

YEAR BOOK
2005-2006



GOVERNMENT OF PAKISTAN
MINISTRY OF INDUSTRIES, PRODUCTION
AND SPECIAL INITIATIVES
ISLAMABAD

I

FOREWORD

Year Book 2005-2006 is the official handbook of the Ministry of Industries, Production & Special Initiatives (MOIP&SI). It is based on the activities of MOIP&SI as well as its support organizations.

This booklet gives out salient features of the Ministry's policy framework as well as performance and achievements of main Ministry and its corporations/organizations during the period July, 2005 to June, 2006 towards promotion of industrialization in the country. It also covers the special initiatives taken by the Ministry alongwith its future plans in certain focused areas like establishment of 'Engineering Parks', 'Textile City' and 'Industrial Technology Support Centres' to give an insight to the readers about what MOIP&SI endeavours to do in the coming years to transform the country and get it included in the list of industrialized nations.

I hope this document would prove to be useful to its readers including investors and other stakeholders.

(Kamran Rasool)
Secretary
Industries, Production and Special
Initiatives

INTRODUCTION

Broad functions performed by Ministry of Industries, Production and Special Initiatives during the year 2005-06 include:

- Initiatives to boost industrialization in the country
- Tariff rationalization.
- Enhancement of industrial growth to increase the share of manufacturing in the GDP.
- Developing Export Processing Zones so as to boost exports and enhance foreign exchange earnings.
- Indigenization through intensification of deletion programme.
- Capacity expansion/ product diversification.
- Provision of consumer goods at affordable prices through utility stores.
- Operational performance of public corporations/ units.

In order to implement the above-mentioned functions, strategies followed and the achievements made during the year as well as the future plans of the Ministry are discussed in the subsequent pages.

SPECIAL INITIATIVES

The Government of Pakistan vide its SRO 403(i)/2005 dated May 9, 2005 changed the name of the Ministry of Industries and Production to Ministry of Industries, Production & Special Initiatives. The addition of “Special Initiatives” reflects a new thinking in the public sector for finding “out of box” solutions for long-standing pressing problems. The solution from management perspective lies in creating a synergy between public and private sectors and benefiting from the respective strengths of each. The Ministry of Industries, Production & Special Initiatives also decided to re-position itself to play a leadership role in formulating and implementing a comprehensive strategy for rapid industrialization of Pakistan which aims at maximizing job creation and enhancing Pakistan’s international competitiveness.

The establishment and merger of new companies under the Ministry is based on the principle of Public-Private Partnership, in which the private sector takes a lead in managing and running the affairs and not for profit of an independent company, while the public sector has 100% ownership of the company and provides overall policy guidelines, reviews the progress of work and monitors the achievement of objectives on a regular basis. This new corporate governance framework has introduced a paradigm shift in the public sector. Organizations such as Technology Up-gradation & Skills Development Company (TUSDEC), National Industrial Parks Development & Management Company (NIP) and Pakistan Stone Development Company (PASDEC) have been modeled on this new concept, while the old ones, Pakistan Industrial Development Corporation (PIDC), Engineering Development Board (EDB), and Pakistan Industrial Training Assistance Centre (PITAC) have been restructured and their Boards of Governors reconstituted with a majority of Directors from the private sector.

The special initiatives of the Ministry for the year 2005-06 are listed below:

- **Formulation of Industrialisation Strategy**

The Ministry formed a core group of economists, businessmen and industrialists that got together and developed an industrialization strategy for enabling rapid industrial growth in Pakistan. The strategy envisions a holistic approach and inter-ministerial

coordination for its implementation. It provides a coherent framework for specific policies and action plan. It is an important step for accelerating industrial growth and setting Pakistan in the right direction of growth. The strategy presents a strategic framework for industrialization that rests on reducing the cost of doing business to attract private investment in industry. It makes recommendations spanning macroeconomic management, taxes and regulations, capital and land markets, contract enforcement, trade facilitation, securing industry's energy, transportation and other infrastructure needs and improving the quality of industrial work force. Mr. Jahangir Khan Tareen, Minister for Industries, Production & Special Initiatives made a presentation to the Prime Minister in early May, 2005 on the subject. The Ministry has taken this initiative forward and constituted a Policy Implementation and Monitoring Cell to coordinate with other Ministries and Departments for implementation of this strategy.

- **Providing State of the Art Infrastructure for Industrialisation**

The Ministry has established National Industrial Parks Development & Management Company (NIP) on the principle of public-private partnership. It was registered with the Securities & Exchange Commission of Pakistan (SECP) in March 2005. NIP is purported to establish National Industrial Parks to kick start the much needed process of industrialization in the country. To achieve this target, PIDC Board of Governors, in its 63rd meeting held on 6th December, 2004, decided to create its wholly owned subsidiary in the name of National Industrial Parks Development and Management Company. It also provided Rs.150 million for operational expenses of the Company.

The main objectives of the Company are as follows:

- (a) To work for orderly, Planned and rapid industrialization by establishing/developing new Industrial Parks, and upgrading those that may be handed over by the Government/Provincial Government(s);
- (b) To develop/manage infrastructure within the Industrial Parks through Board of Management comprising of residents of the Industrial Parks;
- (c) To facilitate provision of utilities including but not limited to electricity, gas, telephone and health services within the Industrial Parks;
- (d) To provide common facilities for the Industrial Parks;
- (e) To promote creation of jobs by capitalization on strength of different regions by prioritizing type(s) of industry prevalent in a particular area;

- (f) To promote interaction between industrialists and the Government to create an over all conducive industrial environment;

NIP has taken up a project of developing Korangi Creek Industrial Park in Korangi industrial area, which is owned by PIDC. The next project is to develop an Industrial Park on the 1500 acres land at Pak Steel which was meant for Downstream Industries and is lying unutilized. The company will be developing such Parks in Peshawar, Quetta and other major Industrial Centres as well as in rural areas. In addition, five Industrial Estates of Karachi are in the process of forming Boards of Management under the NIP umbrella to take up up-gradation and management of their existing enterprises.

- **Skills Up-gradation for Industrial Development:**

Technology Up-gradation & Skills Development Company (TUSDEC) is based on the principle of Public Private Partnership similar to NIP, and aims at creating a conducive and enabling environment for up-gradation and promotion of skills and technology in the SME clusters.

It plans to achieve its objective through establishing/funding common facility centers, design, support and maintenance, testing, certification, incubation, applied research, dissemination centers, etc. TUSDEC is taking different steps to achieve these objectives.

- **Establishment of Tools, Dies and Moulds (TDM) Centres**

TDM Centres planned at Karachi and Gujranwala aim at providing local TDM and related industry with state-of-the-art design, training, consultancy and manufacturing facilities. They will upgrade skills of personnel and provide a practical demonstration of modern technology applied to tools, dies and moulds (TDM) making in Pakistan. A TDM Centre is designed to raise the skill level of 550 workers annually as part of its training activities. This in turn will generate employment and increase pay levels and standard of living. The services provided by TDM Centre are as under:

- **Support and Services**

- Design, development and manufacture of production tools - dies, moulds, jigs, fixtures, cutting & forming and rapid prototyping.
- Technical services in conventional and CNC machining, heat treatment, CAD/CAM and CAE solutions, die-casting, precision grinding and inspection.

- Technical literature, books, journals, software, research in tools and technical assistance.

▪ **Training Courses**

- Basic and advanced mould design
- CAD/CAM, CAE
- Cutting and forming tools design
- Sheet-metal press tool design
- Jigs and fixtures design
- Heat-treatment
- Inspection and measuring techniques
- CNC machining consultancy

The project also matches the “Engineering Vision” adopted by the Government of Pakistan by advancing the TDM manufacturing sector. Furthermore, the Centre will contribute towards poverty reduction as it will produce a skilled workforce and provide good value employment.

▪ **Establishment of CAD/CAM Centres**

TUSDEC has planned to establish eight CAD/CAM centres throughout the country at different strategic locations, such as Lahore, Peshawar, Gujranwala, Faisalabad, Hyderabad, Multan, Quetta, and Sialkot. The aim of setting up such centres is to train the technologists as per the need of the hour and hence create better job opportunities. These Centres will be governed by National Institute of Design and Analysis (NIDA) in Lahore, which will also act as a “train the trainers” centre.

After conducting detailed need assessment surveys, CAD/CAM Centers in Peshawar, Gujranwala and NIDA in Lahore are currently in the planning phase. Trained persons from these centres will cater for the needs of different manufacturing sectors of the respective entities e.g. automotive, light engineering, sport guns and arms, agricultural tools and implements, electronic appliances, plastic and rubber goods, leather garments and footwear, fan manufacturing, ceramics, sanitary fittings, cutlery, home appliances, machine tools, furniture, construction/ architecture, etc.

All CAD/CAM Centres will be networked using interactive connectivity through VSAT or land line on a 24/7 basis including video conferencing. Data transfer & retrieval will be done on a real time basis so that classes can be held remotely to help compliment skills and bring a specialised course/teacher to the remote Centres. The Centres will be equipped with the latest software which is extensively used in these industries. Well-

furnished and air-conditioned classrooms will provide an excellent ambience for classes. Classrooms will be equipped with multimedia projectors for demonstrations.

▪ **Establishment of Cement Research & Development Institute**

Cement Research and Development Institute (CR&DI) was established in 1983 by the State Cement Corporation of Pakistan (SCCP) under the administrative control of the then Ministry of Production. The objectives of CR&DI include testing of cement sample to ensure adherence to specifications, research on cement and allied materials, product diversification, adoption of modern technology, standardization of various cement specifications, and creation of technical linkages between cement producers and domestic users. The institute is also conducting training courses for different ASTM testing standards

▪ **Establishment of Skills Development Centres**

The aim is to expedite the reconstruction and rehabilitation of earthquake affected areas by setting-up Skill Development Centres. Following the October 8th 2005 earthquake, TUSDEC set-up a special task force that visited major affected areas of Azad Jammu and Kashmir (AJK) and North West Frontier Province (NWFP) and carried out a survey to quantify the need for setting-up Common Facility Centres (CFCs) and Training Institutes. The survey established the need for covering at least the disciplines like Furniture Making, Home and Building Construction and Hospitality. These Centers will be operated on a teaching factory concept i.e., class-rooms will be in the immediate vicinity of practical training areas and instructors would interactively work with students. The location and proposed Centres are given below:

<u>Location</u>	<u>Proposed Centre</u>
Muzaffarabad	Furniture & Construction
Bagh	Construction & Hospitality
Balakot	Construction & Hospitality
Batgram	Construction & Hospitality

The proposed centres will undertake the following activities:

- Technical Support
- Facility Support (Design & Manufacturing)
- Technical Training Courses

It is planned to train four thousand students per annum in eight Centres. Land has been provided by Local Governments while TUSDEC will build and run these centres for some time before handing them over to the Local Government after ensuring their sustainability.

- **Dairy Pakistan:**

Dairy Pakistan Ltd. has been established on the lines and model of Dairy Australia. It is again a private sector company led by representatives of farmers as well as Government. Dairy Pakistan is tasked with the responsibility of bringing about a “White Revolution” in the country. The main objectives of the Company are as under:

- i. To promote milk and other value added dairy products in the domestic as well as international markets;
- ii. To promote development and up-gradation of dairy supply chain in Pakistan by supporting and facilitating the farmers, processors and other stakeholders across the value chain;
- iii. To support dairy sector growth by way of supporting and facilitating business development services for the enterprises across the dairy value chain;
- iv. To initiate and support interventions across the dairy value chain to enhance sector competitiveness through innovations and research;
- v. To promote development, transfer, assimilation, streamlining, acquiring and/or up-gradation of technology across dairy value chain by undertaking new initiatives;
- vi. To help introduce international best management practices for better productivity and operational efficiencies;
- vii. To promote training and skill development of human resources associated with the dairy sector;

- **Farm Cooling Tanks Loan Scheme**

A proposed mechanism for the operation of the Farm Cooling Tank Loan Scheme has been circulated to the Board members for approval. Dairy Pakistan is currently developing guidelines which relate to the installation and operation of Farm Cooling Tanks. These guidelines have been developed with the assistance of the Dairy Strategy Working Group (SWOG). The guidelines will include standards for quality and hygiene for installation of the tanks and also details on the testing of the milk being received for

composition and quality. Further meetings with the banks need to be arranged to finalise the details of the scheme and clarify any legal and contractual issues. Expressions of interest have been sought from potential interested farmers in June 2006 who wish to avail this facility.

- Model Farms

The targets for this project are to establish 50 farms by the end of June 2006 and 100 farms by the end of 2006. An Australian Consultant is currently visiting for the third time and the first 14 farms in Okara, Punjab have been formally established as model farms. These farms are generally of medium size and all supply milk to M/s.Nestle. One model farm has been established in Sindh. This is a large farm and has already documented improvements in productivity due to a number of specific interventions. The Consultant has undertaken visits to further farms to identify more clusters of farms to be established as model farms at the second stage. It is proposed to work with one group of small farmers who are currently part of Idara-e-Kissan / Halla and a further group of farmers in Sindh who currently supply to M/s.Engro. In stage three, it is proposed to identify further farms with probable extension of the program to NWFP. To date the main areas for immediate improvement in productivity will come from:

- Making water freely available to livestock at all times.
 - Providing improved design of sheds to provide some shelter from the heat in summer.
 - Improved feeds (higher energy and protein).
- Longer term improvements will be achieved through improved animal health (vaccinations, de-worming programs etc) improved breeds.

- Model City

An MOU has been signed between Dairy Pakistan and the Punjab Government relating to this Project. A Consultant is working with Dairy Pakistan and the SWOG to identify a program for establishing supply of quality milk to consumers in Sialkot with a view to introduce minimum pasteurization laws in this city in future.

- Quality Standards

Draft Quality Standards are being worked out by a SWOG group who have provided the first draft paper for discussion. It is necessary to open a dialogue with Pakistan Standards and Quality Control Authority (PSQCA), Pakistan Standards Institute (PSI) and other interested parties to progress the establishment of Food Safety Standards.

Work is being undertaken to establish a case for “zero rating” dairy products for sales tax.

- **International Exposure to Pakistani Engineering Industry:**

Like 2005, Pakistan officially participated in Hannover Fair in April 2006 to give international exposure to its engineering industry. Instead of five companies that had participated in the Fair in 2004 privately and thirty-five companies in 2005, sixty exhibitors, seventy delegates, and four professors, with a proven track record of achievements in the sector, and having the ability to enter into joint ventures, license agreements and/or sub-contracting capabilities, exhibited their products under the umbrella of Government of Pakistan.

Engineering Development Board, under the Ministry of Industries, Production, and Special Initiatives, spearheaded Pakistan’s participation in the Fair. Funding was provided by Pakistan Industrial Development Corporation. A task force comprising of members from both the public and private sectors was given full powers and authority to manage the affairs. Export Promotion Bureau agreed to finance 50% of the fixed cost for this Fair. Potential participants were informed through the website, media and Chambers of Commerce & Industries about plans to participate in the Fair. Website established for Hannover Fair was made interactive and the potential participants could register online. Different workshops in Lahore and Karachi and Hannover were held to prepare the delegates for their participation in the Fair.

The Fair provided excellent opportunities to Pakistan’s manufacturing and service sector in the Engineering trade to come into contact with potential customers, raw material sources, and get exposure to new technologies and manufacturing expertise. Pakistan’s participation in Hannover Fair afforded excellent opportunity for Pakistan to project itself as an “Emerging Engineering Destination” and presented a soft image of Pakistan to the world.

- **PRESIDENT’S PRIMARY HEALTH CARE INITIATIVE (PPHCI)**

The President of Pakistan and the Prime Minister were pleased to receive a presentation by Federal Minister for Industries, Production and Special Initiatives on Health Sector Reforms at the President’s Camp Office on 2nd September 2005, wherein it was decided that Rahimyar Khan Model based programme be adopted by all Provincial Governments for nationwide implementation with modifications according to

peculiar needs of the Provinces. As a follow up of the decisions, Ministry of Industries, Production and Special Initiatives prepared the President's Primary Health Care Initiative programme costing Rs.2,000 million for rehabilitation of all Basic Health Units (BHUs) coming under this programme in Punjab, Sindh, NWFP, Baluchistan, FATA and Northern Areas. The initiative will be implemented through Rural Support Programmes (RSPs) by setting up Federal Support Units (FSU), Provincial Support Units (PSU's) and District Support Units (DSU's). The Federal Minister for Industries Production and Special Initiatives is Incharge of the Programme and Head of the National Steering Committee.

2. Currently the President's Primary Health Care Initiative (PPHCI) is in the implementation phase. The Provinces have identified the following Districts in phase one.-

Province	Number of Districts/Agencies	Name of Districts
NWFP	05	Swat, Bannu, Charsadda, Dir Upper, Chitral
Baluchistan	14	Pishin, Nushki, Dalbandin, Barkhan, Musakhel, Mastung, Kharan, Dera Bugti, Awaran Kohlu, Ziarat, Lasbela, Washuk, Panjgur
Sindh	06	Badin, Dadu, Tharparkar, Khairpur, Jacobabad, Mirpur Khas
Punjab	12	Primary Health Care model already working.
FATA	03	Bajaur, Khyber, Kurram
NA	02	Gilgit, Skardu

INDUSTRY REVIEW

1. CEMENT INDUSTRY

Due to uplift work in Azad Jammu & Kashmir, enhanced requirements for Public Sector Programme and accelerated demand from Afghanistan, the demand of cement increased resulting shortage of cement in the domestic market. Consequently a price hike in this commodity was observed during the month of March 2006. During the months of January and February 2006, the national average retail price of cement was Rs. 281 & Rs. 280 per 50 Kg bag respectively, but during the months of March and April 2006 the national average retail price of cement was recorded at Rs.310 & Rs.353 respectively.

Keeping in view the above, necessary measures were taken as under.

- i. A freight subsidy of Rs.60 per 50 Kg bag was allowed on imported cement.
- ii. Import of cement and clinker from all the countries including India was allowed at zero % custom duty and zero % with-holding tax.
- iii. Earthquack Reconstruction & Rehabilitation Authority (ERRA) was advised to directly import cement for its requirement.
- iv. Cement was included in the schedule of Price Control and Prevention of Profiteering and Hording Act 1977.
- v. Pakistan Railways announced 30% concession on transport of imported cement.
- vi. All Pakistan Cement Manufacturers Association (APCMA) was directed to enhance installed capacity and increase capacity utilization. In this regard installed capacity of cement plants was enhanced from 21 million tons to 24 million tons per annum during April and May 2006. Projected installed capacity of cement plants by the end of fiscal year 2007-08 will be 43 million tons per annum.

The effective steps taken by the Government to contain cement prices have been well received by the general public and appreciated by the media. In the wake of Government decision, the prices have stabilized and continued to decline gradually. It is expected that import of cement during ensuing months and capacity enhancement by the manufacturers will result competition leading to a further decrease in cement prices.

2. FERTILIZER INDUSTRY

A Fertilizer Policy was announced in 2001 to encourage the local production of fertilizer, and to attract new investments. The annual production of fertilizer, both in public as well as in private sector, is around 5.989 million metric tons.

The unit-wise details of production of fertilizer by private as well as public sector during 2005-2006(July-May) are given below:-

<u>Name of Ufunit</u>	<u>Location</u>	<u>Prov-</u>	<u>Product</u>	<u>JUL- MAY</u>
Private Sector				
DAWOOD HERCULES	SHEIKHUPURA	P	UREA	435624
ENGRO CHEMICAL	DHERKI	S	UREA	906442
FAUJI FERTILIZER	SADIQABAD	P	UREA	2138581
PAK. CHINA	HAZARA	N.W.F.P	UREA	0
FAUJI FERTILIZER (Bin Qasim)	KARACHI	S	UREA	473560
		S	DAP	396957
ENGRO CHEMICAL	DHERKI	S	NPK	129720
PAK ARAB (PFL) *	MULTAN	P	UREA	111765
	""	P	AMM.NITRATE	297460
	""	P	NITRO PHOSPHATE	326945
Private Sector Total=				5217054
Public Sector				
PAK ARAB (PFL)	MULTAN	P	UREA	
	""	P	AMM.NITRATE	
	""	P	NITRO PHOSPHATE	
PAK SAUDI (PSFL)	MIRPUR MATHELO	S	UREA	0
PAK.AMERICAN (PAFL)	DAUDKHEL	P	UREA	322788
LYALLPUR (LCFL) **	FAISALABAD	P	SUPPER PHOSPHATE	0
LYALLPUR (LCFL)	JARANWALA	P	SUPPER PHOSPHATE	68523
HAZARA (HPFL)	HAZARA	N.W.F.P	SUPPER PHOSPHATE	82480
Public Sector Total=				473791
TOTAL=				5690845
** Lyallpur Chemical Fertilizer Limited (LCFL) Faisalabad has ceased to exist from August, 1996. PAK SAUDI (PSFL) Handed over to FFC, Sadiqabad from January 2003. *. Privatization of Pak Arab (PAFL) Multan, in July 2005.				

As the demand of urea in the country is more than the local production, therefore, the Government is encouraging and facilitating increase in production of urea and other fertilizers in the country through policy measures and facilitation. A meeting of Fertilizer Review Committee (FRC) was held on 07-06-2006 in MINFAL, where the availability situation of urea and DAP in the country was discussed. It was estimated that the total availability of urea during Kharif was around 2.805 million tons against the requirement of around 2.587 million tons. DAP production was estimated around 0.211 million tons and import of DAP by private sector was estimated around 0.348 million tons. However, the availability of DAP in the country was assessed around 0.825 million tons against the requirement of 0.715 million tons.

The average retail prices of Fertilizers (Sona Urea, Kisan Urea and DAP) during the year 2006 are as under :-

(Price Rs/50 KG bag)

Month / Weeks	Sona Urea	Kisan Urea	DAP
January-2006			
05-01-2006	521.67	516.88	1085.00
14-01-2006	525.00	518.13	1091.67
19-01-2006	522.50	515.63	1091.67
26-01-2006	520.83	513.75	1090.00
February-2006			
02-02-2006	518.75	509.63	1087.92
11-02-2006	520.42	509.00	1079.17
16-02-2006	519.17	508.75	1083.75
23-02-2006	518.75	509.38	1084.17
March-2006			
02-03-2006	518.75	508.75	1081.67
09-03-2006	517.50	508.75	1071.67
16-03-2006	514.58	506.88	1065.83
22-03-2006	514.58	507.88	1062.92
30-03-2006	514.58	508.13	1055.83
April – 2006			
06-04-2006	514.17	508.13	1055.83
13-04-2006	516.25	510.63	1052.92
20-04-2006	517.50	511.25	1057.92
27-04-2006	519.17	511.25	1059.17
May-2006			
04-05-2006	518.75	511.88	1055.42
11-05-2006	519.58	512.50	1053.75
18-05-2006	519.08	513.13	1054.17
25-05-2006	519.08	513.75	1058.75
June- 2006			
01-06-2006	519.33	513.75	1058.33
08-06-2006	518.33	512.75	1055.00
15-06-2006	518.33	513.13	1062.92
22-06-2006	520.00	513.13	1064.58

The Government is making its best efforts to increase production of urea fertilizer to meet the local demand in the country. The ECC of the Cabinet has approved allocation of 75 MMCFD gas to M/s.Fatima Fertilizer Company from Mari Gas Field to set up a Urea and Phosphatic Fertilizer Project in the private sector. M/s.Fatima Fertilizer Company is establishing a urea and phosphatic plant near Rahim Yar Khan having an annual capacity of around one million tons of fertilizer. It is expected that the plant will come into production during August, 2008.

In addition to the above, 100 MMCFD gas has been allocated for establishment of brand new fertilizer plant of around one million tons of urea as per decision of ECC. In this regard, Prime Minister has been pleased to constitute a Committee under the Chairmanship of Minister of State for Finance to determine the transaction structure for

allocation of 100 MMCFD natural gas from Qadirpur Field. SOQs for shortlisting bidders for this gas allocation has been advertised. The last date for submission of SOQs is the 15th August, 2006.

3. SUGAR RELATED ENERGY PROJECTS

The President and the Prime Minister of Pakistan were pleased to receive the presentation from Deputy Chairman Planning Commission on “Energy Security Action Plan” on 15th February, 2005. It was decided that the Ministry of Industries, Production and Special Initiatives will work on the following two National Policies:-

i) NATIONAL POLICY ON POWER CO-GENERATION BY SUGAR INDUSTRY.

In pursuance of the President / P.M. decision dated 15th February, 2005, for the preparation of a National Policy on Power Co-Generation by sugar industry from bagasse (a bye – product of sugarcane) this Ministry held a number of meetings with the stakeholders. After detailed deliberations (from February 2005 to November, 2005) a consensus was evolved among all stakeholders to the effect that electricity shall be produced from bagasse during crushing season and after closing of the crushing season, natural gas will be provided by the Sui Southern & Sui Northern Gas Companies to the sugar mills for production of electricity to be supplied to WAPDA. The Policy measures prepared by this Ministry in consultation with Ministry of Water and Power, Pakistan Sugar Mills Associations, MINFAL, Sui Southern and Sui Northern Gas Companies, Planning and Development Division & Ministry of Petroleum and Natural Resources were submitted to the ECC of the Cabinet, which approved the same on 28-11-2005. These are now being implemented by the Private Power and Infrastructure Board (PPIB), Ministry of Water and Power. Salient features are as under: -

- ❖ The incentives available to the Independent Power Plants under “Policy for Power Generation Projects 2002’ would be available to the Power Co-Generation Units of Sugar Mills.
- ❖ The Power generated by the Sugar Industry will be purchased by NTDC or DESCO concerned at agreed/negotiated and competitive rates to be approved by NEPRA. Power Sale/Purchase agreements, valid during the life of the Power Co-Generation Units, will be signed with Sugar Mills on the lines of the agreements signed with the IPPs.

- ❖ As per National Gas Allocation and Management Policy 2005, gas will be made available to dual fired combined cycle plants for the contract period with appropriate safeguards to protect the interests of the gas supplier and / or the Federal Government against non availability or curtailment of gas supplies for events beyond their reasonable control.
- ❖ 700 MW Power Co-Generation by Sugar Mills will be planned during the first phase. The Sugar Mills Interested in Power Co-Generation will be required to submit a Bankable Feasibility report. The Mills selected for Power Co-Generation will be bound to set up Power Co-Generation Units within 12-18 months and provide appropriate guarantees as per Power Generation Policy 2002.
- ❖ It will be the responsibility of the Sugar Mills to make all other arrangements like bank financing, purchase of land, procurement of machinery etc.
- ❖ Such power co-generation plants/units, will not be treated as part of sugar industry, but as a separate entity for tax purposes.
- ❖ The existing tariff rules and guidelines for the IPPs would be applicable for such power generation plants/units.

ii) **NATIONAL POLICY ON BLENDING OF ETHANOL IN GASOLINE IN PAKISTAN.**

In pursuance of the President /P.M. decision dated 15th February 2005, this Ministry in consultation with Pakistan Sugar Mills Associations, Ministry of Petroleum and Natural Resources, Oil Companies Advisory Committee, Ministry of Environment and Hydrocarbon Development Institute of Pakistan (HDIP) initiated work on developing a National Policy of Blending of 5% to 10% Ethanol in Gasoline to be produced from Molasses (a bye– product of sugarcane). The work was initiated in February 2005. A consensus was evolved among the stakeholders in September, 2005. A feasibility study of blending Ethanol in Gasoline in Pakistan was submitted to the Prime Minister by Hydrocarbon Development Institute of Pakistan, Ministry of Petroleum and Natural Resources. The Prime Minister has been pleased to approve the policy on 10th February, 2006 and directed as under:-

- i. A Pilot Project to gain knowledge of using 5% to 10% ethanol blending may be established.
- ii. A few pure—Ethanol buses may be imported and operated as city buses.

The above policy measures are being implemented by the Ministry of Petroleum and Natural Resources and by Ministry of Industries, Production and Special Initiatives.

4. PSDP PROJECTS

- i) Up gradation of Plastic Technology Centre Karachi at the cost of Rs.459.30 million has been completed on 30th June 2006.
- ii) Balancing and Modernization of workshop facility at Pakistan Industrial Technical Assistance Center (PITAC) Lahore costing Rs. 454.118 million is expected to be completed by September 2006.

5. SUGAR PRICE STABILISATION MEASURES

In the year 2005-06 there was a shortage of about 1 to 1.2 million tonnes sugar in the country. In order to stabilize the sugar price in the country, the ECC decided to take the following measures :-

- i. Private sector be allowed to import raw and refined sugar without restriction on its quantity and time limit without custom duty & withholding tax.
- ii. TCP to import up to 500,000 tonnes of sugar to make up the shortage
- iii. Utility Stores Corporation's quota for sale of sugar at controlled rate of Rs 27.50/ kg be increased from 22,000 M. tonnes to 32,000 M.tonnes per month.
- iv. Import from India through Road/Rail was allowed.
- v. The ECC of the Cabinet in its meeting held on 3rd March, 2006 has constituted two Committees under the Chairmanship of Advisor to PM on Finance to review the stock and price position of sugar, pulses and other commodities.
- vi. Trading Corporation of Pakistan to maintain five (5) lac tonnes of sugar stock as strategic reserve.

POLICY FORMULATION

Ministry of Industries, Production and Special Initiatives have prepared the following policy measures in consultation with the Engineering Development Board (EDB) for boosting up Industrialization in the country with the ultimate purpose of enhancing export and earning foreign exchange :

i) Tariff Based System (TBS) – for Automotive Sector.

Government of Pakistan has decided to launch a Trim Compliant System to replace the existing deletion programme. Accordingly, EDB initiated work and in a span of less than two years, EDB received various proposals on TBS from Pakistan Automotive Manufacturers Association (PAMA) with respect of cars, LCVs, trucks, buses etc. After intensive and prolonged meetings/ discussions with the stakeholders, a complete system on TBS was finalized and a consolidated list was presented to CBR and formal announcement was made by the Finance Minister in the Budget Speech of 2006-07.

ii) Registration/Revision/Updation of Locally Manufactured Goods (CGO-10/2003)

Engineering Development Board initiated an exercise to revise / update the list of locally manufactured goods (CGO-10/2003) and their producers. CEO/VC, EDB has also made a presentation to Chairman, Central Board of Revenue regarding the web design and exercise taken to update /revision of the CGO. Recently new list of 206 companies with 799 products has been prepared and forwarded to CBR for inclusion in CGO.

iii) Export Development Initiatives

In line with the Mission of EDB, following Committees were constituted in EDB to look into the possibilities of exports from Pakistan:

1. Refrigerators Committee for exports
2. Motorcycle Committee for exports
3. Energy Meter Committee for export
4. Auto-parts Committee for exports.

iv) **Tariff Rationalization-2006-07**

In continuation of the subject exercise during the last five years, EDB carried out tariff rationalization exercise for the Budget 2006-07. In this regard, 18 Sub-committees were constituted with Conveners from the Private Sector and various meetings were held with stakeholders as well as with CBR and Ministry of Commerce. Detailed proposals in this regard have been forwarded to CBR.

v) **Trade Policy 2006-07**

Tariff related recommendations were prepared in close interaction with stakeholders.

vi) **Policy Formulation - Steel Sector**

The basic work on the development of the Steel Policy has also been initiated and formalities are being completed to acquire the services of a consultant to conduct a market study of the Steel Sector. The consultant is expected to complete the assignment within 4 months. The proposal/recommendations of the consultant will form the basis for the Steel Policy and formal work on the development of the proposed Steel Policy will be initiated after receiving the consultant's report on the market study. Selection of steel sector consultant is in process.

vii) **Policy Formulation - Auto Sector.**

Minister for Industries, Production and Special Initiatives has directed EDB to formulate Automotive Policy of the country to expand capacities and to provide a conducive environment to auto sector. In this regard a draft policy document was circulated to all stakeholders and a meeting in this regard was held in EDB in May, 2006 in which a sub-committee was constituted to review the draft policy proposal. At present revised policy is under consideration of MOIP and various forums of the Government.

viii) **Modernization of Trucking and Trailer Sector.**

In pursuit of Government of Pakistan Policy of opening up of the national trade corridors, EDB was mandated to work out the road freight strategy with special focus on modernization of Trucking/Trailer sector to cater to the growing trade needs of the country as well as integration with the regional markets. Accordingly EDB has put up a strategy paper with various recommendations to modernize the present trucking fleet, replacement of the Bedford truck with the fuel efficient long haulage truck etc.

ix) Mapping Study of the Automotive Vendors in Pakistan

In view of the GOP efforts to internationalize the auto parts and accessories sector for its global positioning, a thorough and critical analysis of the current status and future potential of the Pakistan auto vendor industry is required. EDB has initiated a mapping study to take stock of the present economic state of the affairs, technology, production capacities, demand and supply, skill levels, regulatory and legislative environment in which vendor industry is operating. The study will also examine the key drivers of chains such as competition, supply chain management and value addition for enhancing export competitiveness of the sector. The proposed study is expected to be carried out by German Consultants M/S Senior Experten Services (SES).

x) Activities Related to SAFTA and Free Trade/ Agreements

EDB remained actively involved in the negotiations of various South Asia Free Trade Area (SAFTA) and Free Trade Agreements (FTAs).

PUBLIC SECTOR CORPORATIONS

1. PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (PIDC)

The Corporation is responsible for promotion of industrialization in the Country. In the wake of the policy of privatization and deregulation most of the production units of PIDC have been privatized. Its roll has now been changed to that of a facilitator.

- **MUSTEHKAM CEMENT COMPANY**

Mustehkam Cement Company was on the privatization list since 1996 and has been finally privatized and handed over to the highest bidder M/s Bestway Cement Limited on 10-2-2005.

- **JAVEDAN CEMENT LIMITED**

Javedan Cement Limited, Karachi was on the active list of the privatization. The Privatization Commission approved the bid of Rs 80/- per share for 96.34% shares of the Company on as is where is basis and offered the same to Haji Ghani Usman & Company. The Company could not be handed over to the bidder by the end of the fiscal year due to a stay order by the Court.

- **ESTABLISHMENT OF TECHNICAL TRADE TRAINING CENTRE AT GADANI**

A Memorandum of Understanding (MOU) was signed on 20th February, 2006 between PIDC and Government of Balochistan for setting up a Technical Trade Training Centre (TTIC) at Gadani, Hub, Balochistan for providing training in marble processing and handicrafts manufacturing. The study of the project, costing Rs. 40.11 million, has been prepared. The building and infrastructure facilities for the Centre will be provided by the Government of Balochistan, while machinery, equipment and hardware will be provided by the PIDC. PIDC will also bear the operational cost of the Centre for three years which is estimated at Rs. 27.22 million.

2. NATIONAL FERTILIZER CORPORATION

National Fertilizer Corporation of Pakistan plays an important role in Pakistan's economy. Its manufacturing companies include Pak American Fertilizer Limited.

Lyallpur Chemical & Fertilizer Limited, Hazara Phosphate Fertilizer Limited and National Fertilizer Marketing Limited. These Companies produce urea and single super phosphate which is 9% of the production capacity for fertilizer in the country. The Pak American Fertilizer Limited has been privatized. The highest bidder M/s Ibrahim Fibers Limited defaulted and therefore the Privatization Commission offered the Unit to the second highest bidder, M/s Asguard-9 Lahore who have requested for extension in the payment by 15th July, 2006. The Company will be handed over after the payment is received by the Privatization Commission.

- PERFORMANCE

The NFC group has achieved the following sale and profit during the period under report:-

		<u>Rs Million</u>
	<u>2004-2005</u>	<u>2005-06</u>
<u>Sale</u>	<u>11627.543</u>	<u>5211.703</u>
<u>Pre-tax profit</u>	<u>2746.748</u>	<u>770.438</u>
<u>Tax & Duty paid</u>	<u>1923.132</u>	<u>732.424</u>

3. UTILITY STORES CORPORATION

Utility Stores Corporation is playing a vital role in providing consumer goods to the common man at affordable prices.

- ACHIEVEMENTS

- During the year 2005-2006, the Corporation added 199 new utility stores to its network, increasing the number of stores from 361 to 560 on June 30, 2006.
- Under the Prime Minister's Atta Relief Package, sale of wheat flour to the public through network of utility stores was commenced w.e.f 15th June, 2005 @ Rs. 11.50 per Kg . The Corporation has sold 250,000 M/Tons of atta during the period from June,2005 to April, 2006,
- To provide sugar at reduced price as per policy of the Government and to monitor its price hike in the open market, USC has been providing sugar to the general public through its 1122 outlets.
- In order to provide food stuff to earthquake affected areas, USC played its role quite effectively. The essential food items of 15,500 M. tons were supplied to the affectees through USC. The Corporation also opened 21 stores in the affected areas of NWFP and 13 stores in Azad Kashmir.

- During the holy month of Ramzan 2005, the Corporation reduced the prices of essential commodities from 10 to 15%.
- In compliance with the directive of the Prime Minister the prices of more than 400 essential consumer items were further reduced from 3% to 10% during the period from April, 2006 to June, 2006
- In view of increasing trend of the prices of pulses in the country due to various reasons, the Corporation has successfully launched the Prime Minister Relief Package on pulses w.e.f 2006 under which the pulses are being sold at utility stores at the following reduced prices.

i.	Dal Channa	-	Rs.30/- per kg
ii.	Dal Masoor	-	Rs.31/- per kg
iii.	Dal Mash	-	Rs.58/- per kg
iv.	Dal Moong	-	Rs.53/- per kg

The relief Package on pulses has yielded the desired results and due to USC intervention the prices of pulses have decreased by Rs. 4-5/per Kg.

* The sales volume of the Utility Stores Corporation jumped up from Rs. 2847.215 million in 2004-05 to Rs. 12172.191 million in 2005-06.

FUTURE PLANS.

Expansion of the Net Work.

Appreciating the role played by the Utility Stores Corporation in the sales and distribution of atta, sugar and pulses at reduced prices, the Prime Minister of Pakistan has directed to undertake the expansion of the net work of USC through establishment of 36 new warehouses/distribution centres and 440 new utility stores. The planned expansion is to be completed by 31.12.2006.

Franchise Utility Stores.

Franchise Utility Stores Schemes is being finalized which will not only provide employment to educated un-employed persons but also help to provide essential commodities to common man at reasonable/ reduced prices.

4. STATE ENGINEERING CORPORATION (SEC)

SEC companies have developed a sound engineering base for manufacturing of light, medium and heavy engineering goods. The performance of State Engineering Corporation and its Units during 2005-2006, is as under:-

- **Production** increased to Rs. 3.2 billion against Rs. 2.99 billion in 2004-05.
- **Sales** recorded highest ever of Rs. 4.2 billion as compared to Rs. 3.6 billion during 2004-05 i.e. an increase of 16.3 %. Pakistan Machine Tool Factory (PMTF), Heavy Electrical Complex (HEC) and ENAR Petrotech Services have achieved the highest ever sales in their history.
- **Gross profit** of the companies maintained high level amounting to Rs. 611.5 million.
- The companies have earned a net profit of Rs. 85.2 million, thus maintaining the profitability trend achieved during 2004-05, as against persistent losses during the previous years.

The major activities undertaken by SEC and its Units during 2005-2006, include:

- **HEC** has developed and manufactured a prototype power transformer of capacity 31.5/40 MVA, 132/11.5 KV and dispatched to KEMA Laboratories, The Netherlands for carrying out specified design verification tests. The successful qualification of prototype will enable HEC to manufacture and supply another lot of 12 power transformers to WAPDA valuing Rs. 250 million.
- Testing facilities would be established in HEC for Lightning Impulse Voltage test and Switching Impulse test on power transformers. The project is estimated to cost Rs. 39.962 million. PC-I for the scheme has been approved by Planning Commission in its meeting held on March 21, 2006.
- **Heavy Electrical Complex (HEC)** has first time secured order of high capacity 125/160MVA autotransformers from WAPDA for which technology has been lined up with M/s. Shenyang LXGT Co Ltd., China.
- **BMR** scheme of Pakistan Machine Tool Factory (PMTF) has been implemented to manufacture additional die cast components for motorcycles. The company has procured additional Vertical CNC Machining Centres and CNC Lathe Machines. The BMR scheme will result in generation of additional turnover of around Rs. 90 million.
- **Pakistan Machine Tool Factory (PMTF)** has indigenously developed CNC lathe turning master. The complete machine design/hardware was developed at PMTF including software which was also developed through a local company. The product was formally launched in the Trade Exhibition ITIF Asia 2006, Karachi.
- **Heavy Mechanical Complex (HMC)** is continuously contributing towards the industrial development of the country by meeting the capital goods requirement of various industrial sectors. The recent manufacturing includes “Conical Mouth” for

Malakand–III Hydro Power Plant and supply of equipment to a number of distilleries in the country.

- **Pakistan Engineering Company (PECO)** is the only Pakistani company to produce 500 KV transmission line towers and successfully executed the order valuing Rs. 377 million for Tarbela-Ghazi Brotha Circuit Project.
- **ENAR Petrotech Services** has emerged as an engineering and consultancy firm providing services for designing, engineering, procurement, site supervision and project management in the oil & gas sector projects. ENAR has also developed mini-refinery plant design capability.

FUTURE PLANS

SEC has drawn plans to diversify business activities of its companies in order to enhance capacity utilization and competitiveness. In this context following areas are being focused:

SMALL HYDEL POWER PLANTS: Technical cooperation agreement has been finalized with foreign reputable company for jointly setting up a number of mini and small hydel power plants in the country. The capability developed will enable HMC to contribute in the forthcoming medium and large hydel power projects.

MANUFACTURING OF EQUIPMENT FOR DAIRY INDUSTRIES: Realizing the fast growth in this sector, SEC plans to undertake manufacturing of dairy plant and equipment in one of its units through acquiring technology.

THERMAL POWER PLANTS: Most of the thermal power plants established in the country will require refurbishment and replacement of parts and components. It would thus generate regular business for SEC units in order to fulfill the demand of items such as heating elements, pressure vessels and other related equipment.

RENEWABLE ENERGY PROJECTS: A number of Wind Power Projects (like Wind Farms) are planned to be established in the next few years. SEC will contribute in their establishment through supply of machinery and equipment.

POWER TRANSFORMERS: HEC, which has emerged as a leading manufacturer of power transformers in the country, is now moving towards acquiring advanced technology in order to achieve higher efficiency and reduced weight than the existing power transformers based on old generation technology.

AUTO COMPONENTS: With the enhancement in demand for the transport equipment and spares, PMTF is focusing on expanding its manufacturing base to include the following auto parts:

- Motorcycle parts, such as transmission gears, shafts, crank cases, covers etc.
- Complete engine for motorcycles
- Complete gear box for trucks
- Complete rear axle for trucks
- Parts for cars, trucks and buses which are not being manufactured locally

5. PAKISTAN STEEL.

During the year 2005-2006, Pakistan Steel operated on an average capacity of 60%, primarily on account of break-down of coke oven battery. The overall performance is as under:-

Particulars	1998-99	2004-05	2005-06 (July-May 06)
* Capacity Utilization	76 %	89%	60%
* Sales (Rs. in Billion)	14.4	30.6	18.29
* Profit/(Loss) (Rs. in Million)	(1482)	6.009	804
* Manpower.	20,554	13,007	12,853
* Duties & Taxes Paid (Rs. in million)	3.254	13.901	3.318
* Liquidity position (Rs. in million)	575	10.612	9.389

In February 2005, Government decided to privatize Pakistan Steel on a fast track basis. The decision was taken with the intention to let the organization grow through professional management by the private sector. The Privatization Commission, after appointing Financial Advisor had successfully privatized Pakistan Steel to a consortium. However, on an appeal filed by M/s. Watan Party, the Honourable Supreme Court annulled the privatization deal of Pakistan Steel on 23rd June, 2006.

6. SMALL & MEDIUM ENTERPRISE DEVELOPMENT AUTHORITY (SMEDA)

i) SME Policy.

The SME Policy has been approved, in principle, by the Prime Minister and is under revision in pursuance of PM's directions.

ii) SWOGs' Activities

Strategy formulations by the respective SWOGs (Strategy Working Groups) have been completed for Dairy, Marble & Granite and Gems & Jewellery Sectors. The Strategy for Dairy Sector has been approved by the Prime Minister of Pakistan and its implementation process has been initiated. As far as Marble & Granite and Gems & Jewellery Sectors Strategies are concerned, strategic initiatives and pilots have been identified and feasibility studies for pilot projects have been initiated. Specific actions taken in this regard are as under:

a. Gems & Jewellery Sector.

- PC-1 for Gems & Jewellery Training Institute at Lahore has been submitted through TUSDEC.
- “Branding Strategy for Pakistan’s Gems & Jewellery Industry” has been prepared.
- PC-1 for setting up “Hallmarking & Assaying Facilities” and “Gems and Jewellery Development Company” is being prepared.

- A draft concept paper in the light of the comments of the stakeholders for the establishment of “Pakistan Gems & Jewellery Development Company”, a public/private sector venture has been prepared. The company is expected to be incorporated under Section 42 of the Companies Ordinance.
- A delegation participated in the 36th Bangkok Gems & Jewellery Fair from September 14-19, 2005 thereby fetching confirmed export orders in excess of US\$ 4 million.
- Gems & Jewellery Website (www.gnjpakistan.org). has been developed

b. Marble & Granite.

- Projects undertaken for the development and promotion of Marble and Granite Sector in Balochistan and NWFP include :
 - I. Model Quarry and Rock Mining and Training Institute.
 - II. Marble City at FATA and Nowshehra.
 - III. Marble Handicrafts Development Centre.
 - IV. Marble & Granite Sector Study Report of Balochistan.

c. Dairy

SWOG on Dairy and SMEDA initiated a series of interactions with key stakeholders in the sector and a strategy was presented to the Prime Minister. The Prime Minister approved the strategy and proposed initiatives including establishment of Pakistan Dairy Development Company which is now registered as “Dairy Pakistan” as an independent not-for-profit company.

iii) Aik Hunar Aik Nagar (AHAN).

AHAN Cell established in SMEDA is in the process of developing strong linkages with all concerned Government Departments, Rural Support Programs (SPs) and Non Governmental Organizations (NGOs). Provincial Steering Committees will be formed to facilitate overall support on behalf of their Organizations. Asian Development Bank (ADB) is also providing a TA Loan of \$ 5 million under their Rural Modernization Project. The PC-II for AHAN has been approved by CDWP.

OTHER ACTIVITIES

- **DEPARTMENT OF EXPLOSIVES.**

The Department of Explosives is a technical-cum-administrative organization of the Ministry of Industries, Production & Special Initiatives. Its main objective is to ensure safe manufacture, transport and use of explosives, petroleum, and dangerous chemicals and industrial gases in the interest of public safety. The Department of Explosives operates on national basis and is the only organization in the country, which performs such functions. Its performance during the year 2005-2006 is given below :-

S. No.	ACTIVITIES	PETROLUM/EXPLOSIVES.
1.	Licenses granted	634
2.	Licenses renewed	6913
3.	Gas Cylinders approved	3226
4.	Revenue earned	Rs. 21.246 million
5.	Expenditure incurred	Rs. 9.402 million

- **NATIONAL PRODUCTIVITY ORGANIZATION (NPO)**

The National Productivity Organization is a public sector organization under the administrative control of this Ministry which is established to promote socio-economic development in Pakistan through productivity promotion. Recognizing the importance of development at the grass roots level, NPO is specifically focusing on developing areas in education, health, farming and non-farming activities, as well as empowerment of women.

NPO has taken some initiatives for women entrepreneurial skill development and income generating business to enhance enterprise competitiveness and promote economic independence of women with ultimate objective of women economic empowerment in the country enabling them to have full participation in the national life.

- **BILATERAL RELATIONS WITH OTHER COUNTRIES**

During 2005-06, a number of meetings of Joint Ministerial Commissions were held with different countries (Afghanistan, Algeria, Azerbaijan, Bangladesh, Iran, Oman, Uzbekistan etc.) in which specific proposals for enhancing industrial collaboration with those countries were forwarded to the Economic Affairs Division,

the focal point for holding such meetings. The following MOUs/ Agreements were signed with various countries :

- i) MOU with Algeria for cooperation in SME Sector between the two countries was signed during the inaugural session of Pak-Algeria JMC in September, 2005.
- ii) Agreement with Uzbekistan for cooperation between Small and Private Entrepreneurship of the two countries was signed during the Uzbek President's visit to Pakistan in May, 2006.
- iii) MOU on industrial cooperation with Morocco was signed during the visit of our Prime Minister to Morocco in 2006.
- iv) MOU for cooperation in SME Sector between Government of Pakistan and State of Kuwait was signed in June, 2006.

