 2022.



6. Agriculture Sector

- ### Government efforts to boost agriculture sector.

➢ **Government Incentives in budget 2023-24:**

- The government has proposed special incentives for the agriculture sector in the federal budget 2023-24 including duty exemption on the import of seeds and abolishment of sales tax on plant saplings, combine harvesters, dryers for agricultural products, no-till-direct seeders, planters, trans-planters, other planters and bovine semen.
- The annual target for agriculture loans is proposed to expand from Rs. 1,800 billion to Rs. 2,250 billion.
- Proposals also include a concessionary tax rate of 20 percent on the banking company's income for additional advances to agriculture and an exemption on importing shrimps/prawns/juveniles for breeding in commercial fish farms and hatcheries.
- In order to encourage textile exports, a 5 percent regulatory duty on locally-made synthetic yarn is recommended to abolish. The government has also recommended a 1 percent final tax rate through the online platform to promote agriculture commodities for indirect exporters.
- The finance bill also recommends Rs. 10 billion for concessionary agricultural loans and blanket tax exemption for five years to agro-industrial units in rural areas having annual turnover of more than Rs. 800 million.

➢ **Importance of agriculture sector:**

Agriculture sector, contributing 22.9 percent in GDP and 38.4 percent in employment generation, ensures food security and provide raw material to the industrial sector. It is also a source of foreign exchange earnings and significant for sustainable growth. However, from last couple of years, the country observed climatic shocks which adversely affected agriculture sector. This sector's productivity is highly sensitive to the frequency of adverse climatic events like flood and drought along with abnormal heat waves, rain, and glacial melt. More severely, the prolonged precipitation patterns increase river and inland water levels, resulting in flash and seasonal river and urban flooding commonly experienced in the recent past. Thus, flood hazard remains highly susceptible to other climatic factors, as it badly influences humans' social-economic and politico-cultural domains. During July-August 2022, Pakistan witnessed an unprecedented episode of territorial rains followed by flash flooding that damaged primarily two main subsectors, i.e., crops (important and others) and livestock.

Agriculture Sector 19% 39% 70% Contribution in GDP Contribution in Labor Force Population Depend on Agriculture Agricultural sector is indispensable to the country's economic growth, food security, employment generation and poverty alleviation particularly, at the rural level. It contributes 19.2 percent to the GDP and provides employment to around 38.5 percent of the labor force. More than 65-70 percent of the population depends on agriculture for its livelihood. Agricultural growth rate has been constrained by shrinking arable land, climate change, water shortages, and large-scale population and labor shift from rural to urban areas. Increasing agricultural productivity, therefore, requires adoption of new approaches. With strong forward and backward linkages with the secondary (industrial) and tertiary (services) sectors, it can play a pivotal role to spur economic growth. However, this sector has remained prone to several challenges like climate change, variance in temperature, water shortage, and changes in pattern of precipitation along with increase in input prices.

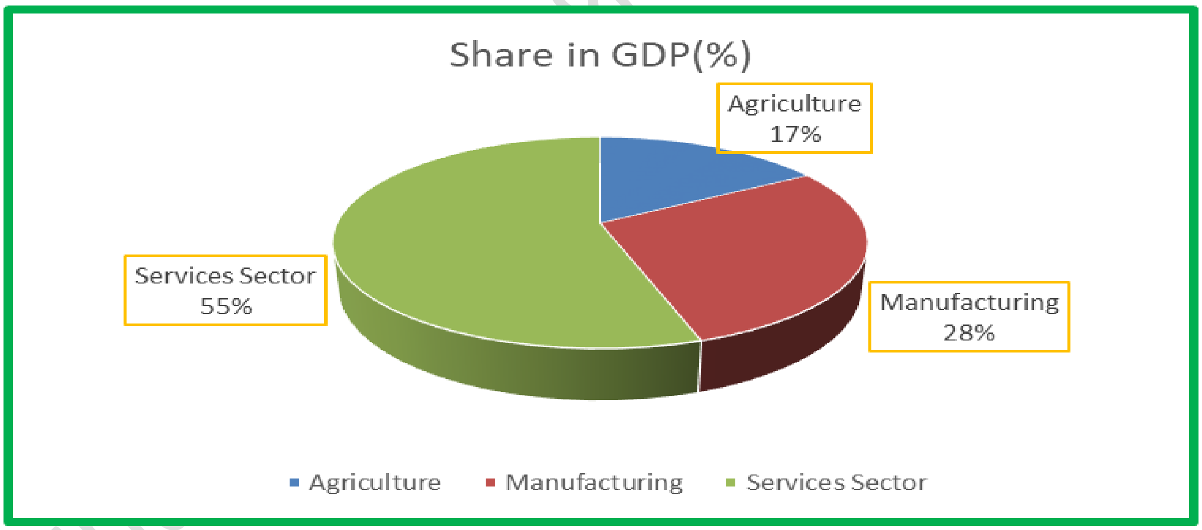
- **Previous year performance (2022-23):**

Pakistan faced a heavy monsoon spell in July-August 2022 which damaged two main sub-sectors, i.e., crops and livestock. Moreover, the damage in the agriculture sector had a spillover effect on the industry and allied services sectors. As a result, domestic production remained below the required levels, raising the prices of all essential food items to a historic high. The total damage in the agriculture sector amounts to approximately Rs 800 billion (US$ 3.725 billion). Restoring the livelihoods of smallholder farmers and livestock keepers was urgent and time-sensitive for meeting the upcoming Rabi cropping season 2022-23 and preventing further losses to livestock assets and production. To meet the domestic demand for food items, the government took up the matter immediately and allowed the import of essential food items on a fast-track basis from neighboring countries. The Rabi 2022-23 remained challenging for the peasants of Sindh and Balochistan, particularly being the most flood affected areas. To lessen the miseries of flood affectees and revival of the agriculture sector, the government announced Kissan Package2022.

Despite the flash floods in 2022, damage to Kharif crops, and the high base effect of last year's growth of 4.27 percent, the agriculture sector recorded a growth of 1.55 percent during FY2023. The decline in important crops stood at 3.20 percent. Two important crops, i.e., cotton and rice, were badly damaged by the floods. A decline of 41.0 percent was observed in cotton which resulted in the production of 4.910 million bales as compared to 8.329 million bales last year. Similarly, rice witnessed a decline of 21.5 percent in production standing at 7.322 million tonnes as compared to 9.323 million tonnes last year. The loss in important crops to some extent has been compensated by growth in the production of wheat (5.4 percent), sugarcane (2.8 percent), and maize (6.9 percent). The production of wheat, sugarcane, and maize stood at 27.634 million tonnes, 91.111 million tonnes, and 10.183 million tonnes, respectively, compared to 26.209 million tonnes, 88.651 million tonnes, and 9.525 million tonnes last year. An increase of 0.23 percent has been witnessed in other crops due to an increase in oil seed production by 53.15 percent. Cotton Ginning, having a share of 0.97 percent in agriculture and 0.22 percent in GDP has declined by 23.1 percent due to a decrease in cotton production.

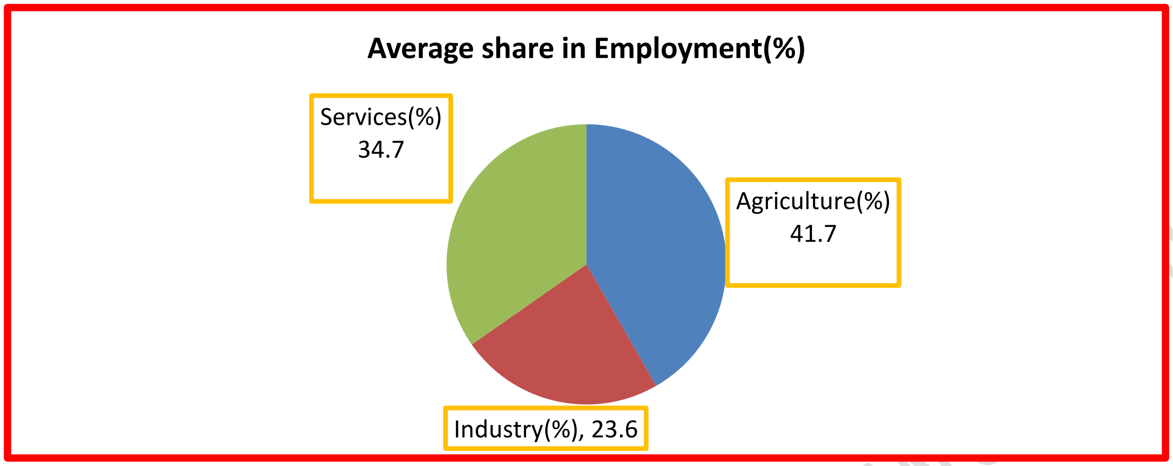
Livestock, having a share of 62.68 percent in agriculture and 14.36 percent in GDP, grew at 3.78 percent compared to 2.25 percent during last year. The fishing sector, having a share of 1.39 percent in agriculture value addition and 0.32 percent in GDP, grew at 1.44 percent compared to 0.35 percent during last year. The forestry sector, having a share of 2.23 percent in agriculture value addition and 0.51 percent in GDP, grew at 3.93 percent against 4.07 percent last year due to an increase in Timber production. Water availability during Kharif 2022 declined to 43.3 million-acre feet (MAF) from 65.1 MAF compared to Kharif 2021. Rabi season 2022-23 water availability stood at 29.4 MAF, recording an increase of 7 percent over Rabi 2021-22.

Share in GDP (%): It is a major contributor to the employment and foreign exchange earnings. In addition to that it provides industrial raw material, hence growth in this sector has multiple linkages with the overall economy. It contributes 17%, on average, to the GDP and provides employment to around 38.4 percent of the labor force. The improvement in agriculture production systems will increase farm income, reduce consumer prices and enhance diverse food supplies besides generating an exportable surplus. Above incentives surely increase agriculture product and share in GDP.



Sustainable growth of the agriculture sector stands vital for food security and rural development in Pakistan. Realizing the importance of agriculture sector, the Government encourage financial inclusion activities in the agriculture sector to adopt new approaches in order to boost the productivity and exports, thus enhancing a rural development-driven economic growth.

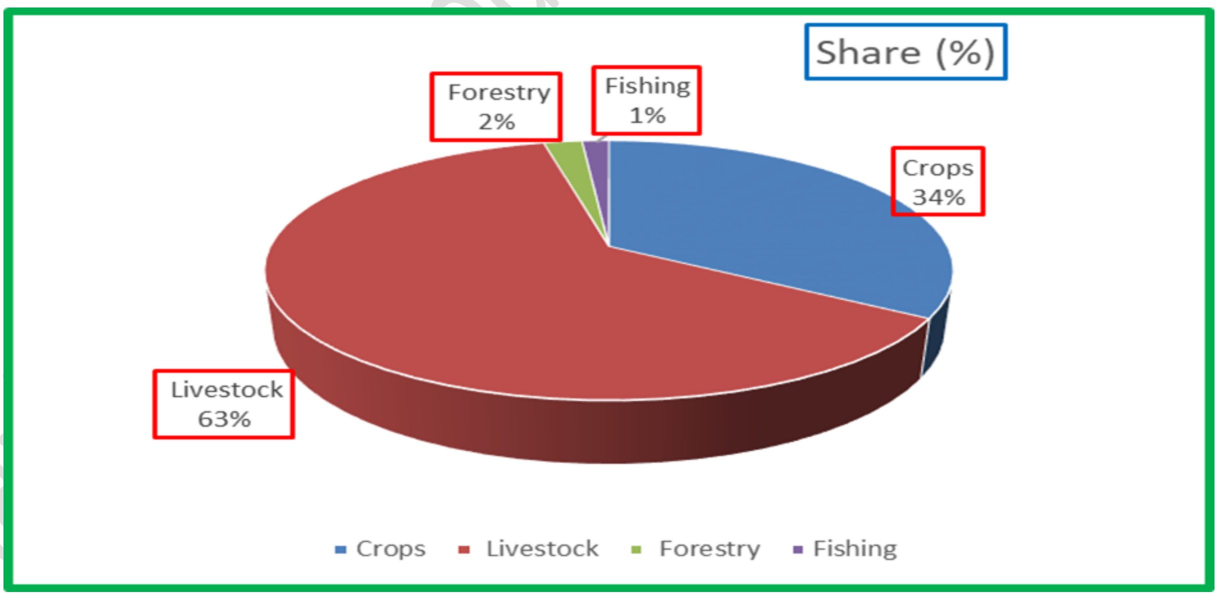
- **Employment in Agriculture Sector:** Agriculture is innately a labor-intensive activity that's why it takes the lead over both industrial and service sector in deploying the greater number of labors.



➢ **Agriculture sector break-up**

Agricultural Sector is divided into following **four** main **sub-sectors;**

1. Crops;
2. Livestock;
3. Fisheries and Aquaculture (including capture fisheries);
4. Forestry.



Seven year performance, growth rate, is depicted below;

Sector	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22 P
Agriculture	**2.22**	**3.88**	**0.94**	**3.91**	**3.48**	**4.40**
1. Crops (i+ii+iii)	1.37	4.61	-4.38	6.32	5.96	6.58
i) Important Crops	2.68	4.27	-8.59	5.24	5.83	7.24
ii) Other Crops	-1.24	4.65	3.62	9.21	8.27	5.44
iii) Cotton Ginning	5.24	8.27	-11.23	-4.06	-13.08	9.19
2. Livestock	2.89	3.59	3.65	2.80	2.38	3.26
3. Forestry	-2.92	2.24	7.22	3.36	-0.45	6.13
4. Fishing	1.22	1.57	0.78	0.63	0.73	0.35

- Important Crops; There are four major crops (Cotton, Sugarcane, Rice & Wheat) contribute about around 30% share in agriculture sector.
- The decline in important crops stood at 3.20 percent. Two important crops, i.e., cotton and rice, were badly damaged by the floods. A decline of 41.0 percent was observed in cotton which resulted in the production of 4.910 million bales as compared to 8.329 million bales last year. Similarly, rice witnessed a decline of 21.5 percent in production standing at 7.322 million tonnes as compared to 9.323 million tonnes last year. The loss in important crops to some extent has been compensated by growth in the production of wheat (5.4 percent), sugarcane (2.8 percent), and maize (6.9 percent). The production of wheat, sugarcane, and maize stood at 27.634 million tonnes, 91.111 million tonnes, and 10.183 million tonnes, respectively, compared to 26.209 million tonnes, 88.651 million tonnes, and 9.525 million tonnes last year. An increase of 0.23 percent has been witnessed in other crops due to an increase in oil seed production by 53.15 percent. Cotton Ginning, having a share of 0.97 percent in agriculture and 0.22 percent in GDP has declined by 23.1 percent due to a decrease in cotton production.
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7. Food Security:

The sixth edition of the Global Report on Food Crises should jolt the world into action. We are facing hunger on an unprecedented scale, food prices have never been higher, and millions of lives and livelihoods are hanging in the balance. The war in Ukraine is supercharging a three-dimensional crisis – food, energy and finance – with devastating impacts on the world's most vulnerable people, countries and economies. All this comes at a time when developing countries are already struggling with cascading challenges not of their making – the COVID-19 pandemic, the climate crisis, and inadequate resources amidst persistent and growing inequalities. But this report also shows that we have the data and know-how to change course. The 2030 Agenda for Sustainable Development and the Paris Climate Agreement are our blueprints to tackle the root causes of hunger and malnutrition – from conflict to climate shocks, to inequality and poverty.

The UN Food Systems Summit and the creation of the Food Systems Coordination Hub in Rome are the first steps towards preventing the projected major increases in global hunger, and delivering on the Sustainable Development Goals to end hunger, achieve food security, and promote sustainable agriculture. Together, we can build a safer, more resilient and inclusive world – and banish the scourge of famine and starvation once and for all. But we must act now.

Reasons for Food Insecurity:

- Overpopulation.
- Urban rural composition.
- Area under cultivation.
- Water availability.
- No extensive farming,
- Non-conducive environment or climate.
- Low productivity of agriculture produces.
- Cultivation methodology-not using modern technology.
- Climatic change as a natural havoc.
- Non patronization of government to agriculture.
- Country's financial health to import for mitigation of food shortage.
- No tangible policy or implementation to avoid the food insecurity.
- No awareness campaign about the food shortage.
- Missing comprehensive agriculture policy.

Measures to control the food shortage:

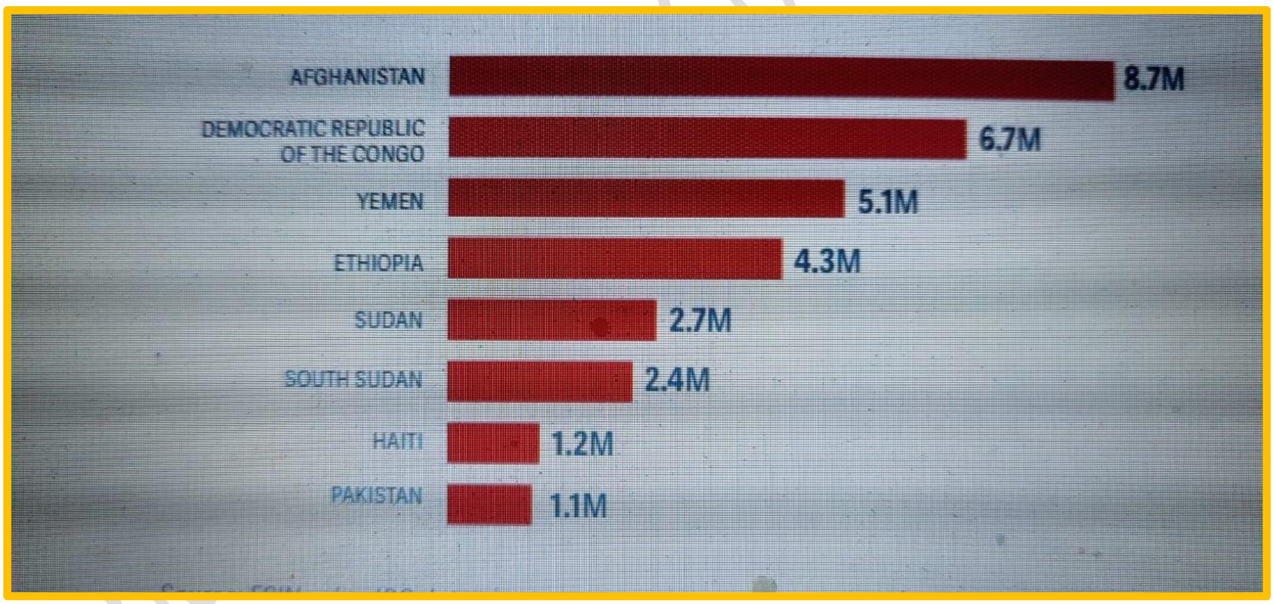
Addressing these food security problems requires a comprehensive approach, including sustainable water management, land conservation measures, climate change adaptation strategies, agricultural research and development, poverty alleviation programs, improved infrastructure, better market access for farmers, and enhanced food safety regulations and enforcement.

Pakistan has huge arable land which is lying virgin, especially in Balochistan. Pakistan can easily control food insecurity through creating water reservoirs, bringing more area under cultivation, extensive farming, and diversification of crops, setting priority of crops sowing, increasing productivity through modern techniques and government special incentives to motivate people for doing farming as a profession.

Acute Food Insecurity Overview, 2021 & Pakistan:

- According to the World Hunger Index 2022, Pakistan was ranked 99th among 121 bankrupt countries, and a continuous decline in purchasing power has pushed people towards starvation (May 3, 023).
- Populations in Emergency (IPC/CH Phase 4) Around 39 million people were in Emergency (IPC/CH Phase 4) in 36 countries/territories in 2021. Afghanistan, the Democratic Republic of the Congo, Yemen, Ethiopia, the Sudan and South Sudan, had more than 2 million people each in Emergency (IPC/ CH Phase 4), while Haiti and **Pakistan** had around one million people each. These countries accounted for 82 percent of the total global number in this phase.

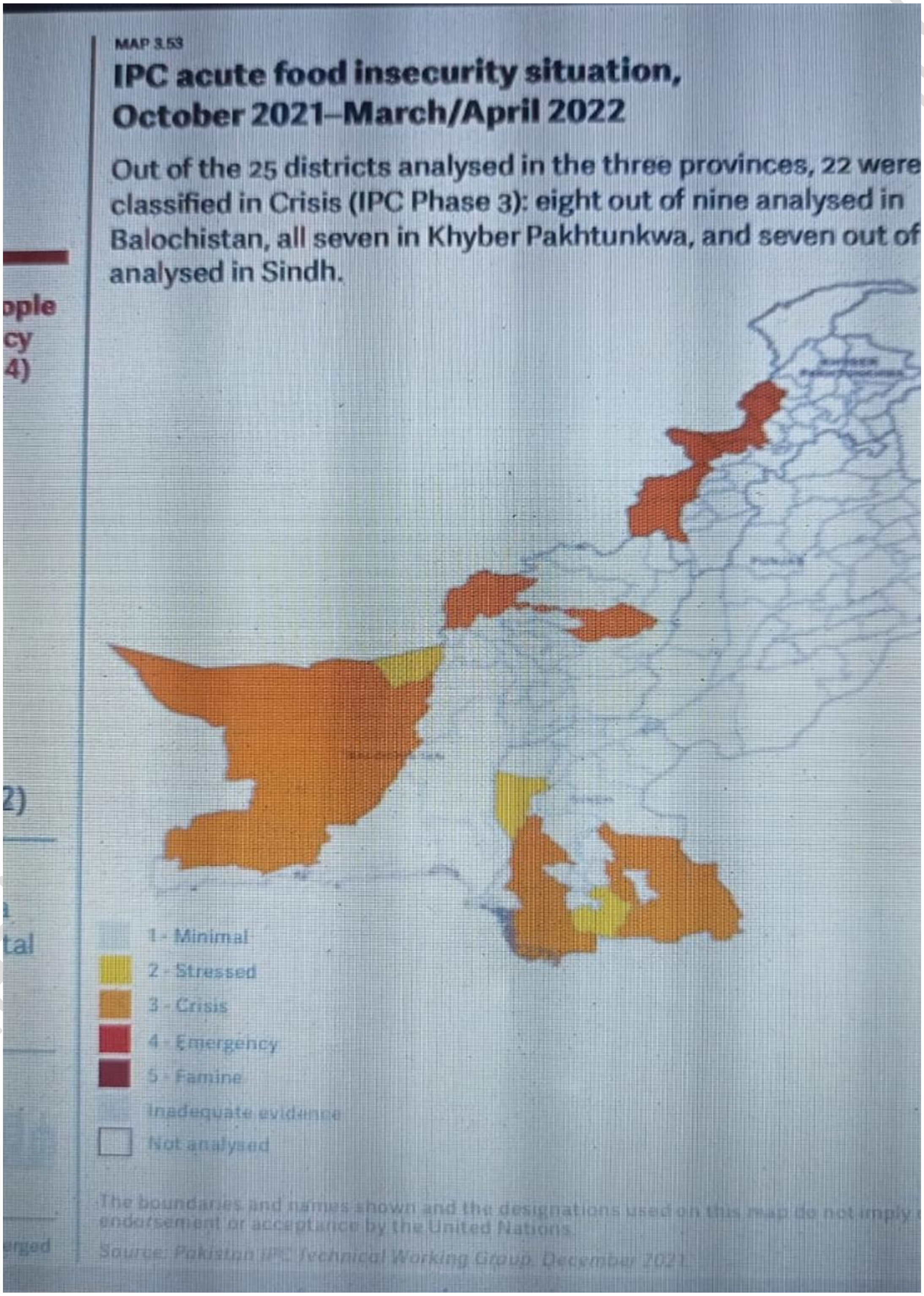
(IPC means Integrated Food Security Phase Classification)



- It's important to note that these rankings can change over time due to various factors, including political instability, conflict, climate change, and economic challenges. Additionally, there are other sources and indices that may provide different rankings based on their methodologies and indicators used. For the most up-to-date and accurate rankings, it is recommended to refer to reports and assessments published by reputable organizations like the FAO, World Food Programme (WFP), and GHI (Food Hunger Index).
- Major increases were reported in eight countries, accounting for 35 million additional people in Crisis or worse (IPC/CH Phase 3 or above): Afghanistan, with around 10 million additional people in these phases; Ethiopia (8 million); the Democratic

Republic of the Congo (5 million); Nigeria (4 million); Pakistan and Yemen (3 million each) and Angola and Somalia (1 million each).

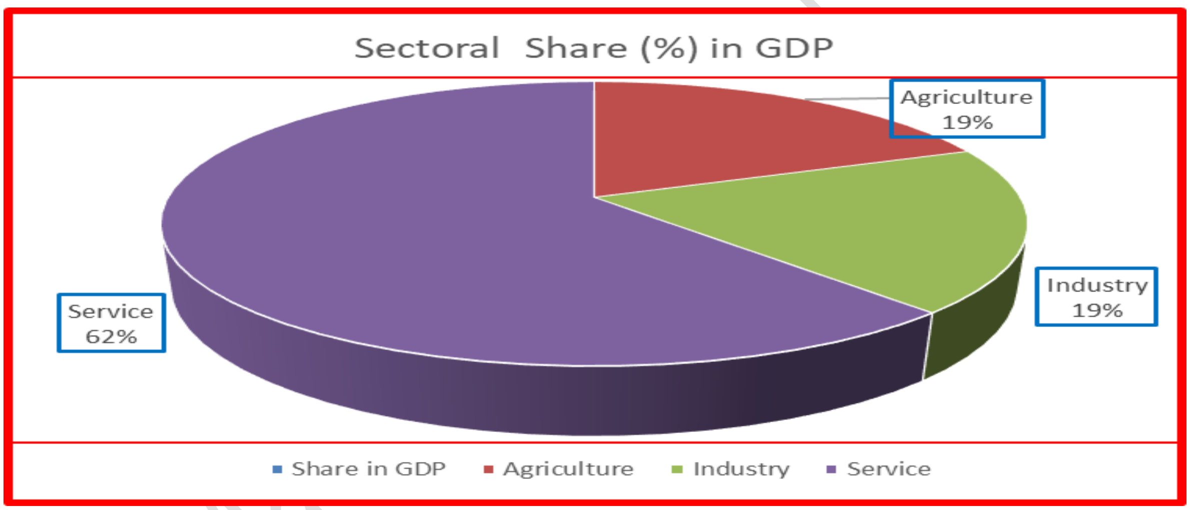
- In Pakistan, the number of people in Crisis or worse (IPC Phase 3 or above) is expected to decrease slightly in Sindh and increase slightly in Baluchistan and Khyber Pakhtunkhwa, as high food and fuel prices curtail the purchasing power of low-income households. Drought may also affect wheat crop production in rain-fed areas of Balochistan and Sindh.



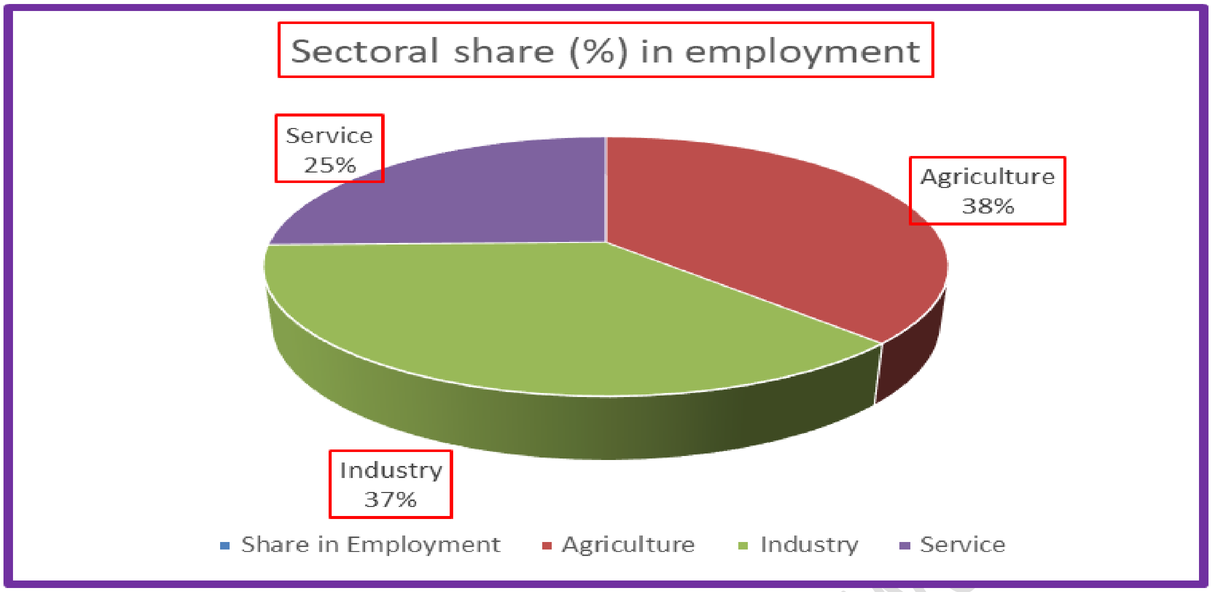
- Acute food insecurity trends In Balochistan, when comparing the same nine districts analyzed in 2019 and 2021, the number of people in Crisis or worse (IPC Phase 3 or above) decreased from 1.4 million (50 percent of the analyzed population) to 0.9 million (25 percent) in October 2021– March 2022 (IPC, July 2019 and December 2021). In Sindh, 2.3 million people were in Crisis or worse (IPC Phase 3 or above) in late 2021, an improvement since March–June 2021 (3.1 million). The percentage of the analyzed population in Crisis or worse (IPC Phase 3 or above) in the six districts dropped from 53 percent in January–July 2019 to 23 percent in October 2021–March 2022, despite notable differences in areas/populations analyzed (IPC, July 2019, April 2021 and December 2021). In Khyber Pakhtunkwa, the situation has worsened since 2020. When comparing the same seven districts, the number of people in Crisis or worse (IPC Phase 3 or above) increased from 1.1 million in November 2019–May 2020 and June–August 2020 to 1.5 million during the October 2021–April 2022 lean season (IPC, May 2020 and December 2021).

8. Industrial or Manufacturing Sector.

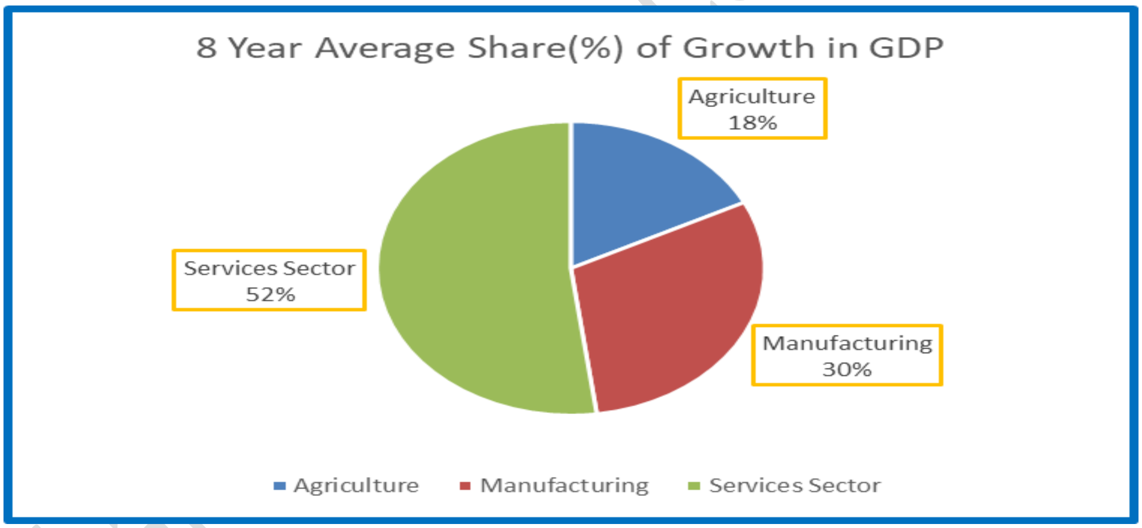
Manufacturing holds a dominant position within Pakistan's industrial sector, contributing 12.01 percent to the country's GDP. Pakistan's national accounts divides manufacturing sector into three main categories: Large Scale Manufacturing (LSM), Small Scale Manufacturing (SSM), and Slaughtering. LSM is comprised of businesses with ten or more employees and accounts for 78.4 percent of the Quantum Index of Manufacturing (QIM), which measures LSM performance. The QIM is derived from the Census of Manufacturing Industries conducted in 2015-16. SSM information is based on a survey conducted in 2015 and covers both industrial and household units engaged in manufacturing with fewer than ten employees. Slaughtering sector performance is calculated using a method that measures the value added of the sector's output. The mining and quarrying sector contributes around 1.6 percent of GDP and includes activities related to the extraction of natural resources and construction materials.



Industrial sector accommodates almost 37.28% of total employment with other sectors.



Growth rate of industry was –Ve by 2.94 % which was compensated by agriculture sector with 1.55% growth rate and to some extend by service sector with 0.86% to make overall growth rate slightly +ve by 0.29%.



The proliferation of risks, including the global economic slowdown and flood damages, coupled with the SBP's restrictive policies such as high-interest rates, import restrictions, and the closure of LCs to correct the balance of payments and control inflation, has created headwinds for businesses, consumer confidence, and investment. Thus, the industry weighed down by various domestic and external factors leading to a slowdown in its performance in FY2023. LSM remained on the negative side, at negative 8.11 percent during July-March FY2023 against the growth of 10.61 percent in the corresponding period last year. The four sectors witnessing growth include Wearing apparel, Leather Products, Furniture, and others (Football).

The mining and quarrying sector remained negative at 4.4 percent during July-March FY2023 against the dip of 7.0 percent last year. The development of the mining sector has been hindered by inadequate infrastructure, lacking technology, and insufficient financial resources. Production of major minerals such as coal, dolomite, barium sulphate, limestone, rock salt, and ocher witnessed a growth of 17.6 percent, 42.2 percent, 53.6 percent, 10.6 percent, 12.4 percent, and 15.4 percent respectively during July-March FY2023. However, some witnessed negative growth such as natural gas 9.3 percent, crude oil 10.2 percent, chromite 12.6 percent, magnetite 50.0 percent, gypsum 5.0 percent, Sulphur 25.0 percent, soapstone 43.2 percent, and iron ore 51.6 percent.

Government Incentives to promote the industrial / Manufacturing Sector.

- **Major Initiatives of Punjab**:

▪ New policies for rock salt and limestone mining to promote sustainable and value-added opportunities,

▪ Competitive bidding for prospecting licenses and mining leases for all minerals in Schedule 3,

▪ Issuance of exploration licenses for cement plants, coal, and iron ore areas,

▪ Establishment of a Citizen Contact Center for public access to information and services, and

▪ Redrafting of Punjab Mining Concession Rules and new Mines & Minerals Regulation Act 2022 in progress.

- **Major Initiatives of Khyber Pakhtunkhwa**

▪ Deployment of Mining Cadaster System, allowing investors to access mineral title information and manage their granted mineral titles,

▪ Granting of 1,968 Prospecting Licenses, conversion of 245 Prospecting Licenses into Mining Lease, and renewal of 30 Mining Leases,

▪ Establishment of regional offices in newly merged districts with a One Window facilitation Centre, and

▪ Signing of an agreement with Geological Survey of Pakistan for Geological Mapping of Khyber Pakhtunkhwa to identify new mineral investment potential zones.

- **Major Initiatives of Sindh**

▪ Strengthening of Directorate General Mines and Mineral Development (M&MD): The Directorate General M&MD in Karachi is undergoing construction and renovation to create a comfortable work environment for officials to improve work performance and service delivery. The project includes the establishment of a Mineral Testing Lab, purchasing hardware/furniture/fixtures, geological/lab equipment for exploration activity, and vehicles for field monitoring and officers.

▪ Profile Study for Identified Minerals for Reserves Estimation in Province of Sindh: The objective of the study is to determine the quantity, quality, and search for new minerals in the province, attracting foreign/local investments and generating economic and employment opportunities. Digital weighbridges to curb pilferage and ensure proper record keeping.

▪ The department is exploring the possibility of establishing a mineral testing laboratory under PPP mode to attract several investors, as Balochistan lacks testing laboratories despite its rich potential of mineral resources.

- **Major Initiatives of Balochistan**

▪ The Reko-Diq dispute has been settled, and mineral agreements have been reached, bringing in US$7 billion investment and 7000+ jobs. Investor's confidence is increasing, leading to more interest in the province's mineral resources.

▪ The Government of Balochistan has established two companies to explore and mine mineral resources in the province. Balochistan Mineral Resources Company Limited (BMRL) and Balochistan Mineral Exploration Company (BMEC) have initiated exploration work and joint ventures with international investors to increase revenue and establish indigenous human resources in modern mining.

▪ A financial consultant has been hired to analyze the fiscal regime of the Mines & Minerals Development Department and explore possibilities of enhancing revenue from the mineral sector.

▪ The automation of the licensing regime, royalty management, and inspection on sites has been initiated with the project "Institutional Strengthening Automation of Royalty Regime in Mining Sector." Most modules of the software development have been completed, and data digitization has been carried out.

▪ The Exploration Promotion Division of DGMM is managing the project to generate mineral resource data of Balochistan using drone-held magnetometers for mineral reconnaissance, aiming to attract mining sector investors from all over the world.

▪ The integrated development of mining sites has been initiated to enhance labor welfare and safety measures, with the provision of scholarships, safety equipment for inspectorate of mines, and other measures.

▪ The government is constructing and strengthening check posts and installing digital weighbridges to curb pilferage and ensure proper record keeping.

▪ The department is exploring the possibility of establishing a mineral testing laboratory under PPP mode to attract several investors, as Balochistan lacks testing laboratories despite its rich potential of mineral resources. 3.7 Conclusion and Outlook The fiscal year 2023 has been a challenging one for Pakistan's economy, as the country faced multiple headwinds from both external and internal factors. This resulted in muted performance of LSM as industrial production is mainly dependent on global prospects, import of capital goods, and subsidized financing. Thus, the future prospects of industrial sector are moderate as the strength and duration of the recovery in commodity prices will be a function of many factors, such as the supply chain resilience, and the pace of global economic recovery. Looking at the upside, once the global shocks of the war in Ukraine, supply chain disruptions, and the resultant spike in commodity prices fade away, the road to global growth and trade prospects would be smoother. Further, china's reopening may provide fresh impetus. Concurrently, on the domestic front, government stabilization measures started reaping its benefits in the form of controlled current account and fiscal deficits, resultantly the policy stance may shift to normalization after gaining full stability in balance of payments. Accommodative policies may give impetus to the stagnant industrial growth will have widespread spillover benefits to other sectors of the economy. In addition, the government has implemented various initiatives to foster the growth of the industrial sector. Firstly, the government is ensuring a reliable energy supply to export oriented sectors, particularly the textile industry, by exempting industrial feeders from load shedding. Additionally, tariff headings for the industrial and manufacturing sectors have been rationalized. Furthermore, sales tax exemptions have been granted for the import and local Manufacturing and Mining 57 supply of solar panels, encouraging the adoption of renewable energy sources. Moreover, the government has approved the "Greenfield Industrial Policy" aimed at promoting the adoption of new and efficient technologies in the industry. As part of this policy, custom duties are waived on the import of plant and machinery, reducing costs for industrial development. In the medium term, the government is actively working to address energy-related issues. Initiatives such as the Solar Policy and Power Sector Indigenization Plan (PSIP) are being pursued to generate sufficient energy and promote the localization of electrical power equipment under the National Electricity Policy. Additionally, the government is considering