



FACILITATING EASE OF DOING BUSINESS FOR ENGINEERING INDUSTRY IN PAKISTAN

SCOPE OF WORK FOR CONSULTANCY STUDY



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ENGINEERING DEVELOPMENT BOARD

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I. BACKGROUND

The Government of Pakistan is keen to reduce regulatory/business-related hindrances, to eliminate redundant & non-value adding compliance requirements, both at the regulatory and operational levels to help facilitate businesses operating in the engineering industry. In this context a detailed study is being undertaken by EDB on “*Facilitating Ease of Doing Business for Engineering Industry in Pakistan (EODB)*”, in order to facilitate the engineering industry, with a special focus on the following **priority sectors**:

- Electric Vehicle assembly/manufacturing
- Mobile Devices & Allied Equipment assembly/manufacturing
- Solar Panels & Allied Equipment assembly/manufacturing
- Battery storage technologies and their prospective integration in the power sector applications, including, distributed storage, electric vehicles, and other related services
- Machinery & Machine Tools Manufacturing
- Agriculture Implements manufacturing
- Electric & Power Equipment Manufacturing
- Heavy Engineering / Capital Goods manufacturing
- Pumps & Motors manufacturing
- Cutlery, Utensils, & Kitchenware manufacturing
- Surgical Instruments manufacturing
- White Goods / Domestic Appliances

II. TERMS OF REFERENCE

The Broader TORs of the study are:

A. Situation Analysis of the existing business environment for the Priority engineering sectors in the country w.r.t:

- Review of existing policies/plans/regulations enacted for engineering industry in general, and the above identified priority sectors in particular.
- Review of incidence/procedures for Tariff & Taxes, including provincial levies/duties.
- Review of multiple conflicting taxation regimes and compliance requirements
- Exemptions /special treatment to various sectors which are impacting the priority sectors
- Review of SBP, M/o Commerce, FBR, and other incentive frameworks/regulations/regimes for engineering sectors.
- Impact of incentives offered in various FTAs/PTAs for the priority sectors
- Time taken to form a new company and close a company
- Identify bottlenecks/retarding factors holding back growth and expansion
- Identify bottlenecks/retarding factors holding back exports

B. To carry out in-depth /detailed analysis of the following areas:

- Review the Duties & Taxation structure for the industrial sectors in Pakistan and suggest measures for rationalization of the following, with a view to ensure a cascading tariff regime for the priority sectors, and which incorporates linkages with allied sectors:

- *Duties /taxes on imported raw materials, components, sub-components & sub-assemblies, etc.*
- *Duties/ taxes on finished products imported at lower rate of duty under any concessionary notifications.*
- *Other Tariff anomalies arising due to enforcement issues.*
- *Provincial levies especially on export of engineering goods*
- *Special Exemptions under any other SROs or concessionary regimes which may be hurting the local industry.*
- *Royalty and Technical fees to technology owners.*
- Review of current Exports Facilitation schemes and suggest improvement for making them more business friendly i.e.
 - *Revision required in current Duty & Tax Remission for Exports (DTRE) scheme to suit Eng. Industry - SRO 450(I)/2001.*
 - *Review / determination of DDB rates under SRO-210(I)/2009, SRO-211(I)/2009 etc.*
 - *Revision of Duty Drawback on Local Taxes & Levies (DLTL) rates SRO.711 (I)/ 2018.*
 - *Provision of Temporary Economic Refinance Facility (TERF-2) Extension required for capacity expansion and modernization.*
 - *Export Finance Scheme (EFS) I&II, Long Term Finance Facility (LTFF) be revised to suit needs of engineering sector exporters.*
- Review in general of public sector procurement rules/methodologies/frameworks impeding and/or supporting local engineering industry.
- Implementation of SRO 827(I)/2001 and promotion of import substitution through the provision of Educational Orders.
- Review of various financing schemes being offered to the engineering industrial & services sectors.
- Suggest for a quick system of refund claims of exporters.
- Review the FTA's/PTA's Pakistan has signed and analyze positive / negative impact on local engineering industry.
- Review of benefits of GSP+ preferential tariff concessions availed or otherwise being offered to Pakistan.
- Review the incentives offered in EPZA's, SEZ's, NIP's and suggest improvements.
- To review SEZ, EPZA and NIP Act/Ordinances and evaluate whether it is supportive in EODB or not.
- To examine & review SECP's rules/regulation and identify bottlenecks for entry /exit for the businesses.
- Suggest the process of registering a business quickly and efficiently to encourage more people to start businesses and create more jobs preferably through a single window facilitation.

- Measures to provide better access to finance for businesses/startups such as simplifying loan acquiring procedures and providing more financial assistance to small businesses.
 - Measure to encourage entrepreneurship, including training/mentoring programs as well as financial incentives for those who start new businesses.
 - Make it easier for businesses to interact with government agencies through digital services, and proposals for simplifying procedures, and regulations.
 - Suggest measures to establish a transparent and accountable regulatory environment/regime, which can help create a level playing field for all businesses and promote fair competition.
 - Suggest measures to encourage innovation by providing incentives for research and development, supporting technology startups and protecting intellectual property rights.
- C. Recommendations on way forward providing comprehensive/workable solutions regarding areas identified in previous sections and provide a roadmap to facilitate **Ease of Doing Business** for identified priority engineering sectors in Pakistan.
- D. Map Pakistan's existing EODB Index in comparison to internationally recognized benchmarks and indicate expected improvement in this, once suggested measures are implemented.

III. METHODOLOGY:

- Collection of primary and secondary data from local and international sources.
- Review of existing policies or facilitation regimes, SROs etc. for thorough analysis.
- Identification of, and visits to reasonable sample of companies in, the priority engineering sectors.
- Identification of, and visits to, key other stakeholders, including regulatory bodies, SECP, Board of Investment, Federal Board of Revenue, State Bank of Pakistan, key Federal/Provincial Government ministries/departments etc. and other related public and private organizations within the country.
- Quantitative and qualitative data analysis.
- Firming up recommendations.
- Submission of draft recommendations
- Presentation on draft recommendations
- Submission of final recommendations after incorporating agreed suggestions/changes

IV. TIMELINES:

Assignment must be completed within 12 weeks from the contract signing date as per the following schedule:

- Completion of **desk research** within **2 weeks** of award of contract/work
- Completion of **field visits / stakeholders meetings** within **6 weeks** of award of contract/work
- Submission of **1st draft Report** to EDB within **8 weeks** from award of the contract/work.

- Completion of review of 1st draft Report by EDB – within 1 week of its submission.
- Submission of **2nd draft Report** to EDB within **1 week** of submission of feedback by EDB on 1st draft report.
- Completion of review of 2nd draft Report by EDB – within 1 week of its submission.
- Presenting **3rd draft Report** in a Consultative Workshop within 1 week of review of 2nd draft Report by EDB, in order to solicit feedback/inputs from stakeholders. (Work Shop to be arranged by EDB)
- Submission of **4th & Final Report**, revised in in light of stakeholders’ feedback received in consultative workshop, within **1 week** of the workshop, along with all supporting and raw data.

V. TERMS AND CONDITIONS FOR FINANCIAL BIDS:

- A. Bidders must submit separate **Technical and Financial Proposals**. Technical Proposals will be opened on the same day in front of all bidders desirous of attending. Financial Proposals will be opened once scrutiny of Technical Bids is completed and only technically qualified bidders’ Financial Proposals will be opened. Tender/Works will be awarded to the technically qualified bidder offering the lowest price.
- B. Bidder must have experience of having conducted at least one similar study in Pakistan. Documentary evidence in the shape of Completion Certificate etc. must be provided by Bidders otherwise their bids will be rejected and financial proposal shall be returned unopened.
- C. Financial proposal must be submitted in a sealed envelope, clearly mentioning the name of study, client name and bidder’s name. Proposal must give a lump sum cost along-with the complete item wise cost breakup inclusive of all applicable taxes shall be provided. Bidders shall clearly mention the Sales Tax amount in their financial bids. If sales tax is not mentioned separately, the bid price will be assumed to be inclusive of Sales Tax. All prices shall be in PKR. Bidder will be responsible to pay any fee, taxes, duties or charges required for successful completion of the project.
- D. **The proposal** must remain valid for a period of **180 days** after the submission date;
- E. A bid security in the form of a pay order or Demand Draft of **5% of bid value** in the name of ‘Engineering Development Board (EDB)’ must be enclosed in a separate envelope, and attached with the submitted bid otherwise the bid will be rejected and financial proposal shall be returned unopened.
- F. Performance Guarantee (in the form of bank guarantee) equivalent to **10% of the contract value** will be submitted by the successful bidder within 10 working days of the issuance of Letter of Intent (LoI). In case of non-submission, EDB at its sole discretion can cancel the LoI and issue the same to the next lowest bidder.
- G. The Performance Guarantee shall be valid for a period of 6 months from the date of signing of the contract or any other extended period. Performance Guarantee submitted will only be released upon satisfactory completion of the assignment.
- H. Registration with tax authorities i.e. NTN, STRN and ATL through online verification on the day of submission of Bids to be provided.
- I. Organization Chart and Team Composition along with relevant skills, roles and responsibilities of the team members for the study shall be provided in the Technical Proposal.

- J.** Confidentiality: Information relating to evaluation of proposals and recommendations concerning awards shall not be disclosed to the bidders who submitted the proposals or to other persons not officially concerned with the process, until the successful bidder has been notified that it has been awarded the contract.
- K.** Certificate to the below effect to be provided by Bidder on Stamp Paper of Rs. 100 value and duly counter-signed by notary public.
- a.** Conflict of Interest: The Bidder (including their personnel and sub-bidders) or any of their affiliates shall not receive any remuneration in connection with the assignment except as provided in the contract. The Bidder (including their personnel and sub-bidders) or any of their affiliates shall not engage in any activity with respect to their assignment that conflicts with the interest under the contract, or that may place them in a position of being unable to carry out the actions in the best interest of Government of Pakistan.
 - b.** The Bidder shall provide professional, objective and impartial advice at all times and hold the Government of Pakistan interests paramount, and in providing such advice avoid conflicts with any other assignment and their own corporate interests.
- L.** Certificate to the below effect to be provided by successful Bidder on Stamp Paper of Rs. 100 value and duly counter-signed by notary public.
- a.** Integrity Pact: An 'Integrity Pact' has to be signed by the successful bidder. Draft annexed.
- M.** Project payment terms will be as follows:
- a.** 10% Mobilization advance.
 - b.** 10% upon submission of 1st draft Report to EDB.
 - c.** 20% upon submission of 2nd draft Report to EDB
 - d.** 20% upon submission of 3rd draft Report to EDB
 - e.** 20% upon submission of 4th & Final Report in a Consultative Workshop.
 - f.** 20% on issue of Completion Certificate by EDB, verifying acceptance of the Study/Report on Creating Ease of Doing Business in Pakistan.

Annex A: Integrity Pact

**DECLARATION OF FEES, COMMISSION AND BROKERAGE ETC.
PAYABLE BY THE SUPPLIERS OF GOODS, SERVICES & WORKS**

Date:

Contract Value:

Contract Title:

(Name of Bidder) hereby declares that it has not obtained or induced the procurement of any contract, right, interest, privilege or other obligation or benefit from Government of Pakistan or any administrative subdivision or agency thereof or any other entity owned or controlled by it (GoP) through any corrupt business practice.

Without limiting the generality of the foregoing **(Name of Bidder)** represents and warrants that it has fully declared the brokerage, commission, fees etc. paid or payable to anyone and not given or agreed to give and shall not give or agree to give to anyone within or outside Pakistan either directly or indirectly through any natural or juridical person, including its affiliate, agent, associate, broker, bidder, director, promoter, shareholder, sponsor or subsidiary, any commission, gratification, bribe, finder's fee or kickback, whether described as consultation fee or otherwise, with the object of obtaining or inducing the procurement of a contract, right, interest, privilege or other obligation or benefit in whatsoever form from GoP, except that which has been expressly declared pursuant hereto.

(Name of Bidder) Certifies that it has made and will make full disclosure of all agreements and arrangements with all persons in respect of or related to the transaction with GoP and has not taken any action or will not take any action to circumvent the above declaration, representation or warranty.

(Name of Bidder) accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other right and remedies available to GoP under any law, contract or other instrument, be voidable at the option of GoP.

Notwithstanding any rights and remedies exercised by GoP in this regard, **(Name of Bidder)** agrees to indemnify GoP for any loss or damage incurred by it on account of its corrupt business practices and further pay compensation to GoP in an amount equivalent to ten times the sum of any commission, gratification, bribe, finder's fee or kickback given by **(Name of Bidder)** as aforesaid for the purpose of obtaining or inducing the procurement of any contract, right, interest, privilege or other obligation or benefit in whatsoever form from GoP.

(Signature of authorized representative)

(Name of Bidder)

END OF DOCUMENT