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From Diagnosis to Design: Revisiting The Case for Agro-Based Industrialisation in Sindh, 2012–2026

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ABSTRACT

A significant proportion of Pakistan's major crops (cotton, rice, sugarcane and dates) are produced in Sindh; however, most of this produce is sent out of the province in its raw form. The study examines the reasons for the failure of agro-based industrialization in Sindh and suggests possible institutional designs to remedy the situation. The study employs a longitudinal qualitative re-study design. Using the growth-diagnostics framework, it identifies and assesses the changing constraints to industrialization in Sindh between 2012 and 2026. It also maps each of these constraints to the relevant government level after the 18th Amendment. Although insecurity has given way to greater stability, high energy cost has replaced severe energy shortage as a major constraint, Sindh has surpassed Punjab in terms of production of cotton, the constraints to industrialization have actually shifted rather than lessened. Most importantly, although Sindh produces the majority of Pakistan's agro-based industrial raw materials, no statutory body exists to facilitate the farm-to-factory link and the province's constitutional powers to undertake development remain largely unutilized. A proposed statutory authority, district-level agro-clusters and a reinvestment credit against provincial agricultural income tax are some of the possible solutions that the author suggests to rectify the above situation with due care to avoid elite capture.

Introduction

Sindh presents a development puzzle. Pakistan's main ports and largest reserves of natural gas are located in Sindh. The province's vast irrigated agricultural area is now the biggest producer of cotton in Pakistan. Sindh's cotton production surpassed that of Punjab in 2024-25. Sindh increased its lead in 2025-26. The province is also home to 38 sugar mills and is leading producer of dates, bananas and red chillies. In Sindh outside of Karachi there is a paucity of industry. Many units in the interior industrial estates of Sindh are lying idle. A disproportionately large value addition is taking place outside of Sindh to the proceeds of its agriculture.

The problem is not new. A 2012 assessment of the province's industrial sector found that insecurity, energy shortages, weak infrastructure and the absence of any industrial development law had slowed investment and pushed capital out of Sindh, while the interior remained dependent on agriculture (Rafique-ur-Rehman, 2012). It proposed an integrated agro-based industrial policy organised around district clusters and backed by legislation. That proposal was not implemented. Since then, the constitutional and fiscal setting has changed substantially: the 18th Amendment has devolved agriculture and industry to the provinces, Sindh has acquired its own revenue authority and an agricultural income tax, and the security situation in Karachi has improved. Whether these changes have altered the prospects for agro-based industrialization is an open question that this paper takes up.

Classical development theory would predict otherwise. Agriculture that generates a marketable surplus should supply raw materials, savings and demand to an emerging processing industry (Johnston & Mellor, 1961), and agro-processing is the sector in which backward and forward linkages are most direct (Hirschman, 1958). The persistence of a dual economy in Sindh, with an industrial and service-based Karachi beside an agrarian interior, therefore calls for explanation.

This paper addresses two questions. First, what are the binding constraints on agro-based industrialization in Sindh, and how have they changed since 2012? Second, given the division of powers after the 18th Amendment, what institutional and fiscal design could relax the constraints that the province itself controls?

The paper makes three contributions. It offers a longitudinal re-study, in which a diagnosis made in 2012 (Rafique-ur-Rehman, 2012) is tested against 2026 evidence. It adapts growth diagnostics (Hausmann et al., 2008) to a subnational setting by mapping each constraint to the level of government that controls it. And it proposes a fiscal instrument specific to the post-2010 settlement: a credit against provincial agricultural income tax for capital reinvested in processing.

Literature Review

Agriculture and Industrialization

The link between agricultural surplus and industrial growth is a founding theme of development economics. Johnston and Mellor (1961) identified five contributions of agriculture to development: food, raw materials, foreign exchange, savings and a home market for manufactures. Hirschman (1958) argued that industries with strong linkages should be prioritised, and agro-processing has some of the strongest. Comparative work on Southeast Asia and Africa suggests that successful industrialisers first raised rural incomes and then built processing on that base (Henley, 2008), while in China agricultural and industrial growth proved mutually reinforcing (Koo & Lou, 1997). More recent work describes a food-system transformation in which value moves from the farm to processing, logistics and retail (Reardon & Timmer, 2012). Agro-industries grow fastest where governments supply public goods such as standards, testing and cold chains rather than direct subsidies (Da Silva et al., 2009).

Clusters and Collective Efficiency

Clusters lower costs through shared suppliers, skilled labour and knowledge spillovers (Porter, 1998). Schmitz (1995) added the idea of collective efficiency, in which small firms gain from joint action and external economies, and Humphrey and Schmitz (2002) show that the way clusters connect to global value chains shapes whether they upgrade. Agro-based clusters work well when public institutions coordinate the farm, processing and marketing stages, whereas, when designated without any prior coordination among these public institutions, agro-based clusters do not function well (Gálvez-Nogales, 2010).

Junejo et al. (2007) identified weaknesses in management, finance and marketing of small units at Larkana estate. Kalwar et al. (2018) put forth a framework for development of agro-based industry in secondary cities of the province. The problems of agriculture at the estate and town level have been identified but these have not been linked to the post-2010 division of powers in Sindh.

Industrial Policy and Growth Diagnostics

Work by several authors has recently reestablished a case for industrial policy on the basis of discovery and of coordination rather than of picking winners. As for development, according to Hausmann and Rodrik (2003) it is self-discovery that governments can help companies to. Industrial policy is best as public-private collaboration, conditional on good behavior and to be terminated at some point in the future, according to Rodrik (2004). Work on growth diagnostics by Hausmann et al. (2008) is of relevance here as it helps to single out the few binding constraints on growth rather than attacking all weaknesses of a country. In low-capacity countries the main failures are often of a coordinating nature within government as against market failures.

Fiscal Federalism and Elite Capture

Decentralization theory is based on the assumption that lower tiers of government possess superior information about local conditions (Oates, 1972). Incentives are also important and as Weingast (2009) notes, subnational governments are likely to develop their economies in order to keep the growth-generated revenue. Decentralized power can also easily be captured by local elites (Bardhan & Mookherjee, 2000). An elitist state is how Husain (1999) described the State of Pakistan. In order to estimate the size of privilege enjoyed by corporate, landowning and other elites, UNDP (2021) has done the work. However, growth-enhancing institutions function well only when the political settlement supports them (Khan, 2010). These arguments bear directly on Sindh. Before 2010 the province had to follow federal industrial strategy on the location, pace and incentives of industrial development, which partly explains why industry clustered in Karachi rather than in agricultural towns (Memon,

2021). Formal constraints on Sindh's agro-industrialization were lifted in 2010; however, incentive and capture problems that have been described in the literature for Sindh remain. So while Sindh may have the power to pursue agro-industrialization, the question is whether or not Sindh's institutions are designed to make good use of that power and defend against capture.

Research Gap

Pakistani studies of industrial performance focus mostly on the national level and on large-scale manufacturing (Kemal, 1997; Zaidi, 2015). Studies of Sindh describe its dual economy (World Bank, 2006) and small-industry sickness, but not how the 18th Amendment changed what the province can do. This paper combines the four strands: growth diagnostics identifies the binding constraints, fiscal federalism assigns each to a level of government, the cluster literature shapes the spatial design, and the elite-capture literature defines the safeguards.

Methodology

Research Design

The study uses a qualitative, longitudinal re-study design. The 2012 study by Rafique-ur-Rehman served as the baseline. The paper analyzed a large amount of literature, secondary data from various sources, qualitative data from in-depth interviews with FPCCI's past Vice-President and few senior officials of Sindh Board of Investment (SBI) and few academics, and also carried out field visits to all the estates in SITE area. The same study was updated in 2021 by Memon in the form of a larger literature review and with additional data at the estate level. All the findings from the 2012 study have been re-examined in the light of the evidence from 2026 and categorized into four types: persisting, transformed, receded and newly emerged. These analyses were conducted by the same author applying same set of questions after a gap of fourteen years to distinguish between structural and conjunctural factors.

Identifying and Mapping Constraints

Using Hausmann et al. (2008) as a guide, a constraint is considered to be 'binding' if increasing processing investment to capitalize on removal of constraint in question would increase processing investment more than removing any other constraint. In the absence of survey data at firm level, three indirect signals are used: 1. Price of constrained input relative to same input at other regional producers; 2. Behavior of firms avoiding a particular constraint; and 3. Persistence of a constraint over time between two points in time. Constraints are then attributed to the level of government (national, provincial, local) as specified by the Constitution as amended in 2010. Each constraint is then located on two dimensions: severity and degree of provincial control.

Data and Limitations

The 2026 evidence draws on crop and crushing data reported in the press, tariff data reported in policy briefs (SDPI, 2026), Sindh legislation and policy documents, including the Sindh Agriculture Policy 2018–2030 (Government of Sindh, 2018), and secondary literature. Provincial establishment-level manufacturing data were not available. The analysis is qualitative and does not estimate causal effects, and several 2026 figures come from press reports of official data. The author served as a tax official throughout the period, which offers institutional insight into the tax and refund system but also a potential bias, limited here by relying on published evidence.

Analysis

Sindh's Agro-Industrial Base

Sindh inherited a marginal industrial base in 1947. Industrialization took off in the 1950s and 1960s, but was concentrated in Karachi, with modest presence in Hyderabad and Sukkur (Husain, 1981). The result was a dual economy in which processing in the interior remained limited to ginning, husking and milling (World Bank, 2006). By June 2008, Sindh's eight SITE estates covered 13,419 acres, with 4,237 planned plots, 3,527 allotted, 3,188 functioning units and 295 sick units (ADB, 2014, as compiled in Memon, 2021). The interior estates performed worst: Nooriabad had 75 functioning units on 522 allotted plots, Sukkur 60 on 223, and Nawabshah one on 12. Kalwar et al. (2018) report that only 41% of SITE and SIE units in Sukkur, Larkana, Shikarpur and Kandhkot were operational.

The raw-material position, by contrast, has strengthened (Table 1). The cotton shift reflects Punjab's move into sugarcane as much as Sindh's own gains, and is therefore fragile; in Sindh too, sugarcane has expanded into former cotton districts, especially Ghotki (Dawn, 2025).

Table 1; Sindh's Main Agro-Industrial Chains, Mid-2020s

Chain	Sindh's position	Main processing gap
Cotton	2.81m bales in 2024-25 and 2.92m in 2025-26, ahead of Punjab	Lint moves north for spinning; contamination discounts
Sugar	38 mills; 16.4m tonnes of cane and 1.62m tonnes of sugar in 2024-25 (Dawn, 2025)	By-products under-used; delayed crushing
Rice	About 42% of national output (SERVIR, 2022)	Coarse rice sold unbranded; residue rejections
Dates	Khairpur is the national centre (PHDEC, n.d.)	Bulk drying; little paste or premium packing
Mango	About 29% of national output (FreshPlaza, 2024)	Little pulp or frozen processing
Horticulture	Post-harvest losses of 20–40% (ACIAR, 2020)	Weak cold chain and grading

Each chain shows the same pattern: Sindh captures the first, low-value stage of processing and exports the rest. the main processing of Cotton is ginning, which takes place in Sanghar, Shaheed Benazirabad, Mirpurkhas and Hyderabad and mostly the lint is transported to the spinning mills in Punjab or Karachi. Contamination during the picking stage can result in a decrease in price for growers. The Cottonseed is crushed for oil and cake and the extraction rate in small expellers is low. Sugar is crushed in the upper part of Sindh in short seasons and the by-products of bagasse, molasses and press mud are only partly used for power, ethanol and fertilizer. Most of the rice husking and milling takes place in Larkana, Shikarpur, Jacobabad and the coastal districts and most of the coarse varieties are sold unbranded and some of the varieties suffer from residue and aflatoxin problems and are thus rejected for export. Horticulture is also not optimally processed in Sindh. Most of the dates from Khairpur are sun-dried and sold in bulk. Mangoes from Mirpurkhas and Tando Allahyar are mostly exported fresh and very little processing in the form of pulp, juice or even frozen products takes place. Most of the bananas, chillies and onions are exported with minimum grading. The absence of pack-houses, cold stores and testing laboratories explains much of the 20–40% post-harvest loss reported for fresh produce (ACIAR, 2020). Livestock, dairy and fisheries are large but mostly informal: milk reaches Karachi largely unpasteurised, hides and meat are processed outside the formal sector, and seafood exports face recurrent hygiene and market-access problems. Reliable provincial processing data for these sectors are not available, so they are treated qualitatively here.

The Post-2010 Settlement

The 18th Amendment (2010) abolished the Concurrent Legislative List and transferred agriculture, industries, livestock, fisheries and labour to the provinces. The 7th NFC Award raised the provincial share of the divisible pool, and the sales tax on services passed to the provinces, collected in Sindh by the Sindh Revenue Board (SRB). Energy pricing, customs, sales tax on goods and non-agricultural income tax remain federal. Article 157 permits provinces to build generation and transmission, and Article 158 gives the province where gas is produced first claim on it. In 2025, under an IMF programme commitment, Sindh enacted a new agricultural income tax (AIT) collected by the SRB (Aaj News, 2025), and later deferred its higher rates (Profit, 2025b). Sindh thus holds fiscal instruments bearing directly on the agrarian surplus that it did not have in 2012.

Provincial initiatives have not been absent. The Sindh Board of Investment was established in 2009 to promote and facilitate investment, and the Sindh Enterprise Development Fund was created to offer grants, credit support and technical assistance in agriculture, livestock, fisheries and minerals. Projects launched or proposed in this period included the Khairpur agro-processing zone, a textile city at Port Qasim and a marble city in Karachi (Memon, 2021). The Sindh Agriculture Policy 2018–2030 later committed the province to value addition (Government of Sindh, 2018). The difficulty is that each of these initiatives belongs to a different department or agency, with its own plan and budget, and none is linked by law to the others.

Continuity and Change in Constraints, 2012–2026

Of nine constraints identified in 2012, one has largely receded, three have been transformed and five persist, while two new constraints have emerged (Table 2).

Table 2;Constraints on Agro-Industrialisation in Sindh, 2012 and 2026

Constraint	2012 assessment	2026 assessment	Status
Insecurity	Extortion, kidnapping and strikes the foremost cause of slowdown	Much improved in Karachi; rural security and land disputes remain	Largely receded
Energy	Load-shedding and gas curtailment	Industrial power at 13–15 US cents/kWh, about double regional peers (SDPI, 2026); captive gas levy rising to 20% (Profit, 2025a)	Transformed: shortage to cost
Investment	FDI at US$666m in 2011-12	Policy rate at 12% in October 2026; long-gestation investment hard to finance	Transformed: capital cost
Coordination	Fragmented public sector, weak monitoring	Departments plan separately; SEZs not linked to crop zones	Transformed: powers unused
Industrial development law	None in Sindh	No comprehensive law found; 2018 agriculture policy does not bind industry	Persists
Market intermediation	Middlemen capture margins	Commission-agent system intact; no contract-farming framework	Persists
Water	Unequal distribution	Scarcity; cane competes for canal water (Dawn, 2025)	Persists, intensified
Land records	Poorly organised	Barrier to zone development and finance	Persists
Quality standards	Seafood failing EU hygiene rules	Rejections across seafood, rice and chillies	Persists
Tax structure	Not identified	Layered levies, refund delays, IMF limits on exemptions	Emerged
Climate risk	Not identified	2022 floods destroyed much of the rice and cotton crop (SERVIR, 2022)	Emerged

The change in security conditions is the clearest. The 2012 study recorded that around 6,161 people were killed in Karachi between 2008 and September 2012 and 507 persons, many of them traders and industrialists, were kidnapped for ransom, citing data from the Citizen-Police Liaison Committee; it also reported that a single day's strike cost the city about Rs. 10 billion in output, sales and demurrage (Rafique-ur-Rehman, 2012). Industrialists interviewed at the time described relocating capital to Bangladesh, the UAE, Sri Lanka and Malaysia. By 2026, security is no longer cited as the dominant barrier in Karachi, although land disputes and rural insecurity continue to deter investment in interior estates.

Energy has changed in character rather than in severity. In 2012, load-shedding and gas curtailment prevented exporters from meeting delivery schedules even when the rupee depreciated in their favour. In 2026, supply is more reliable, but industrial power costs remain about double regional levels (SDPI, 2026), and the levy on captive gas use, introduced under the IMF programme, raises the cost of the self-generation on which many processors relied (Profit, 2025a). For energy-intensive activities such as cold storage, drying, parboiling and spinning, cost now determines viability.

Other constraints have persisted largely unchanged. Produce that is produced is largely sold through licensed marketplaces controlled by commission agents against whom processors and grower-contractors are eager to compete for direct sales to producers under contract. In addition to the barriers to develop new zones and use as collateral for agricultural production finance the title to land that already exists in Sindh, quality failures previously found only in the seafood sector now extend to

rice and to chillies as well.Tax structures which effectively overlap federal and provincial levies that are not refunded in a timely manner, as well as other risks, notably climate-related, revealed in the 2022 floods (SERVIR, 2022) have emerged as two constraints that were not previously identified.

Three key observations apply. Firstly, there has been a shift in the key constraint from security in 2012 to cost in 2026. In addition to the institutional gap identified in 2012 for Sindh not having the legal framework to develop and implement an integrated agro-industrial policy, since 2010 it has had most of the legal powers to do so but none of the institutions use them together. Importantly, the raw-materials case has become even stronger since the textile value-chain is produced as raw-materials in Sindh and spun in other countries.

Who Controls the Constraints

Mapping the constraints by severity and control shows that Sindh's own powers cover four of the nine severe constraints (Figure 1). Coordination, produce-market regulation, cold chain and quality standards, and land records are provincial subjects that require no federal consent to reform. Energy, capital, taxation, water and climate lie wholly or partly outside provincial control, though Sindh can offset them in part through zone-level generation under Article 157, a credit-guarantee fund and provincial tax instruments.

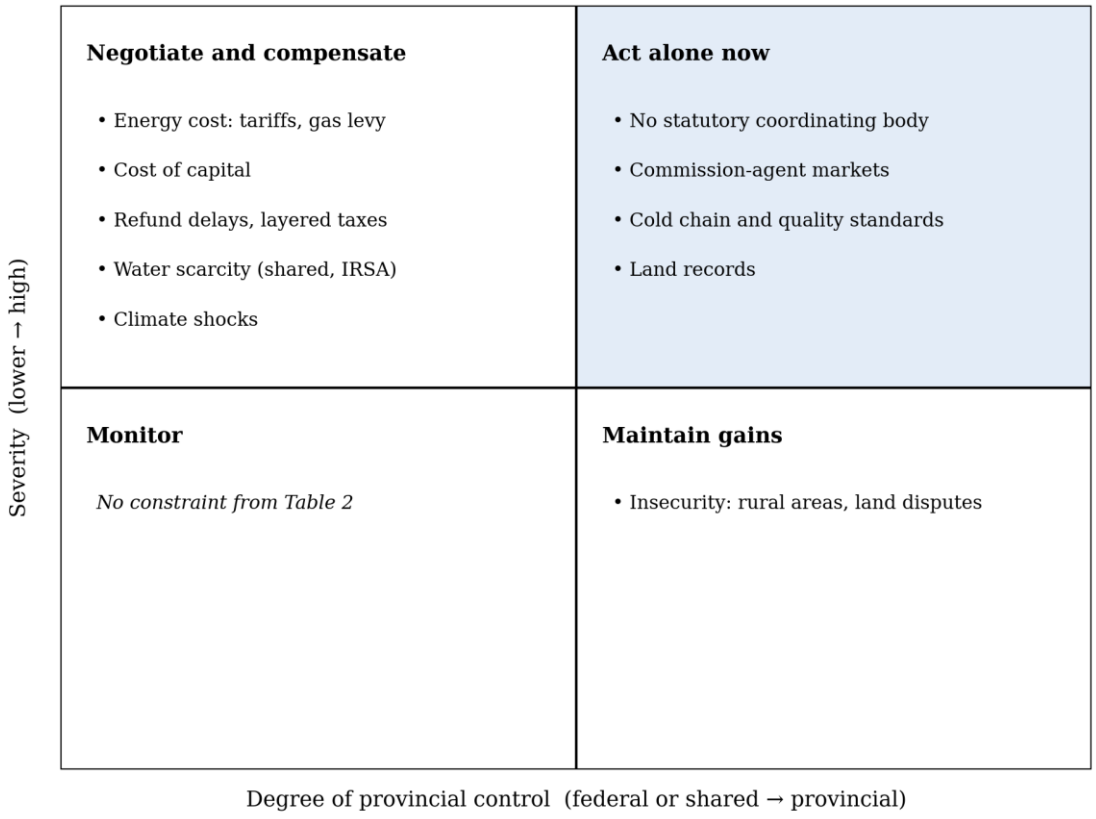


Figure 1. Constraints Mapped by Severity and Provincial Control, 2026

Source: Author's classification based on Table 2.

The constraints most within Sindh's control are thus institutional rather than physical, which is why the lack of a coordinating institution, first noted in 2012, remains the decisive gap.

The upper-left quadrant requires a different strategy. Sindh cannot set electricity tariffs or the policy rate, but it can reduce the effective burden on agro-processors in designated zones. Bagasse co-generation from sugar mills and wind generation from the Jhimpir corridor can supply zone-level power under Article 157. A provincial credit-guarantee fund can lower the risk premium on long-gestation investments such as cold chains. And provincial tax instruments can offset part of the cost disadvantage, provided they are conditional and time-bound. Water and climate risk call for a different response again: crop-water pricing, priority for lower-delta crops in cluster districts, and flood-safe siting of new zones.

Findings and Discussion

An Integrated Policy Framework

The findings point to a design that concentrates on what Sindh controls, compensates for what it partly controls, and negotiates collectively on the rest. Its first element is a statutory authority. The 2012 study proposed a Sindh Industrial Development and Rehabilitation Bill; updated for the post-2010 settlement, this becomes a Sindh Agro-Industrial Development and Rehabilitation Act, establishing an authority chaired by the Chief Minister with the relevant departments, the SRB, and private-sector and grower representatives on its board. Statute binds departments that now plan separately (Altenburg, 2011) and raises the cost of reversal after a change of government.

The second element is district agro-clusters. Because designation alone achieves little (Gálvez-Nogales, 2010; Schmitz, 1995), six clusters would be anchored in producing districts: cotton-to-yarn (Sanghar, Shaheed Benazirabad, Mirpurkhas, Umerkot); sugar bio-refineries (Ghotki, Khairpur, Matiari, Badin); rice and guava (Larkana, Qambar-Shahdadkot, Shikarpur, Jacobabad); dates and horticulture (Khairpur, Mirpurkhas, Tando Allahyar); dairy and meat (Hyderabad, Thatta, Sanghar); and coastal fisheries (Karachi, Thatta, Badin). Four were proposed in 2012; cotton and sugar are added because of the changes in Section 4. Each cluster receives common facilities, such as power, cold storage and testing laboratories, and a board with equal private-sector representation. The Khairpur SEZ and the Naushahro Feroze agro-food park are natural first zones.

Protecting the raw-material base is part of cluster design. Sindh's lead in cotton is recent and depends partly on Punjab's shift to sugarcane. If new sugar mills continue to be licensed in core cotton districts, Sindh risks repeating Punjab's experience and eroding the feedstock of its largest industrial chain. New milling licenses in cotton areas would be prohibited while sugar mills in other areas would be encouraged to shift to bio-refinery for generation of power, ethanol and bio-fertilizer for higher value of cane.

Fiscal design to encourage reinvestment – In 2012 we recorded how Sindh had requested a ten-year tax exemption which would have been foolish to grant and is now off the table. In their place a number of instruments can be designed as conditional and time-bound using the province's existing tax bases. For example: an agro-processing reinvestment credit of up to 50% of the AIT due which can be used against the equity invested in a registered processing unit in Sindh – to be clawed back however if the unit were to close within five years; reduced SRB rate on cold storage, warehousing, testing and agri-logistics services of registered agro-processing units; consolidation of all existing province-wide levies into one agro-levy and the establishment of a provincial fund to provide mark-up and partial credit guarantees. It is the agro-processing reinvestment credit that is key – Sindh's vast agrarian surplus has until now flowed into the land, properties and consumption of the rich farmers; the new design would now turn the revenue tax into a medium to channel this huge surplus into processing.

Constitutional/Federal: Utilize Article 157 to generate power at zone level (including bagasse co-generaton), and Article 158 to claim process gas for agro-processors located in gas-producing districts of Sindh. Refunds and tax treatment of locally procured cotton as well as that imported into Sindh, should be sought through negotiations with FBR. Implementation through Council of Common Interests would be optimal.

Year 1 – Enact Act, establish the Authority and prepare the baseline scorecard for the transmission lines and other physical infrastructure required for the operationalization of the zones. Inaugurate two agro-zones, notify reinvestment credit and initiate work to establish common cold storage and testing facilities in other locations of the six cluster zones. Introduce contract-farming and develop a fund to lend to farmers against anticipated returns from their produce. Year 2 – Operationalize the six cluster zones and strengthen public and private sector involvement to increase coverage and quality of services offered through common cold storage and testing facilities established under Year 1. Introduce export certification for various agricultural produce of Sindh and branding of Sindh produce. Establish an energy compact with zone level power generation. Year 3 – Complete the transition and focus on strengthening the bio-refinery downstream sector and focus on developing public private sector models for expansion of the agro-processing zones. Conduct a review of indicators and tax-expenditure caps at the mid-point of the period to assess performance. Year 4 – Focus on strengthening the bio-downstream sector by encouraging development of value-added products, such as functional foods, fine chemicals and pharmaceuticals from bio-mass of agri-residues. Year 5 – Undertake a comprehensive 'sunset review' of all incentives provided under this program to assess their continued relevance and strategic fit in the emerging agricultural scenario and withdraw incentives which are no longer needed.

Progress would be measured against a small set of public indicators: the share of Sindh's cotton lint spun in Sindh, post-harvest losses in horticulture, by-product revenue per tonne of cane, export rejections of Sindh rice consignments, formal milk collection in clusters, the number of registered agro-processing units in interior districts, and agro-industrial tax expenditure as a share of own-source revenue. Baselines for most of these do not yet exist, which is itself a finding: the province cannot currently tell whether its agro-industrial policies are working.

Political Economy and Elite Capture

If Sindh has held the necessary powers since 2010, why has it not used them? Coordination across departments is costly and offers no single minister the credit (Altenburg, 2011). The incentive to grow the provincial tax base has been weak while the province relied on federal transfers (Weingast, 2009). Furthermore, large mill owners who control the schedules for crushing as well as grower prices, and also large commission agents who control the markets for produce, are politically well-connected (Khan, 2010).

An integrated policy risks all of its resources and discretion being captured by a few individuals (Bardhan & Mookherjee, 2000; Husain, 1999). Safeguards within the design would be: a) a ceiling on total agro-industrial tax expenditures as a percentage of provincial own-source revenues, to be announced annually; b) all incentives to be modeled on a five-year sunset clause and to require renewal on the basis of concrete evidence of impact (Rodrik, 2004); c) beneficiary data to be made available at the level of individual beneficiary; and d) a percentage of total zone plots and fund lending to be reserved for small enterprises and cooperatives. Though such safeguards are included within the design, the latter remains second-best to a policy that could tackle the root causes of structural imbalance in energy prices within a federal system.

It is worth noting that the analysis is in part based on secondary qualitative evidence. A quantitative analysis to estimate the fiscal costs of the proposed reinvestment credit and its investment-inducing effects as well as the costs of cluster-related infrastructure would be highly desirable. While the above analysis was based on indirect signals for the identification of constraints, a firm-level survey in the proposed clusters, complemented by a Census of Manufacturing Industries, would most likely reveal the binding constraints for firms as well as a costing of the fiscal measures against current AIT revenues.

Conclusion and Recommendations

Almost 14 years have now elapsed since the agro-industrial problems of Sindh were diagnosed. Although security problems have gone and Sindh is now well-endowed with raw-material for agro-based industry particularly for cotton production but chain of farm-to-factory-to-Port is still in the hands of others and huge powers transferred to the province in 2010 are yet to be used for the well-being of Sindh. The main constraint in the development of agro-industries in the province is now related to institutional and fiscal framework and not of legal and material types.

The recommendations for the Government of Sindh are: (i) enact Sindh Agro-Industrial Development and Rehabilitation Act with establishment of Chief Minister headed Sindh Agro-Industrial Development Authority and cluster wise Board of Directors in each district; (ii) establish six agro-clusters in six districts, start with Khairpur and Naushahro Feroze districts; (iii) create reinvestment credit against agricultural income tax; reduce SRB rate on agri-logistics services; (iv) use Articles 157 and 158 to ensure supply of power and gas to agro-zones and negotiate refund reforms with federal government; and (v) cap, sunset and publish all incentives to prevent capture by narrow elite of Sindh. Research work is also required to identify constraints at firm level through surveys and also to cost fiscal proposals against current collections of AIT.

A more important lesson is that delegating power is not the same as delegating capacity. Implementing decentralization effectively requires provinces to have institutions that function to implement all of the powers they have been delegated, with appropriate safeguards to ensure that wealth is not concentrated in the hands of a few individuals.

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