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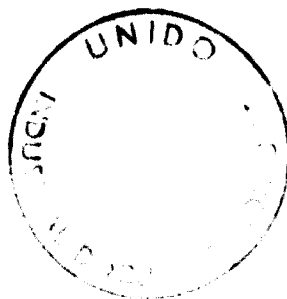
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**REPORT ON EXPLORATORY MISSION TO  
PAKISTAN**

by

**K.W. Stang  
Interregional Adviser**

**(1 - 5 March 1973)**



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Ministry of Industry - Dept. of Investment Promotion and Supplies,  
Karachi

On 1 March 1973, I participated in a meeting which was called by Mr. A. Sattar, Additional Director. Other participants were: the Directors of the Technological Divisions of the Department; Mr. Aliur Rahman, Deputy Assistant Director, Mr. S.A. Mirza, Director; Mr. K.M. Nagra, Chief of Engineering Department, Industrial Development Bank of Pakistan and Mr. K. Khan, General Manager, Electric Lamp Manufacturers of Pakistan Ltd.

On 2 March, I called on Mr. A.R. Khan, Deputy Director General, Department of Investment Promotion and Supplies.

I familiarized the participants in the Meeting with our Programme of Services to Institutions concerned with Industrial Development and Investment Promotion on Investment Promotion and Follow-up. Mr. Sattar intimated that the services of an investment promotion mission to Pakistan would be considered useful. Their request to UNIDO will be considered.

I advised them unofficially of our intention to organize a Third Asian Investment Promotion Meeting to be held at the end of November in Kuala Lumpur. The Dept. of Investment Promotion and Supplies will co-ordinate the preparatory activities for Pakistan. Pakistan will be glad to participate, particularly as the political aspects are much more favourable than at the time of the Singapore Investment Promotion Meeting.

Follow-up of projects presented at the Singapore Meeting: during the get-together we reviewed in detail the projects from Pakistan presented in Singapore. As a general observation, it should be stated that most of the projects have not been implemented as yet and

are still interested in having UNIDO's promotional assistance. This is primarily due to the political conflict at the time of the Singapore Meeting and its consequences.

We can eliminate from the list all projects which have their origin in Bangladesh (PAK - 04, 05, 12, 21, 22, 28, 24, 27, 26).

- |        |   |  |
|--------|---|--|
| PAK-01 | Starch from Maize                               | This is an on-going project, yet it has not been implemented. Our further assistance is appreciated. Capital and financing appears to be the main requirement of foreign assistance.   |
| PAK-02 | Tin Plates and Cold-Rolled Sheets               | No progress as yet. Still interested in implementation.  |
| PAK-06 | Soda Ash and Caustic Soda                       | This is an important export project. The Government is very much interested in having this project implemented. UNIDO's assistance is still required and requested.  |
| PAK-07 | Nitro-Phosphate and Ammonium Nitrate Fertiliser | This project has not been implemented as yet. It is considered as an important one by the Government and there is considerable interest in UNIDO's continued investment promotional assistance. The production of this project is primarily for local consumption. |

- 2 -
- PAK-08/32**      **Spinning Frames**      Two projects of the same kind. The proponent and the Government are still much interested in the implementation of manufacturing facilities for spinning frames which are an important basis for the Pakistani cotton industry. The PIDC is prepared to set them up. UNIDO's assistance may be required. The decision as to further procedure in the implementation will be made in about one month. Financial assistance may be required.
- PAK-09**      **Steel Alloys**      Several manufacturing units will have to be established. A study is now being undertaken. Project should be kept pending but considered on-going.
- PAK-10**      **Gear Gums**      This project requires further development. There is an interest in UNIDO's continued promotion. In addition to the originally required equity, capital contribution and supplier's credit, it appears that technical know-how will now be needed.
- PAK-11**      **Aluminium Industry**      This is still an on-going project and there exists an interest in its implementation.
- PAK-13**      **Essential Vegetable Oil, Essences and Flavouring Extracts**      The sponsor of this project which had its origin at the Development Institute, Karachi, is now Atlas Industries Limited. It is an important export-oriented project.

It is supported by the Government and there exists still strong interest in its implementation.

- |                |                                     |   |
|----------------|-------------------------------------|---|
| PAK-14         | Sealed Beams and Bulbs for Vehicles | The project concerns the expansion of an existing manufacturing unit for automotive parts. Machinery and testing equipment is required. The Managing Director of the proponent company attended the Meeting. He will complete our Project Questionnaire for this expansion project and submit it to us with detailed information to Vienna. |
| PAK-19         | Cotton Terry Products               | Project not implemented yet. Still interested in promotion. Supported by Government.  |
| PAK-20         | Tyres and Tubes                     | Should be a second plant in Pakistan. There is still considerable interest in the implementation of this project.   |
| PAK-25         | Tanneries                           | Two UNIDO experts have been here to study this project. Their reports should be available now, but have not been received by the Dept. of Investment Promotion. There is a high priority for the implementation of this project.  |
| PAK-15, 17, 18 | Cotton Mills                        | These cotton mill projects include all the expansion of existing ones. They are supported by the Government.  |



PAK-34	Manufacture of Aerated and Pre-fabricated Concrete Building Material	There is still an interest in the implementation. It is considered as a good project because of the increasing use of pre-fabricated building material.
PAK-29/28	Special Steel Wire and Steel Strip Wire	There is no information available. Both products are required domestically. They have recently applied for UNIDO assistance through the Lahore Chamber of Commerce.
PAK-30	De-acetate Fibre	No information available
PAK-33	Self-adhesive Tapes and Sheets	This project has not been implemented. Export marketing know-how is required. Still interested in implementation and UNIDO's promotional assistance.
PAK-34	Embroidery Lace	This is a cotton fabric with high value added. Therefore, it is important that its implementation should be promoted.

Pakistan Industrial Credit and Investment Corporation, Karachi

On 2 March 1973, I visited Mr. Iqbaluddin Ahmed, President of the Bank. Mr. Ahmed is at the same time Chairman of the Board of the Industrial Development Bank of Pakistan. I briefed him about our programme of services concerning Investment Promotion and follow-up in which he showed an interest. I also advised him about the forthcoming Kuala Lumpur Meeting. PICIC has contributed a number of projects to the Singapore Meeting. Mr. Ahmed confirmed his Bank's interest and willingness to co-operate in a similar manner this time and looks forward to receiving our staff/expert mission in May or June.

I informed Mr. Ahmed about our Advisory and Training Programme for Development Banks. He thought that PICIC would primarily be

interested in participating in the advisory part of it. PICIC's officers have been active in the past in instructing banking officials of other countries in development banking techniques.

IDBP however would be strongly in need of the training services and he showed on behalf of both institutions a strong interest to participate in it. They are looking forward to benefitting from their participation in our Scheme of Exchange of Information.

#### Investment Advisory Centre of Pakistan - IACP

On 2 March 1973, I visited Mr. A.W. Ali, Mr. Roza H. Siad, General Manager and Project Director was not in Karachi.

This is an industrial and economic research institution. Established 1964 with the aid of the Pakistan Government and US:AID. They prepare feasibility studies and reports, both for industrial sectors as well as project-oriented. They have already prepared for UNIDO two feasibility studies. The organization is ready to make feasibility studies on projects to be submitted to UNIDO for presentation at the Kuala Lumpur Meeting, as well as for such projects to be promoted under our Portfolio Programme. They work on a non-profit basis but charge a fee to the Organization giving them the order for the study.

Mr. Ali mentioned that last year they requested experts from UNIDO in the line of industrial economics and management or systems. Nothing has been heard so far from UNIDO.

#### Department of Industries and Mineral Resources, Government of Punjab, Lahore

A Meeting was scheduled with Mr. Shamim Arif, Economic Adviser, on 3 March 1973. Due to a holiday in Lahore for Government Officials, which was announced only the day before, and, furthermore, because Mr. Shamim Arif had unexpectedly left for Islamabad from where he returned only in the afternoon of 3 March 1973, the Meeting had to be cancelled.

Federation of Pakistan Chambers of Commerce and Industry, Karachi

On 2 March, I called on the Chamber where a meeting had been organized under the participation of member companies and their representatives. I met with the Chamber's President, Mr. Chaudhry Nazar Mohammad, Mr. Tufail Ahmad Khan, Secretary-General, and Dr. Naseem Ahmad Allawala, Director, Development Institute of Pakistan. (Dr. Allawala is well-known to UNIDO. He has been in Vienna several times). Furthermore, present was the President of the Foreign Investors Association in Pakistan.

I informed the Chamber members of our Investment Promotion activities and the forthcoming Kuala Lumpur Meeting. Discussion of the question whether there are any shortcomings of a general nature in the industrial projects from Pakistan. President Chaudhry Nazar Mohammad suggested that it would be helpful to have a UNIDO expert for the investigation of the general investment climate on a national level in Pakistan. He will write to the Government to request such expert assistance.

Discussion of UNIDO's sub-contracting services. According to the Chamber officials, there has been no progress since the first information between UNIDO and Pakistan has been exchanged on this service about two years ago. Considerable interest exists in our service.

I was informed that about 80% of Pakistan's industrial activities are in the agricultural sector. Therefore, the expectation is that, contrary to previous investment promotion meetings, the majority of the projects for Kuala Lumpur will originate from the agr-based sector.

Discussion of the question which projects are promoted by FAO and which by UNIDO. The electronic industry will undoubtedly achieve a more important character in the future.

I was advised that the Federation had submitted a brief note to the press with the announcement that there will be a UNIDO sponsored Investment Promotion Meeting in Kuala Lumpur.

President Chaudhry Nazar Mohammad said that the investment climate had considerably improved in Pakistan and 139 applications for setting up new industries were now pending, with financing institutions for sanction. He recalled that there was no investment activity during 1970, 1971 and 1972. But now, the private investors were coming forward both for modernization as well as for making new investment. According to the President, 65 applications were pending with PICIC, 44 with IDBP and 30 with ICP for approval.

He added that unfortunately Government funds were limited. He was confident that the Government would find the necessary foreign exchange to finance the new projects.

As one of his suggestions to further improve the investment climate, he proposed that the day to day threat about confiscation of private property discourages investors and should be stopped. Furthermore, he proposed that the Government should provide accelerated depreciation allowance and the period should be reduced to three years. The Government should increase the productivity through fiscal measures. Tax relief should be given to those industries which produce more. Businessmen in Pakistan are aware that the productivity must increase and that it is the only way to fight inflation and the present trend in prices. The productivity is low, not only in the industrial sector but also in agriculture. According to the President, in some cases, Pakistan industries produce less than one-third of the industrial international standard.

He suggested strongly that Pakistan should enter into sub-contracting arrangements for the manufacturing of components of machinery for companies in developed countries. This successful activity would be favoured by the cheap labour in this country.

With respect to Steel Mills, President Nazar Mohammad suggested that many steel mills and fertilizer plants of 50,000 tons to 100,000 tons capacity should be set up instead of large plants for which Pakistan does not have the own resources.

He said he was not opposed to setting up a committee, but his concern was the delay in the implementation of the set up. It has taken a Russian group two years to prepare a final report which is now being scrutinized by French experts. He recommended to the Government that necessary measures should be taken to ensure that instead of exporting raw cotton, Pakistan should export finished cloth. Thereby the value added will be higher.

### Lahore Chamber of Commerce and Industry

On 3 March 1973, a Meeting was held at the offices of the Chamber. The President of the Chamber, Mr. M. T. Hussain, acted as Chairman. Participants were delegates of member companies from the Province of Punjab.

The President gave an outline of the importance of Lahore as an industrial centre and activities in the Province of Punjab. Main industries are cotton and mining. The President emphasized that the Government encourages and welcomes foreign private investment in Pakistan and that it has provided a number of incentives to foreign investors for investment in this country. Some of the points which are important for foreign investors are the following:

#### 1. Current Production

The latest production figures indicate that confidence in the industrial sector is being restored and the overall situation in the manufacturing sector has improved. The index of industrial manufacturing has increased to 153 during January/March 1973 from 148 during July/September 1971.

#### 2. Financial Institutions

Credit facilities for the industrial sector in Pakistan are inadequate, keeping in view the requirements of a broad-based industrial sector and planned industrial growth in the country. Government-sponsored institutions like PICIC and IDBP are the only sources of long-term credit for the private sector. It is necessary that facilities of private commercial banks will be developed.

3. Lack of Training Facilities

Pakistan has an abundant supply of hard-working manpower with low skill-levels. However, training facilities for increasing the technical know-how of workers are still lacking and should be created. There is a strong demand for vocational training facilities.

4. Turn-key Projects

Turn-key projects may be established to attract people of small means and with less resources to the industrial field.

5. Transformation of the Economy

There is a significant trend in the rural area to develop industrial activities. The Province of Punjab is, according to the Chamber President, considered to be absolutely under-developed. A block of industries should be installed. Industrial estates would be helpful. UNIDO's assistance would be very helpful in supplying information on industrial estates. It would be welcome to have UNIDO studies and expert reports on industrial estates in developing countries. This request should be followed up.

6. Generation of Money

Generation of money is sufficient in this area as the yield from cash crops is quite substantial. It would be useful to tap this potential for developing financial resources for the country.

7. Infra-structural Problems

The inadequacy of the existing infra-structure, particularly power and communications has retarded the growth of industries in the country.

8. Industrial Priorities

In the interest of meeting the growing needs of the country, the following industries should be established with priority:

- A. Steel Mills
- B. Newsprint Plant
- C. Sugar Mills
- D. Textile Mills (Cotton)
- E. Leather Factories
- F. Basic Chemical Plants
- G. An Atomic Power Reactor

9. Increase in Project Cost

For the large-scale manufacturing sector, the cost of imported raw materials, spare parts and machinery has risen fantastically as a result of the rupee devaluation in May 1973. This has adversely affected the private investment. The rupee devaluation has also unfavourably influenced those industrial projects whose foreign exchange loans were outstanding with PICIC and IDBP. They have now additional amortization burdens.

10. Feasibility and Profitability Studies

To improve the investment climate, PICIC should prepare studies to determine the feasibility and profitability of industrial projects. It should assure investors that there is still a great chance of establishing profitable projects. In certain quarters, there is an apprehension that an investment of 12,500 spindlers is not a viable proposition.

I outlined to the participants in the Meeting the UNIDO Programme of Services concerning investment promotion and follow-up. Furthermore, I advised them about the forthcoming Meeting to promote Industrial Projects from Asian regions in Kuala Lumpur. Obviously, there is considerable interest in the Province of Punjab to submit projects to the Meeting as well as for promotion through UNIDO's Investment Promotion Portfolio Programme.

Individual discussion with the participants in the Meeting followed on their projects.

Pioneer Steel Mills

The company makes steel pipes for water and gas. It has surplus capacities for manufacture. Interested in sub-contracting. Steel mills in industrialized countries should supply them with steel strips. They manufacture for export. Our Section concerned with sub-contracting services may wish to get in touch with the company to obtain further details on their facilities. Name and address as well as brief description will be submitted separately.

### Pakistan Cycle Industrial Corporation, Karachi, Ltd.

The company is also interested in sub-contracting. They require practically all raw materials in the form of an own Pakistani steel production. With this company too, our Export Industries Section should get in touch.

### Industrial Estates

It was mentioned in my above on the President's remark that there is a considerable need to establish industrial estates and export processing zones in different parts of the province. UNIDO's help would be welcome to aid in the establishment.

### Manufacture of Electrical Equipment

The company manufactures transfer rolls, switch gears, electrical motors, it assembles components. Interested in joint venture or licensing arrangements. I gave the representative a questionnaire with a suggestion to fill it in and submit it to IFIP Section of UNIDO.

### The Jaipur Foundry Owners' Trade Co-Op

Mr. C.H. Mustafa, President, pointed out that the group includes 80 members domiciled in the Jaipur centre of foundries. They manufacture cylindrical castings, pipes, fittings, machinery castings. This group, too, has surplus capacities and would be interested in sub-contracting orders. It is suggested that our sub-contracting service gets in touch with them to obtain further detailed information.

During the meeting, it was mentioned by a representative of the Chamber that they would be interested to learn from UNIDO about such cases of successful implementation of industrial projects in Pakistan with UNIDO's assistance. This would be of great help and stimulus to other proponents and sponsors of new projects who apply for UNIDO's investment promotional assistance.

As a summary remark, it should be noted that the Province of Punjab appears to be generally interested and deserving of investment promotional assistance. It will be important that the UNIDO staff/ expert to identify projects in spring 1971 should spend a few days in



in the Lahore region.

Ministry of Industries (Central Government)

On 5 March 1973, I called on Mr. V. B. Bakhshi, Deputy Secretary. I informed him about the terms of reference of my mission and advised him about the forthcoming Third Asian Regional Investment Promotion Meeting in Kuala Lumpur.

Detailed and vivid discussion of these subjects. Pakistan has its own investment promotion office in London, which is operated jointly by PICIC and IDPP as well as ICF.

I advised Mr. Bakhshi about the suggestion of the President of the Federation of the Chambers of Commerce and Industries of Pakistan who requests from UNIDO an expert to assist in the evaluation of the investment climate in Pakistan and to make proposals for its improvement. Mr. Bakhshi appeared quite positively to this thought. We discussed different possibilities which should be brought to the attention of investors and financing organizations in industrialized countries for the improving investment climate and the conditions in Pakistan. Mr. Bakhshi mentioned the thought that delegations of industrialists from advanced countries would be welcome to visit Pakistan and asked that UNIDO consider the possibility to assist in the organization of such missions. I promised to report this thought to UNIDO HQ for further consideration.

The Ministry of Industries agrees to the suggestion of the Department of Investment Promotion and Supplies, Karachi, that the latter will coordinate Pakistan's participation in the Kuala Lumpur Meeting and the preparations. Mr. Bakhshi promised to send within two weeks an SSB request through IDPP to UNIDO for the services of a staff member/ expert to assist in the identification of projects and to help in the preparation of Pakistan's participation in the Meeting.

Mr. Bakhshi expressed his interest in continuing the discussion in Vienna where he will be from 19 March 1973 to attend a session on UNIDO operations. He is sending his compliments to Mr. Siddiq.

From the discussion, as well as from the previous ones, it is obvious that Pakistan is in its present situation in particular need of the services as provided for in our programme of services to institutions concerned with investment promotion and industrial development. The participation of the country in the Kuala Lumpur Meeting will hopefully take place under a much more favourable aspect than with the Singapore Meeting.

#### United Nations Development Programme, Islamabad

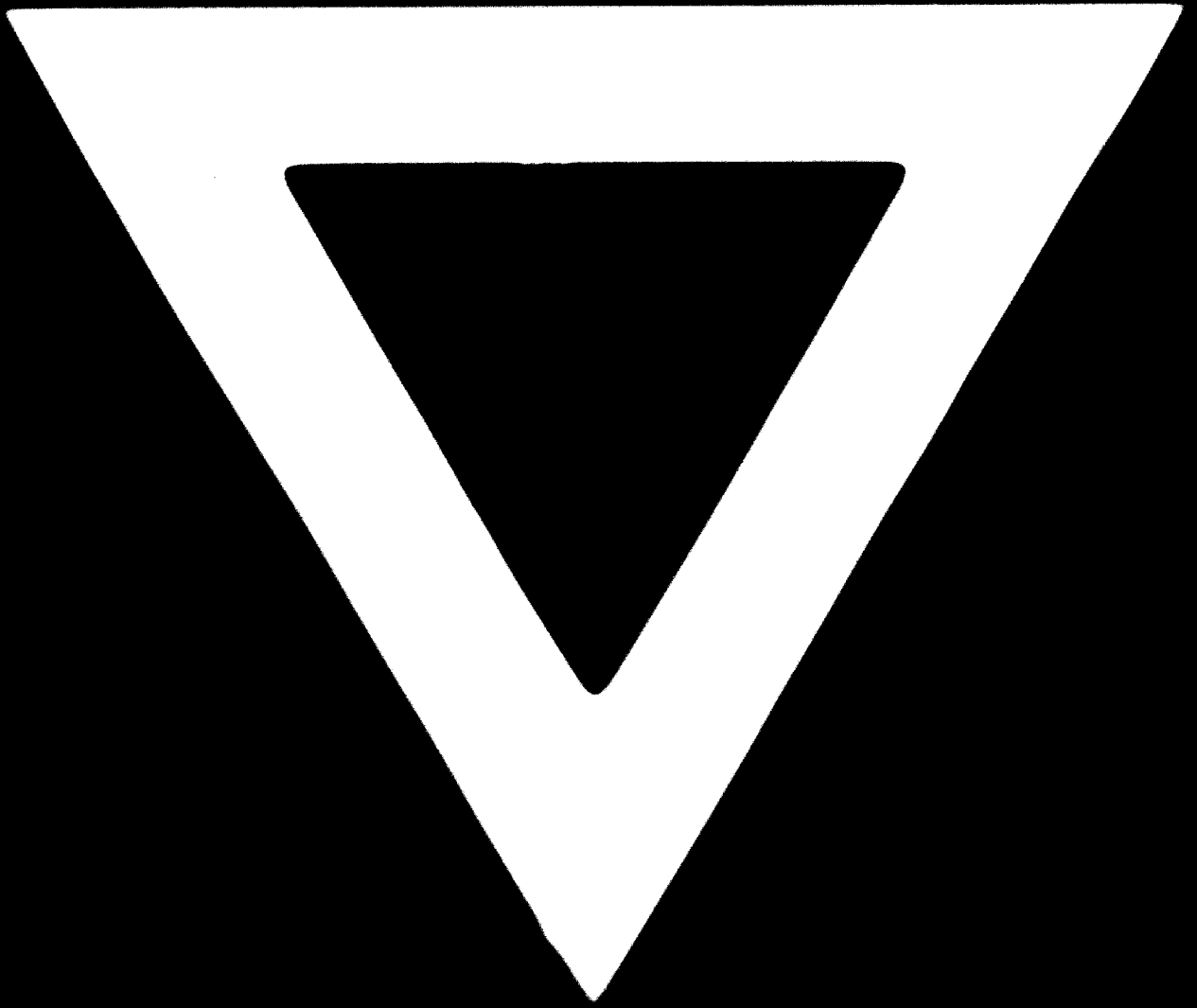
On 5 March 1973, I had a meeting with Mr. G. Van Kester, Deputy Resident Representative, and M.S. Hussain, Programme Officer. The UNDP officials briefed me on the latest developments in Pakistan.

I am taking a Vienna report prepared by UNDP reflecting the present situation and developments of the country during the last year.

I briefed them on the current situation as well as in my meetings in Karachi and Lahore.

The UNDP office has arranged for meetings in Islamabad, also with the Chairman of Commerce and Industries for the Province. For one or the other reason, the meeting could not be held. I advised UNDP about the fact that the only office from the Ministry of Industries as SIB cannot be relied upon for services of UNDP staff member/ expert to assist in the identification of projects for the Kuala Lumpur Meeting.





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