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A NOTE ON INDUSTRIAL ESTATES INCLUDING
COMMON SERVICE FACILITIES ^{1/}

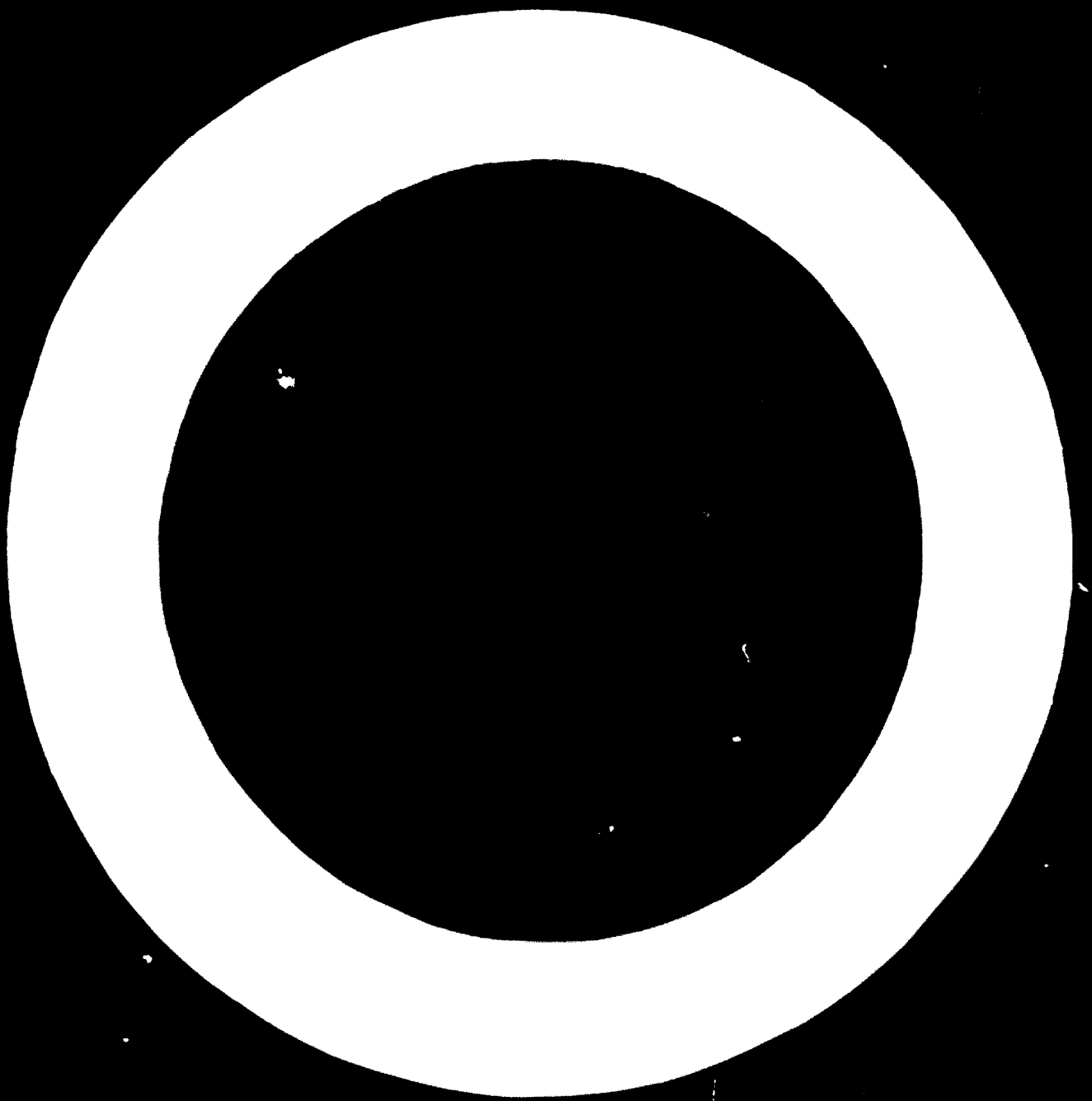
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1. INTRODUCTION

Industrial estates are being used in both industrially developed and developing countries as an effective tool of accelerating the process of industrialisation. The main idea behind the Estate Development Programme is to reduce the amount of capital needed by an entrepreneur who wishes to set up a small industrial unit as he can acquire fully developed plots of land on easy instalment basis as well as financial assistance for the construction of building, purchase of machinery and equipment etc. The other benefit being derived through this Programme is to encourage the small entrepreneurs to set up industries in the areas in which it is desired to encourage the growth of industries which ultimately results in the implementation of a policy of industrial decentralisation or encouraging the growth of industries in relatively depressed areas. Due to the concentration of small industrial units in the industrial estates, it also becomes easier for the development organisations to plan and provide to them common facilities and other services according to their requirements. The programme is also extremely useful for the creation of employment opportunities in the less-developed areas so as to avoid the danger of un-employment there.

2. SMALL INDUSTRIES ESTATES IN PAKISTAN

The Second Five Year Plan of Pakistan (1960-65) recognised the importance and usefulness of this programme and, therefore, made necessary allocation for the establishment of several such estates in both the wings of the country. In pursuance of this directive, a programme was conceived during that Plan Period to establish small industries estates with a view to stimulating and achieving;

- Economic development by promoting establishment of technically and economically feasible new industrial enterprises;
- Modernization of existing industrial units after their shifting to the estates;
- Slum clearance with ultimate possibility of obtaining the best conditions of town planning;
- Development of skills in new technological processes through a programme of training organized in the service institutions;
- Development of small industry capable of quoting competitive prices & delivery period of standardized components & parts needed by large industry;
- Creation of employment opportunities and ensuring proper working conditions for the workers.

For the achievement of these objectives, nine Small Industries Estates have been established in West Pakistan at Peshawar, Gujrat, Gujranwala, Sialkot, Lahore, Bahawalpur, Sukkur, Larkana and Quatta. These estates differ from each other in size, the number and size of factory plots as well as capital cost but all are designed to offer fully developed sites for the establishment of factories. The amenities and facilities provided in these estates include roads, water supply system,

sewerage, administrative block and staff quarters, etc., etc. The West Pakistan Small Industries Corporation which is responsible for the establishment of these estates provides fully developed factory sites on easy instalment basis for industrial use only. The estates, therefore, provide ideal sites for setting up new industrial enterprises, as well as for those existing units which are required to be shifted from the congested areas of the towns.

The table given below provides data in regard to the approved cost of each estate, its size and the number of factory plots available:

Location of the Estate.	Approved cost in lacs of rupees.	Size of the Estate in acres.	Number of plots available
Peshawar	23.95	54.41	295
Gujrat	24.62	70.50	398
Gujranwala	49.70	103.50	305
Sialkot	49.51	98.80	330
Lahore	4.21	9.75	33
Bahawalpur	23.50	51.00	197
Sukkur	29.22	110.50	301
Larkana	26.09	59.90	313
Quetta	22.00	43.24	104
Total:	252.80	601.60	2276

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PROCEDURE FOR THE ALLOTMENT OF PLOTS AND APPROVAL OF PROJECTS

A factory plot in an estate is made available to an entrepreneur only for an approved project. The entrepreneur willing to establish the factory on an estate formulates his

project with the assistance of the Small Industry Advisory Service organized at Lahore or the advisory service available in the Small Industries Estates or Service Centres. The project thus finalized and received is appraised to determine its economic & technical feasibility in the estate, zonal office or Headquarters' Office. After necessary appraisal, it is presented to the Board of Directors of the Corporation for approval. If the project is to be financed from entrepreneurs' own resources, a factory plot is allotted soon after the project is approved by the Board. In case, the project is to be financed partly from loan in rupee or foreign currency, this is sponsored to the Industrial Development Bank of Pakistan (IDBP), or a Commercial Bank as the case may be. The project is processed in the IDBP and after completing the requisite formalities is placed before the Technical Advisory Committee. A factory plot in this case is allotted only if the project is approved and the loan applied for is sanctioned. The size of the factory plots to be allotted is determined at the time of appraising a project and is stated in the feasibility report on the project. The Corporation does not make out-right sale of factory plots to avoid trading in plots in the estates. These are, therefore, provided on lease for a period of 99 years.

2.2

SUCCESS ACHIEVED IN COLONIZATION.

The pace of colonization is comparatively slow due to the non-availability of foreign exchange required for the import of machinery and equipment for the establishment of factories on these estates. There are only two estates viz. Small Industries Estates at Gujranwala & Sialkot for which IDA Credit Pak-30 of

\$ 6.5 millions became available. This credit has already been utilized with the result that the position in regard to the colonization of these two estates is quite impressive. Out of 315 units sanctioned so far, 206 relate to these two estates alone. As regards the other estates, the projects received for credit assistance are being sponsored against the available lines of foreign credits with the IDBP. During the year 1969-70, the Corporation prepared and sponsored a request for a Credit of \$ 5.00 millions for the consideration of IBRD for the colonization of the estates but in spite of best efforts, the request has not materialized so far. The non-availability of specific foreign credits for Small Industries Estates, therefore, continues to effect adversely the colonization. Despite all this, the WPSIC has achieved considerable success in the colonization of these estates. The data given below reflects the estate-wise colonization position by the end of the year 1970:

Estate	Number of projects			Total
	Completed	Under Completion	Under Finalization	
Peshawar	8	1	6	15
Gujrat	7	6	7	20
Gujranwala	119	10	15	144
Sialkot	41	11	10	62
Lahore	2	-	4	6
Bahawalpur	2	3	14	19
Sukkur	14	5	12	31
Larkana	4	1	1	6
Quetta	6	2	4	12
Total:	203	39	73	315

As is evident from the above table, 203 factories are already complete and in operation, 39 in the process of completion, and 73 in the process of finalization. These projects can be divided

into the following three categories according to their mode of financing:

- a) Projects financed/approved for financing from credits in rupee or foreign currency;
- b) Projects assisted from cash foreign exchange;
- c) Projects fully financed from entrepreneurs' own resources.

The detailed information in regard to the projects falling under these three categories is described in the paragraphs that follow:

2.2.1 PROJECTS FINANCED/APPROVED FOR FINANCING
FROM CREDITS IN LOCAL OR FOREIGN CURRENCY:

The Corporation under its Charter is responsible to provide guarantee to the Banks for sharing bad-debts in the field of credit extension. For this purpose the Corporation has entered into an agreement with the IDBP for providing long term loans both in local and foreign currencies. The risk of bad debts is shared in the ratio of 75:25 between the WPSIC and IDBP. In accordance with this agreement, the Corporation has taken on itself the responsibility of preparing economic and technical feasibility reports on projects received for assistance. The IDBP has on the other hand, assumed the responsibility of investigating and determining the credit-worthiness of the parties to be financed and finalize the security arrangements for the loans to be granted. The Corporation has so far sanctioned 250 projects for providing to them guarantee for credit assistance in local and foreign currencies amounting to Rs.43.50 lacs and 382.70 lacs respectively.

2.2.2. PROJECTS ASSISTED FROM CASH FOREIGN EXCHANGE.

It is very rarely that cash foreign exchange becomes available for the establishment of small industrial units. So far only 14 units involving foreign exchange amounting to Rs.23.70 lacs have been established on the estates.

2.2.3. PROJECTS FULLY FINANCED FROM ENTREPRENEURS' OWN RESOURCES.

Sometimes it happens that an entrepreneur does not require any financial assistance and establishes the factory based on locally made machinery and equipment from his own resources. The Corporation encourages such entrepreneurs and extends all possible facilities at its disposal. Uptil-now 51 units have been sanctioned which have been fully finance from entrepreneurs' own resources.

2.3. IMPACT OF COLONIZATION.

On the 315 industrial units already established or in the process of being established on the nine Small Industries Estates, an investment to the tune of Rs.1,085.78 lacs is likely to be made. These factories together will have capacity to produce goods of the value of Rs.2,040.56 lacs per annum on single shift basis (8 hours) and provide job opportunities to 9,199 workers. This shows that the Estate Development Programme has already started yielding results. The impact of the programme on the economic development of Pakistan will be considerable when all the estates are fully colonized. On the basis of the experience gained, it is estimated that eventually about 1,400 factories will be established on all the nine estates with a capital investment of Rs.4,800.00 lacs approximately. These factories will have capacity to produce goods of the value of about Rs.12,000.00 lacs and will offer job opportunities to more than 48,000 workers.

2.4 DIFFICULTIES.

The colonization of the estates is possible subject to the availability of adequate resources in foreign exchange. The balance of payments position does not permit the availability of foreign exchange from Government's own cash foreign exchange resources. The other sources of finance being, foreign investments, suppliers' credits, Bonus Vouchers and credits received from the aid-giving agencies and countries. In the Small Industries Sector, it is difficult to attract foreign investment or to make use of suppliers' credits. The import of machinery and equipment on bonus vouchers also makes the cost of the small industrial units heavy and the projects over-capitalized. The only source available to the small entrepreneur is and continues to be that of credits received from aid-giving agencies and countries. The credits popular with the Small Industries Sector are those received from the international agencies. The main reason being that to such a credit conditions are not tagged and a loanee is permitted to import machinery from any member country of the World Bank. But the availability of such credits is extremely inadequate. As already explained IFC Credit amounting to \$ 6.5 millions became available for the colonization of only two out of nine Small Industries Estates in West Pakistan. This has already been fully utilized. Subsequently another request has been made for the consideration of IBRD for a credit of \$ 5.00 millions. But so far, the request has not materialized. Credits from countries like UK, Japan & Germany are also popular with the small Industrialists but these are also in short supply. As regards credits from other countries like Poland, France,

Yugoslavia, Bulgaria, etc., the main difficulty in their utilization is that information in regard to the type of machinery available in these countries and other technical information is not made available to the small entrepreneur. In order to cite an example it may be pointed out that in the year 1967, a Polish Credit amounting to \$0.90 millions was allocated for the colonization of Small Industries Estate at Lahore. In spite of the fact that the Polish Experts visited this Estate, discussed with all concerned, noted down the requirements of the units to be settled in the said estate but they failed to provide proforma invoices for the machinery and equipment to be imported from Poland. The consecutive approaches made in this behalf through their Embassy, Commercial Counsellor and authorized machinery agents also did not prove fruitful. As a consequence to it, the Corporation had to surrender the aforesaid allocation.

3. COMMON SERVICE FACILITIES.

The success of the Estate Development Programme mostly depends upon the availability of common facilities service to the private enterprises. Generally these services include advisory service, training service, technical and economic research service, laboratory service, production service etc.

3.1 ADVISORY SERVICE.

This is the most important service required by the private enterprises concerning the problems relating to the formulation of projects, selection of machinery and production processes, preparation of lay-out plans, production planning and control, personnel management, costing, purchase of raw

materials, marketing etc. Architectural and constructional services are also in great demand in the industrial estates.

3.2 TRAINING SERVICE.

In the Small Industries Estates, a need has been felt to organize and run short-term training courses for the benefit of managers as well as supervisors so as to train them in techniques of better supervision of personnel management. Training service is also required to up-grade the skills of existing workers so as to enable them to discharge their duties more efficiently.

3.3 RESEARCH SERVICE.

In a developing country, it is always necessary to explore new or substitute raw materials so as to replace the imported ones. This is done with a view to save the foreign exchange as well as for the better utilization of the local raw materials. Design development service is also an important service which requires continuous research. For introducing a new product it has been found very useful to have the initial development of the product and prototype carried out in a service centre. The prototype with its manufacturing processes could then be passed on the small industrial units for commercial production.

3.4 ECONOMIC RESEARCH.

This is a field in which the private sector needs the help of Government to carry out investigations regarding market research, cost studies, productivity studies, preparation of project reports etc. Such a data can also be used by the Governments in formulating their policies and programmes of

industrial development.

3.5 LABORATORY SERVICE

A fully equipped laboratory proves an asset in an industrial estate for ensuring quality production at lower costs. In the absence of a laboratory an industrial unit is generally handicapped as he has no essential knowledge about the composition and quality of raw material received by him. Although he realises the importance and necessity of a laboratory, but due to financial difficulties, it is generally not possible for him to have a laboratory in his unit.

3.6 PRODUCTION & COMMON FACILITIES SERVICE

There are a number of processes in an industrial undertaking which require elaborate experience and higher technical skills to operate them. Some of the processes in this category are welding, heat-treatment, electroplating, forging, die casting etc. These are not always within the reach of small industrial units and, therefore, can be undertaken by the service and common facilities centres for the benefit of small enterprises in the estates.

3.7 SERVICE ORGANISED BY WPSIC

In order to provide technical support to the Estate Development Programme and provide the above mentioned facilities, an institutional structure has been planned and brought into existence

in West Pakistan. To help and assist the new-comers-in-industry in the formulation of projects, selection of machinery and production processes, installation of plants, management of factories etc. a Small Industries Advisory Service has been established at Lahore with its extensions at Peshawar & Sukkur. The advisory service is also responsible to support the appraisal staff posted on the estates in the performance of their task by providing to them technical, economic and market data on the projects being appraised by them. The Advisory Service also provides architectural advisory service to ensure that factory buildings on the estates are designed and constructed to meet all newly coming up factories in accordance with the "Building By-law" formulated and issued by the Corporation, for the construction of buildings on the estates.

In the estate at Gujrat, an Institute of Ceramics and Common Facilities Centre for Potters has been established which provides prepared bodies and glazes to the pottery units coming up in that estate. The centre also provides training, research & advisory services to the Pottery industry.

A Sports Goods Industries Service Centre has been established in the Small Industries Estate at Sialkot, which is responsible for the modernisation of sports goods industry and to achieve that objective it provides training, research and advisory services. In addition to this, the centre also renders common facilities like wood seasoning,

tools sharpening, football spherifying, leather shaving, etc.

In order to cater the requirements of Rubber and Plastic Industries, a special cell has been added to this Centre.

To lend support to the surgical instruments manufacturing industry, of Sialkot, a metal industries development centre is functioning in that city. The centre provides production services consisting of heat-treatment, electroplating, electric etching, engraving, machining, etc. as well as technical assistance to the metal industries particularly the surgical instruments manufacturing industry. An Electrical Appliances Cell has also been added to this Centre for the development of electrical appliances industry.

A Service Centre has been established at Nizamabad to serve the cutlery & small tools industries. This centre is engaged in providing tools designing, training, and advisory services to the cutlery and small tools industries.

A Light Engineering Service Centre has been established in the Small Industries Estate, Gujranwala, which produces tools, dies, jigs, and fixtures for the light engineering industry and also prepares moulds for the plastic and rubber industries. The centre also assists the industries in machining, and product designing as well as provides facilities of training to produce machine operators. A similar centre

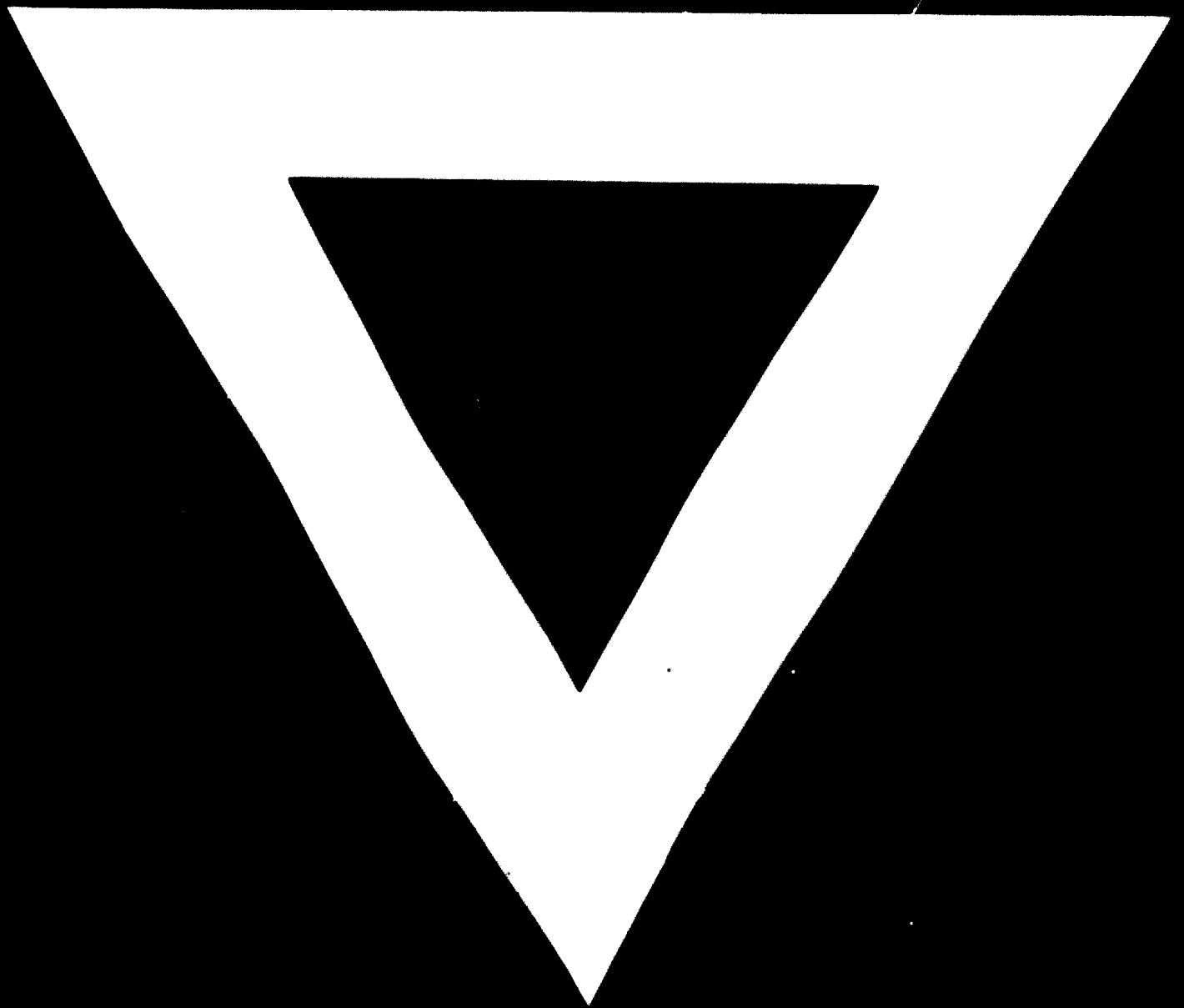
has also been established at Karachi to render services to the industries located there. Another light Engineering Service Centre has been planned for the establishment in Small Industries Estate at Sukkur.

In the Small Industries Estate at Leshawar, a wood-working service centre is being established with the assistance of Government of Federal Republic of Germany to provide design development, demonstration, training and production services to the private enterprise located in and around Leshawar. There is a proposal to establish a Metal Industries Development Centre in the same estate to render the services to the light engineering industries established there.

Two textile industries service centres have been established at Multan and Karachi to provide common facilities to the textile industry. Similarly leather centres have been established at Gujranwala and Hyderabad for the development of leather industry.

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