

**GOVERNMENT OF PAKISTAN  
MINISTRY OF COMMERCE**

**ORDER**

*Islamabad, the 3<sup>rd</sup> December, 2001*

**S.R.O.827(I)/2001.-** In exercise of the powers conferred by sub-section (1) of section 3 of the Imports and Exports (Control) Act, 1950 (XXXIX of 1950), the Federal Government is pleased to make the following Order, namely:-

**1. Short title and commencement.-** (1) This Order may be called the Import of Engineering Goods (Control) Order, 2001.

(2) It shall come into force at once.

**2. Definitions.-** In this Order, unless there is anything repugnant in the subject or context.-

- (a) "engineering goods" means goods specified in the Customs General Order 07 of 1998 issued and amendments thereof by the Central Board of Revenue;
- (b) Omitted
- (c) "public sector agencies" include all the statutory or autonomous corporations and other agencies or bodies under the administrative control of the Federal Government and the Provincial Governments including private or public companies with the government share holding.

**3. Price preference to be accorded. –** Only in cases of procurement by the government and in case of procurement by other public sector agencies, bidders tendering for engineering goods produced in Pakistan shall be accorded a price preference in rupees up to a specific percentage (in proportion to the value addition) of the lowest quoted landed cost of an item of foreign origin with similar specifications as mentioned in the tenders:

(1) Provided that –

- (a) the saving in foreign exchange is not less than the amount of price preference : and
- (b) it is ensured that in each case of such preference, the total import requirements for producing the supplies tendered for locally manufactured items has been duly indicated by the bidders.

(2) Price preference shall be allowed as under:-

- (a) having minimum of twenty per cent value addition through indigenous manufacturing price preference shall be fifteen per cent;

- (b) having over twenty per cent and up to thirty per cent value addition through indigenous manufacturing, price preference shall be twenty per cent; and
- (c) having over thirty percent value addition through indigenous manufacturing, price preference shall be twenty five per cent.

**4. Public sector agencies to procure their requirements from within the country, etc.-** (1) The public sector agencies shall -

- (a) procure their requirements of engineering goods from within the country and omit such items from the list of barter, credit and loans;
- (b) while preparing any scheme or project, make adequate provision of rupee component in their annual procurement budgets for facilitating the local purchases and for this purpose explore all sources of local financing;
- (c) encourage local industry by providing educational and development contracts where applicable, for an amount equivalent to ten percent of their annual procurement budget, share the initial development charges, on one-time basis, on mutually agreed terms; and
- (d) submit reports on six monthly basis to the Ministry of Commerce with copies to the Engineering Development Board. The Engineering Development Board will monitor, on a regular basis, the implementation of this Order towards achieving import substitution, and indigenization about the cases of price preference allowed to bidders in cases of government procurement only and provide full justification about the cases where local purchases are not made and preference is given to imports. The report shall outline the future plan for import substitution in that area.

(2) The raw materials and component requirements of the local engineering industry shall be met from the credits referred to in clause (a) of sub-paragraph (1)

**“4A. Floating of International Tenders.** – (1) In case of international tenders (if floated), public sector enterprises and corporate entities will ask for FOR prices for proper comparisons with the locally manufactured products.

(2) In case of those international tenders, where the price is quoted on FOB basis the landed cost factor would be determined by a committee with members from Planning Commission (Financial Analyst), representative from Finance Division and nominee of finance section of the public sector enterprise or corporate entity buying the goods”

**5. Compliance of directives or decisions.-** Public sector agencies shall comply with all the directives of the Chief Executive of the Islamic Republic of Pakistan, decisions of the ECC of the Cabinet and government policy decisions on promotion of indigenization and import substitution.

**6. Special provisions.**---(1) Notwithstanding any provisions to the contrary in any of the existing rules and orders, the requirements as to inviting of tenders and quotations and making of enquiries, etc., shall be waived in cases where purchases by the government

controlled units or public sector agencies are made from government controlled manufacturing units or public sector agencies.

(2) The public sector agencies shall incorporate condition in tender documents for all major industrial and infrastructure projects that import of turnkey plants or award of turnkey contracts to foreign manufactures or contractors for such projects shall not be allowed, and instead local manufactures or contractors shall be encouraged to undertake EPC (Engineering, Procurement and Construction) contract. However, in cases where local capacity and expertise is not available to this extent, the foreign manufacturers or contractors shall be considered but required to associate fully the recognized local design, engineering and manufacturing organization on the concept of sub-EPC contractor. The public sector agency shall patronize the public sector manufacturers as consortium partners to foreign companies to ensure that dependence on imported plant and machinery reduces progressively from year to year. The local content in large projects shall be determined, on case to case basis, by the Engineering Development Board (EDB) on the pattern of industry-specific deletion programme.

(3) In case of participation of public sector manufacturers, the requirements of furnishing earnest money or tender guarantee, security deposit, etc, shall be waived and instead, a letter to the effect from the parent Ministry confirming its public sector entity shall serve the purpose. Performance bond or bank guarantee shall be provided by the manufacturer or, as the case may be the contractor.

(4) Decision for award of contract shall be made on the basis of competitive prices and technical suitability and preference shall be given to the manufacturers or contractors having obtained certification of quality and standards such as ISO 9000, ASME, API etc. EDB will help and facilitate and local industry in achieving quality standards and timely completion of large projects.

(5) In case there is only one recognized manufacturer in the public sector of the required item or competent of engineering goods, it shall be mandatory on the public sector agencies to award contract to the local manufacturer on negotiation basis. In case the terms of contract are not mutually agreeable between the buyer and seller, a decision shall be taken by the National Council for the Engineering and Industrial Coordination (NCE&IC).

**7. Repeal.-** The Import of Engineering Goods (Control) Order, 1998, is hereby repealed.

[F. No.1 (10)/2001-WTO]

**KISHWAR KHAN**  
*Deputy Chief (WTO)*

As amended  
S.R.O.660(I)/2002, - dated 28.09.2002

CHIEF EXECUTIVE SECRETARIAT  
ISLAMABAD

**SUBJECT: GROWTH STRATEGY FOR THE ENGINEERING INDUSTRY FOR RAPID INDUSTRIALISATION AND ECONOMIC GROWTH.**

The Ministry of Industries & Production made a Presentation to the President/Chief Executive of Pakistan on 22<sup>nd</sup> Aug. 2002, on the "Growth Strategy for the Engineering Industry to Achieve Rapid Industrialization and Economic Growth of Pakistan". The President/Chief Executive has been pleased to approve and direct for immediate action by the concerned Federal/Provincial organizations for implementation of the following recommendations made during the Presentation:-

**i) Policy Thrust**

- a. Build Pakistan's image as a professional producer of quality products as per International standards;
- b. All policies to be driven by national interest supporting local industry but without infringing on International commitments;
- c. Fragmented decision making must be avoided by following an integrated approach with various policies complimenting and not contradicting each other. Ministry of Industries & Production / EDB to be invariably consulted on all issues and policy formulations affecting the Industrial Sector; and
- d. Full participation of private sector stakeholders in policy formulation, implementation and monitoring to be ensured.

**ii) Human Resource Development**

On the pattern of increased allocation for higher education, the Technical Manpower Training to be given greater priority through larger allocation for technical education and skill development for the next five years.

**iii) Maximum Participation of Local Engineering Industry**

- a. Ensure local component of PME to be at least 30% specially for Energy Sector Projects;
- b. Procurement of engineering goods and Design & Engineering Services should be sourced through local engineering companies. In case local expertise is not available, Pakistani companies should seek collaboration with foreign companies with the condition that such collaboration should ultimately lead to transfer of technology;

- c. Earmark 2000 MW of power generation with progressive indigenisation for local engineering Industry in the Power Policy; and
- d. Make existing system more effective to ensure that the public sector/ government procurement is undertaken from the local engineering industry.

**iv) Technology Upgradation**

Provide sufficient funds for the Technology Development Fund (MOST) for allocation to the Engineering Sector on matching grant basis.

**v) Globalisation of Industry**

- a. Ministry of Industries & Production and Board of Investment (BOI) should formulate aggressive and attractive policies to attract relocation of industries from Industrialised countries; and
- b. All efforts to be made to make Pakistan member of global supply chain, particularly auto sector CKD Kits and Spare Parts.

**vi) Encourage Rapid Growth Through Market Enhancement.**

- a. Government has recently announced Consumer Financing Scheme for market enhancement. Enactment of effective repossession laws to further encourage leasing be expedited;
- b. Expedite establishment of EXIM bank;
- c. As a matter of Government Policy stakeholders to renegotiate existing agreements with foreign partners to permit exports of tractors, cars, transformers, electric motors, pumps etc. from Pakistan; and
- d. Selective intervention to encourage and expand STAR performers

**vii) Institutional & Regulatory Framework**

- a. Rationalization of tax and tariff regimes carried out in the last two budgets by Ministry of Industries & Production, CBR and EDB to be continued to provide protection and level playing field including withdrawal of exemptions detrimental to the local industry;
- b. During the President/Chief Executive's visit to Japan a major achievement was the financial & technical support provided by Japan for upgrading three (PITAC Lahore, PTC & AT&TC Karachi) common facility and technology support centres. Similar additional centres should be planned and established throughout the country on priority;
- c. Strengthen Pakistan Standard & Quality Control Authority; and

2. As directed, M/o Industries & Production/Engineering Development Board are to be assigned the responsibilities to ensure implementation of this growth strategy. The EDB should be accordingly strengthened and provided necessary legal cover. The additional financial requirement to be determined by the Minister for Industries and Production in consultation with Minister for Finance.
3. Cabinet Division is requested to take further necessary action accordingly.

  
(Mohsin Hafeez)  
Joint Secretary (D)

Cabinet Division (Mr. Javed Masud, Secretary), Islamabad.  
C.E. Sectt. u.o.No.2214/DS(D-3)/2002 dated 21.9.2002.

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CC: Secretary, M/o Industries & Production, Islamabad.