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COUNTRY STATEMENT
REPUBLIC OF PAKISTAN ^{1/}

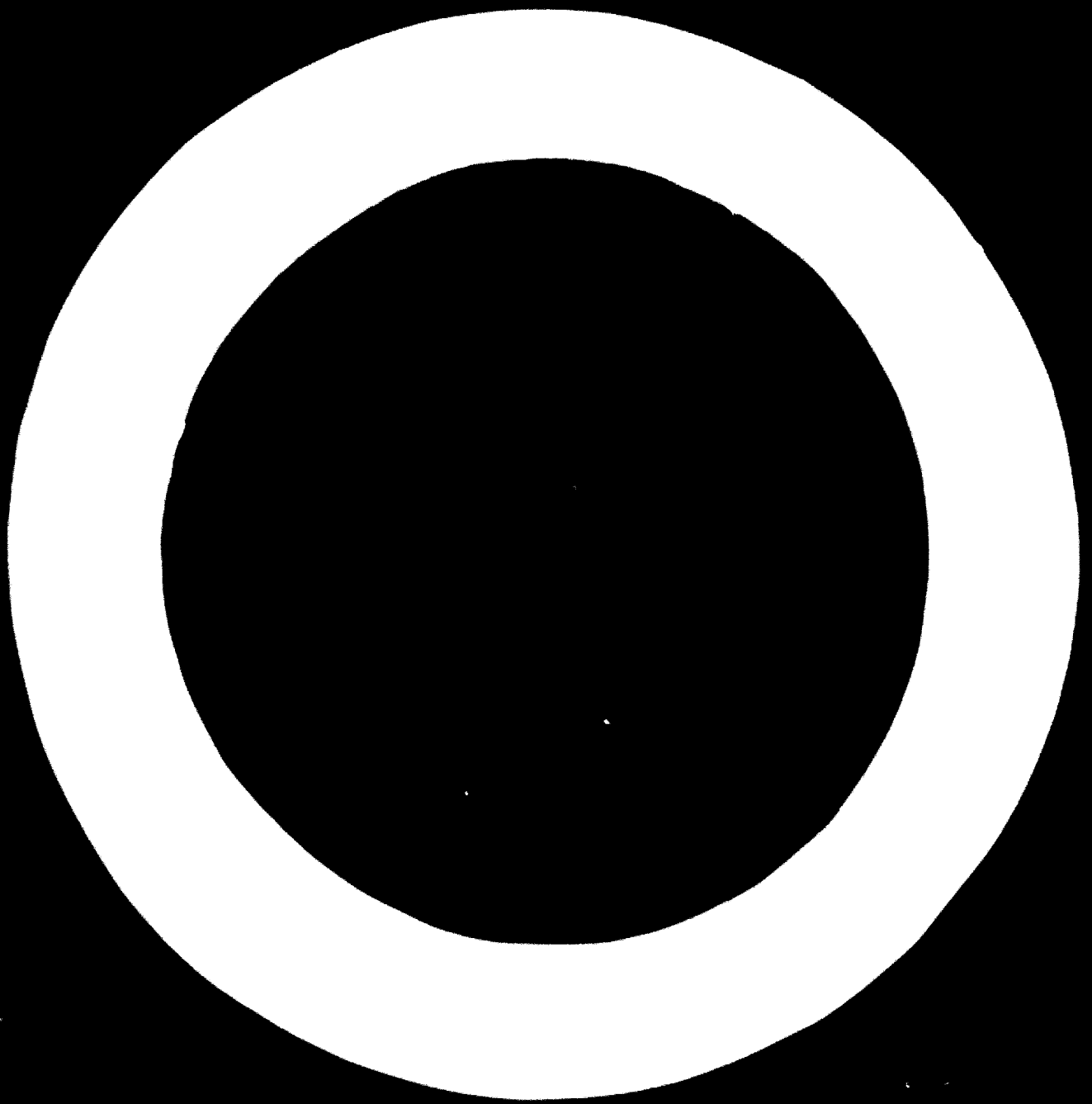
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PAKISTAN'S EXPERIENCE IN SMALL INDUSTRIES
DEVELOPMENT - A BRIEF DESCRIPTION AND
EVALUATION.

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1. THE DEVELOPMENT OF SMALL INDUSTRIES IN PAKISTAN.

The small industry based on the skill of traditional craftsmen and artisans has been in existence in Pakistan since times immemorial. The muslin of Dacca and Jugs and Carpet weaving and hand embroidery have been famous all over the world for a long time. With the attainment of independence in 1947 the need for organising small industry on sound basis was felt, and all possible encouragement and patronage was granted to the entrepreneurs to establish small industries in both wings of the country. The work of promotion of small industry was performed by the departments of Industries of the provinces but later on Small Industries Corporations were set up to do the job. In East Pakistan the Small Industries Corporation was set up in 1957 whereas in West Pakistan the small industries were looked after by the West Pakistan Industrial Development Corporation till 1965 when a separate organization called the West Pakistan Small Industries Corporation was set up to promote the growth and development of small industries.

2. The small industries can be defined to describe any manufacturing concern requiring a relatively small amount of capital investment whether using factory methods of production or not. In East Pakistan small industry is defined as a industrial unit with the total capital investment of Rs.0.5 million which does not include the cost of the land. It is proposed to raise this limit to Rs. 10 lakhs because of the rising prices in the world market and the higher cost of capital investment, machinery, labour etc.

II. THE CONCEPT OF DEVELOPING SMALL INDUSTRIES SECTOR IN PAKISTAN.

3. The main object of promoting the growth and development of small industry is to help improve the general economic condition of the people by providing effective means of stimulating indigenous entrepreneurship; channelling the skills of traditional craftsmen into new lines suited to modern economy; tackling the unemployment problem; encouraging the growth of industry to be less concentrated geographically and assisting in diversification of the industrial structure.

4. The specific services rendered by the West Pakistan Small Industries Corporation are as follows :-

- (i). production facilities through its estate development, credit assistance and raw material procurement & distribution programme, etc.,
- (ii). technical and management services through the Small Industries Institute at Lahore and Service Centres for specific industries; and
- (iii). training, designing and marketing facilities in the field of handicrafts.

5. My paper is confined to the small industries sector in West Pakistan, with particular reference to Baluchistan, and therefore I will not touch the development of small industries in East Pakistan.

6. The West Pakistan Small Industries Corporation is running 67 projects established at a total cost of Rs. 47.78 million in the public sector. They include nine Small Industries Estates, One Small Industries Institute at Lahore, nine Service Centres for specific industries, and forty-eight handicrafts and other institutions.

The break up of the budget of the Corporation

for the year 1969-70 is :-		(In lacs of rupees)
1.	Capital cost of projects	47.69
2.	Revenue cost of projects	90.47
3.	Cost of Headquarters and zonal offices.	35.83
Total :-		173.99
(Omy 1 Crore and 74 lacs)		

The receipts for the same year are 70.48 lacs. This Corporation is under the control of the Central Government and is headed by a Chairman and four Directors, who represent the four provinces of West Pakistan. There are 8 Zonal Offices situated at Karachi, Lahore, Rawalpindi, Peshawar, Multan, Sukkur, Hyderabad and Quetta.

III. INSTITUTIONS AND PROJECTS MANAGED BY THE WEST PAKISTAN SMALL INDUSTRIES CORPORATION.

Industrial Estates

7. The Corporation has established 9 small industries estates at Peshawar, Gujrat, Gujranwala, Sialkot, Lahore, Bahawalpur, Sukkur, Larkana and Quetta. These estates are multi-purpose industrial estates except for the one at Lahore which was specially designed for the exclusive development of sewing machine industry. The approved cost of these Estates was Rs. 252.60 lakhs, which has so far exceeded and touched Rs. 275.42 upto 30th June 1969. These estates were planned as self-supporting projects on hundred percent colonization. The pace of colonization has slowed down due to many factors enumerated in a later chapter. It is estimated that an investment of Rs. 326.16 lacs in foreign currency and Rs. 539.60 lacs in local currency have been made at these industries. The annual production of sanctioned units has been estimated at Rs. 2569.81 lacs. They are providing jobs to approximately 7000 workers.

8. A statement showing the position of Industrial

Estates in give below :-

S.No.	Location of Estate.	Area of Estate (in acres)	Approved cost (Rs. in lacs.)	No. of plots	No. of Units under pro-duction	No. of Units under cons-truction
1.	Quetta	45.22	22.00	104	5	1
2.	Peshawar	54.41	23.95	295	3	-
3.	Gujrat	70.50	24.62	398	6	4
4.	Gujranwala	103.50	49.70	305	38	39
5.	Sialkot	98.80	49.51	330	32	18
6.	Lahore	9.75	4.21	33	-	2
7.	Bahawalpur	51.00	23.50	197	2	1
8.	Sukkur	110.50	29.22	301	13	3
9.	Larkana	59.80	26.09	313	4	1
Totals:-		601.60	252.80	2276	158	60

The estates at Gujranwala and Sialkot have been financed by the I.D.C. The credit of \$ 6.5 million provided by the I.D.C. for the colonization of these two estates and establishment of Service Centres for sports-goods at Sialkot, Light Engineering at Gujranwala and cutlery at Nazimabad, Karachi.

7(a). Investment outside Estates

The Corporation has sanctioned 439 units for the establishments of small industries outside the estates. Till the end of June, 1969, Rs. 11.81 million in foreign exchange and 5.8 million in local currency have been sanctioned as loan to these small industries. The corporation provides long term and short term loans, for which arrangements have been made with Commercial banks. The total amount of short term loans sanctioned by the West Pakistan Small Industries Corporation upto June 1969 is to the extent of Rs. 4.75 million.

Other Institutions.

10. The Corporation is running 47 institutions in various fields such as wood-craft, carpets, stone crafts, druggots, embroidery goods and other handicrafts. These centres are primarily designed to provide :-

- (i). training services to the craftsmen and upgrade the skills of artisans,
- (ii). designs and improved manufacturing processes, and
- (iii). common facilities services.

The total overall capital cost of these centres is to the tune of Rs. 7.73 million and the recurring annual cost of the centres is Rs. 1.05 million. The institutions being run as a part of this programme are :-

1. Handicrafts Design Centre, Lahore.
2. 14 Handicrafts Development Centres at Peshawar, D.I. Khan, Rawalpindi, Murree, Multan, Khairpur, Mala, Quetta, Loralai, Kalat, Karachi, Jareed and Mansehra.
3. 11 Handicrafts Shops at Swat, Peshawar, Rawalpindi, Islamabad, Lahore, Multan, Hyderabad, Kohinjodaro, and 3 at Karachi.
4. 13 Carpet Centres at Peshawar, Manna, Gujjar Khan, Loian, Bahawalpur, D.G. Khan, Hyderabad, Mithi, Hushki, Chaman, Hagarparkar, Naushera and Talagang.
5. Wool Weaving Centre, Jareed.
6. 3 Rural Training Institutions at Urner, Pabbi and Peshawar.

7. Training Centres for Matti and Bruggot Making at Bir and Chhat.
8. Knitting (Cape, Fan and Hat-Making) Development Centre Kot Addu.

11. The Corporation runs the following Institutions and Centres to provide advisory, training and research services and repair facilities :-

- (i). Small Industries Institute, Lahore
- (ii). Light Engineering Service Centre, Gujranwala
- (iii). Service-cum-Facility Centre for Light Engineering, Karachi.
- (iv). Service-cum-Facility Centre for Textile at Korangi, Karachi.
- (v). Small Textile Industries Service Centre, Multan
- (vi). Model Tanning & Footwear Centre, Gujranwala
- (vii). Leather Industries Development Centre, Hyderabad
- (viii). Metal (Surgical & Allied) Industries Development Centre, Sialkot.
- (ix). Cutlery & Small Tools Industries Service Centre, Miranabad.
- (x). Sports Goods Industries Service Centre, Sialkot.
- (xi). Institute of Ceramics & Common Facility Centre for potters, Gujrat.
- (xii). Pottery Development Centre, Shahdara
- (xiii). Electrical Appliances Cell in the Metal, Surgical & Allied Industries Development Centre, Sialkot
- (xiv). Rubber & Plastic Cell in Sports Goods Service Centre, Sialkot.

12. The capital cost on the development of these centres is Rs. 180 lakhs. The annual operational and maintenance cost of these centres is Rs. 11.06 lakhs. These centres also showed a gross receipt on account of sale and services etc. to the tune of Rs. 13.28 lakhs though the services offered by these centres are mostly

free of charge. A large number of apprentices have been trained at these centres through their regular programmes of training.

12. In addition, the Corporation is running the following institutions and projects :-

1. Woollen Spinnery at Lannohra.
2. Handicrafts Development Centre for Dargot/Cholistani Durries at Christian.
3. Addition of a Cell for Leather Embroidered Goods in the Handicraft Development Centre, Bahawalpur.
4. Development schemes in the Small Industries Estates located in backward areas proposed Feasibility Studies.
5. Extension Units of Lahore Institute at Sukkur and Peshawar.
6. Handicraft Development Centre for Wood Crafts Lahore.
7. Handicraft Development Centre for Glass Engraving Hyderabad.
8. Handicraft Development Centre for Stone and Marble Crafts Karachi.
9. Handicrafts Development Centre for Embroidery (for women) at Lannohra.
10. Handicraft Development Centre for Embroidery at Mirpur Khan.
11. Small Industries Information Centre, Lahore.
12. Woollen Spinnery at Mastung.
13. Modern Pattern Shop in Sewing Machine Estate, Lahore.
14. Artisan Workshop, Dair, Karachi.

IV. REGIONAL ACTIVITIES OF THE CORPORATION.

15. The Government of Pakistan framed a comprehensive Investment Industrial Schedule for a five

year plan period which is a guide line for the promotion of large, medium and small industries in the country. The entrepreneur who is new to the job requires assistance for pre-investment appraisal of a project and advice about location, capital requirements and potential markets. Even after start of an industry, small entrepreneurs will need assistance as regards credit, raw materials, labour, marketing etc. Even existing industries need advice to diversify their production and to improve their efficiency. The West Pakistan Small Industries Corporation offer the following facilities to the small entrepreneurs :-

- (a). Guidance and assistance in the formulation of projects and subsequently the execution thereof ;
- (b). Provision of foreign exchange mostly in the form of loans in foreign currency to meet the cost of imported machinery and equipment ;
- (c). Providing local currency loan to the private sector for long and short terms ;
- (d). Fully developed factory sites on the small industries estates on instalment basis.

The Corporation provides long term/medium term loans through the Industrial Development Bank of Pakistan and short term loans through Commercial Banks against agreements, by guaranteeing loans at 75% and 50% respectively. The Corporation is also authorised to work out entitlements of small industrial units for imported raw materials and spares and to sponsor these to the Licensing Board. It also directly imports industrial materials, tools and spares etc. against bulk licences issued by the Government for distribution among those units which are not entitled to direct licensing.

V. ACTIVITIES OF WEST PAKISTAN SMALL INDUSTRIES CORPORATION IN BALUCHISTAN.

14. Baluchistan is the biggest province in Pakistan with an area of 1,34,002 square miles, though in population which is about one and a half million, it is the smallest. It is a dry arid mass of land interspersed with rugged mountains and deserts with patches of green fertile lands here and there. It borders on all the three provinces of West Pakistan as well as on Afghanistan and Iran and has a Coast line of 350 miles along the Arabian Sea. This province is also rich in minerals like coal, chromite, natural gas, marble, gypsum and many other minerals whose reserves have yet to be proved. The average rainfall of the province is from 5 to 15 inches per year. The main occupation of the people is agriculture and livestock farming. The Small Industries Corporation have an important role to play in this province. At present the Corporation is spending about 10 lakhs annually on 11 handicraft and training centres in the province. The Corporation has established a small industries estate at Quetta to provide fully developed factory sites to the small entrepreneurs. This estate has been established at a total cost of 22 lakhs and spread over an area of 43.24 acres. It has 104 plots of various sizes of which only 79 have so far been allotted to the interested parties. Uptill now the following industries have actually been set up in the estate:-

- | | |
|-------------------------|------------------|
| (1) Flour Mills | |
| (2) Glass Industry | One |
| (3) Tobacco Crushing | . One |
| (4) Ready Made Garments | under completion |
| (5) Truck Body Building | |

VI. ASSESSMENT OF THE SMALL INDUSTRIES DEVELOPMENT
IN WEST PAKISTAN.

15. This Corporation is performing a wide variety of functions which can be broadly categorised as under:-

- (i) Providing infra-structure for the small industries in the selected areas ;
- (ii) Providing training facilities and service facilities for the small industries ;
- (iii) Running Handicraft Development Centres to develop the local traditional crafts.

Most of the Industrial Estates have not yet prospered. Perhaps one of the major causes of failure of such Estates is lack of Infra structure facilities or availability of water and power. At least two of Estates which I have seen from close quarters i.e those at Quetta and Sukkur suffer from shortage of Electric power and water respectively.

16. At other places, it is observed that the incentives offered within the Estates are not sufficient to lure the entrepreneur who may find the location of the industry outside the estate more economical.

17. There are many estates which are located within municipal limits and the levy of octroi, water and other local taxes and cesses by the municipal bodies, on the raw material used, and on the finished product may deter the entrepreneur from coming to the Industrial Estate.

18. The location of Estates are largely determined on political ground rather than on economic factors. No feasibility studies are carried out before planning an industrial estate. This leads to raised

cost of Infra-structure facilities and high cost of transportation of primary and finished goods. The end product becomes uneconomic when it reaches the market and the entrepreneur faces disaster.

19. Another major flaw in our planning is that the small industries have been established in isolation from the large industries. Priority should be given to "ancillary estates", so that small units can work as subcontractors to large industry. The overall planning of the Large/Medium and Small estates should be well coordinated.

20. One major drawback that has discouraged the entrepreneur is the lack of advice about the choice of an industry. Particularly in underdeveloped areas like Baluchistan, where the entrepreneur is a novice and therefore shy, Reluctant, and fearfull, expert advice about the prospects of a venture should be made available to him. A person cannot be expected to take a plunge into the void and jeopardize his very existence.

21. The fiscal policies of the Government changing the status of raw material which is imported by raising the duty or on account of fiscal anomalies, is also a deterrent. The restrictions on the import of raw materials required for the small industry and running of factories at reduced capacities, render them uneconomical.

22. The entrepreneur in the Small Industry sector is scared of the red-tape, complicated procedures and delays involved in obtaining loans from the financial institutions : The Small Industries Corporation has no powers to sanction loans. It sponsors the cases to the Industrial Development Bank of Pakistan, and the Commercial Bank, who judge the projects from their own strict standards and the entrepreneur gets disheartened.

23. It has been observed that sanctions for Medium sized industries are obtained under the guise of Small Industry. This practice adversely affects the small units who may not be in a position to compete with a larger concern where overhead and other charges are relatively less.

24. There is nothing to show that any supervision is exercised by the West Pakistan Small Industries Corporation or the financial institution after a project is sanctioned and is being established. There are instances to show that wasteful expenditure was incurred by the entrepreneur on erecting the structure of the building for the factory. Continued supervision and technical assistance to the small entrepreneur from the beginning till the completion of the project and even afterwards is extremely important and necessary.

25. Presently there is no scheme under which Government or the Corporation may subsidize the provision of Electricity and transport to help the small industry in the under-developed areas. It is observed that rates of services like power, water, transport etc, may be very high on account of the geographical location of the Industrial Estates. The sources of power and raw materials may be far away and markets may be located at distant places, thus adversely affecting the economics of the projects. In such cases, grant of subsidy to the enterprises till adequate facilities at reasonable rates are available, is essential to allow the existing small industries to survive and for new enterprises to grow and prosper.

26. The non-availability of suitable lines of credit has also been one of the handicaps in the way of rapid growth of small industries. It has been found that sometimes foreign credits are such that they can be

utilized for large and medium scale industries only.

27. The priority List of Industries based on the Industrial Investment Schedule, was released by the Government of Pakistan in June 1968, in order to channelise investment during the remainder of the Third Plan period (1965-70), into essential industries and those which were likely to have favourable impact on the balance of payments situation. This priority list contains 18 items of Export oriented Industries, 31 items of Agro-based and Service industries and 41 items of Import substitution industries. The total provision made for small industries during the 3rd Five Year Plan was to the tune of 276.9 million. The priority list omitted certain attractive items like fruit & vegetable processing, light engineering and cold storage etc., which was another bottleneck in the growth of the small industry.

28. There is no say by the private sector in the planning and setting up of the small industries estates or in their management. The entrepreneur is the person who is directly concerned about the prospects of success of an industrial estate. He should be actively associated in the planning and implementation of the programmes of the Small Industries Corporations. At the moment these Corporations are entirely manned by civil servants. There should be standing advisory panels or committees consisting of private individuals representing various sectors of Small Industries to advise, guide and criticise the policies of the Corporations. This would make them more responsive to public needs and help them avoid many a pitfall and boost up growth of small industries.

29. The policy of disinvestment i.e. handing over of a project to the private sector is being followed by the Corporation. But this process is to be

accelerated in the cases of those projects which have achieved their objective but are apt to run into losses because of excessive over-head costs and the indifference of the employees of the corporation who have no personal stakes involved in those projects.

VII. UNIDO'S ROLE IN THE DEVELOPMENT OF SMALL INDUSTRIES.

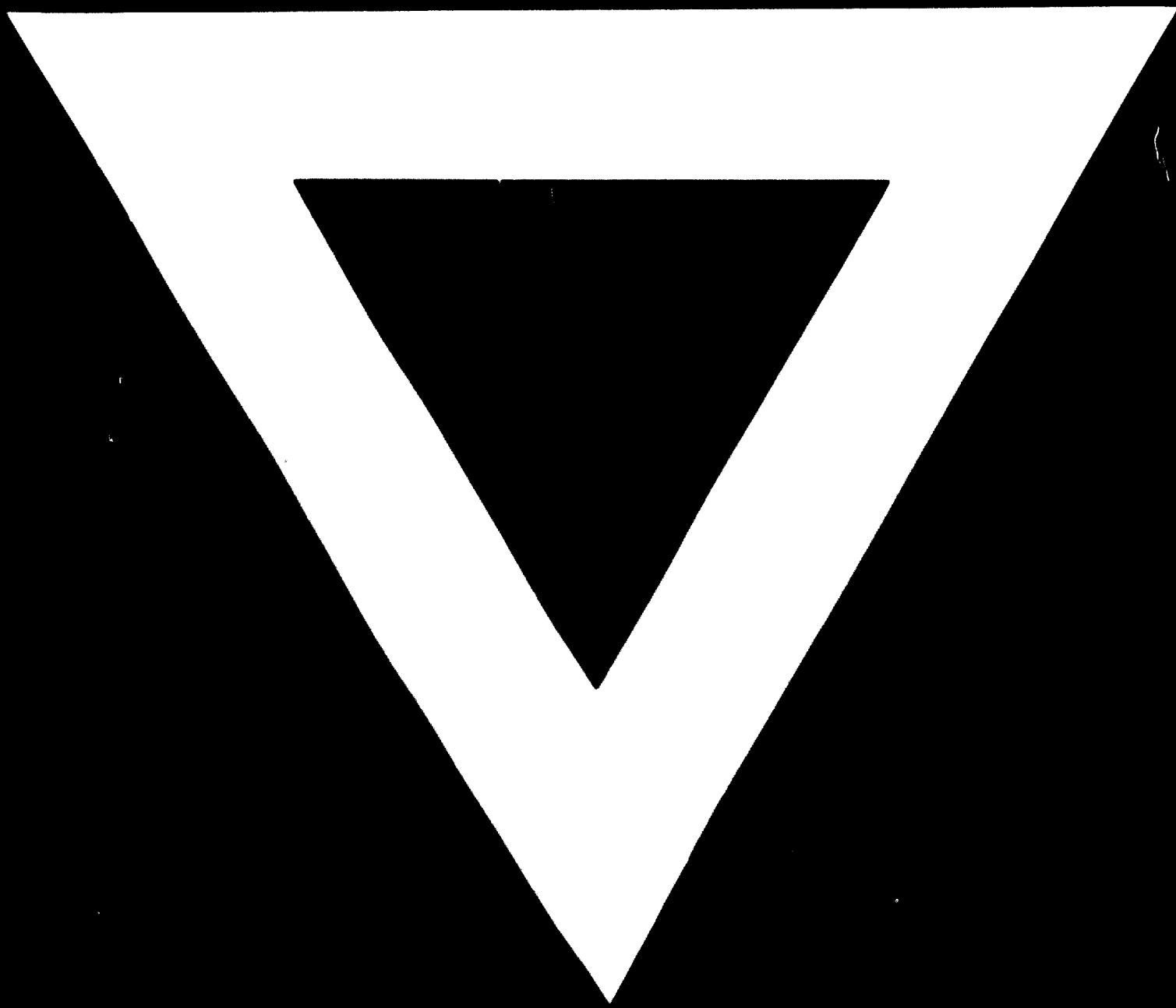
30. It is gratifying to note that UNIDO have started taking keen interest in the development of Small Industries in Pakistan. The UNIDO mission which visited Pakistan in February 1970 has formulated a report on Small Industries in Pakistan which contains a frank appraisal of the situation and suggests ways and means of improving the prospects. There may be difficulties in the way of accepting some of the recommendations as they may involve burden on the limited foreign exchange resources of the country, but there are many other useful suggestions including procedural reforms which can be implemented without any difficulty.

31. The weakest spots in the Small Scale Industries sector in Pakistan relate to lack of experienced and trained technical personnel, want of facilities for project formulation work, absence of machinery to carry out production, management and marketing surveys, for the benefit of the entrepreneur. Therefore UNIDO can play a remarkable role in launching technical assistance programmes in Pakistan to provide, expert services to conduct industrial surveys and feasibility studies; fellowships for training; and teams of experts to assist in the planning and establishment of institutions for the development of Small Industry. The UNIDO can also help in formulating and financing pilot projects in which the private sector may be shy for want of expertise and proof of the economic feasibility of a particular industry.

VIII. SCOPE FOR COLLABORATION IN SMALL INDUSTRIES
UNDER THE R.C.D.

32. There is undoubtedly tremendous scope for introducing the concept of sub-contracting in the R.C.D. countries. There are two types of sub-contracting, i.e., specialized and capacity sub-contracting. In fact Engineering industries afford the best opportunities for sub-contracting though it is by no means restricted to these industries. The smaller enterprises using cheaper labour and lower profit margins are able to offer cheaper parts and components to the large companies. The R.C.D. countries can mutually benefit, from the skills and craftsmanship of their technicians and craftsmen, and in various other fields by promoting sub-contracting. But before this idea is given a practical shape, the UNIDO may help in carrying out a survey of the three countries to explore the fields in which sub-contracting is feasible among them.





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