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EVALUATION REPORT ON INDUSTRIAL ESTATES NO. 4
PAKISTAN ^{1/}

by

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SUMMARY

Eleven estates of which two are very small -- in addition to large industrial estates -- were established for small-scale industries during the sixties. With the exception of two estates -- for which foreign exchange loans were provided -- colonization has been slow or even extremely slow.

Rising land costs outside and fixed costs for industrial land inside the estates have recently made the remaining available plots on a few more estates attractive, in regions with substantial industrial activity. However, a number of the small industrial estates, still show very low levels of colonization.

Total employment on the small industrial estates is in the region of 8,000 and the production value of the enterprises located within the estates is estimated to be ^{Rs}/70-100 million¹. Total employment in small industrial sector is approximately 2 million with an estimated production value of 1,500-2,000 million. Consequently, the enterprises on the small industrial estates make up only a minor part of the small scale industrial sector. This is also true for the region where the two successful estates are located.

The Gujranwala estate with 116 units in production in December 1975 -- mostly in light engineering -- has the largest number of units in production. But the Gujranwala ^{region} has according to the estate manager approximately 5,000 small scale industries of which roughly 800 are in the light engineering

¹ 1 US\$ = Rs. 9.70

category. However, the units on the industrial estates constitute more efficient and modern enterprises than the small scale sector as a whole.

Even those estates which show high rates of colonization have a much smaller number of units in production than the official registers show because many enterprises have temporarily or permanently ceased operation.

It is hardly possible to recover the development costs because the slow rate of colonization has added very substantial capital costs to the original costs. In addition, many enterprises are in arrears in paying their plot costs because of their weak financial position. Furthermore, the foreign exchange loans are hardly being recovered, a situation which worsened through the devaluation in 1972. On several estates a substantial number of the allottees have refused to pay the maintenance charges.

Finally, the estates have not only absorbed financial resources but also planning resources which are not commensurate with their role in small scale industrial development in Pakistan.

Against this background it is surprising to find that all four provinces are in the process of formulating and implementing programs for a substantial number of new industrial estates. However, the renewed interest in industrial estates should be seen as a consequence of an increasing emphasis of regional and rural development. Reflecting central government policy statements most new estates will be located in relatively

small district headquarters. The development approach varies from province to province, partly due to economic and demographic factors, partly due to different interpretations of central government policy with regard to regional development. The new estates are generally smaller than the earlier ones and phased development is often considered in order to reduce capital costs on the development expenditure.

SMALL SCALE INDUSTRY IN GENERAL

Pakistan has in the past mainly concentrated her industrial development efforts on medium and large enterprises, and a consistent and long-term policy for the development of small-scale and rural industry has not been formulated. Aside from the development of industrial estates since the early sixties, the small-scale and rural industry appears to have been neglected. Even statistical information has not been systematically collected.¹

However, informal and small-scale manufacturing employ about 1.2 million people in rural areas of Pakistan and another 0.8 million in urban areas, or nearly 11 percent of the labour force and over 85 percent of total employment in manufacturing. See table 1 below. Obviously, the way in which, and speed with which, this sector responds to market opportunities and change will have important consequences for Pakistan's development pattern, employment level and regional and personal income distribution as well as total output.

¹In 1967 the Small Industries Survey Organization (Planning, Survey and Evaluation Wing) of West Pakistan Small Industries Corporation prepared Basic Statistics on Small and Household Manufacturing Establishment (Urban Areas of West Pakistan). Since then only Punjab Small Industries Corporation has carried out a survey of small and household manufacturing establishments -- 1975. This is a comprehensive survey and the results are expected to be ready by midyear 1976. This survey, too, unfortunately excludes rural areas.

Table 1.

Rural/Urban Distribution of Labor Force in Pakistan 1971/72.

| | Total | | Rural areas | | Urban areas | |
|-------------------|----------|-------|-------------|-------|-------------|-------|
| | millions | share | millions | share | millions | share |
| Total labor force | 18.4 | | 14.3 | | 4.1 | |
| in manufacturing | 2.3 | 12.5% | 1.2 | 9% | 1.1 | 26% |
| of which | | | | | | |
| large-scale | 0.3 | 13% | - | - | 0.3 | 27% |
| small-scale | 2.0 | 87% | 1.2 | 90% | 0.8 | 73% |

Sources: Census of Manufacturing Industries 1969/70 and Labor Force Survey 1971/72. It has been assumed that almost all large-scale industry is located in or near towns or cities.

For planning and the provision of credit and advisory services the authorities have defined small industries¹ on the basis of the value of fixed assets through setting an upper limit. This limit has been revised upwards periodically. In the

¹Small-scale industry is a generic term covering all manufacturing activities carried out in small organizational units. Any demarcation line between a small enterprise and a medium- or large-scale enterprise must necessarily be arbitrary, as smallness is a relative term. The scale of an enterprise may be measured by the level of (1) employment, (2) output, or (3) investment. Further distinctions can be made by (4) type of power used and (5) degree of specialization in management. The first, third and fourth dimensions are found in definitions used in Pakistan. The Census of Manufacturing Industry (CMI) covers all manufacturing establishments registered under sections 2(j) and 5(1) of the Factories Act, 1934. Section 2(j) refers to factories employing 10 or more workers using power and section (5)1 to factories employing 20 or more workers with or without the use of power.

For the purpose of National Accounts, the Central Statistical Office and subsequently the Statistical Division of the Ministry of Finance, Planning and Development have classified all registered factories (i.e., with 10 or more workers) as large-scale industry and all unregistered establishments with less than 10 workers as small-scale industry. For most purposes a more restricted definition, i.e. manufacturing activities carried out in establishments employing between 1 and 99 workers appears to be more meaningful. Using the number of workers rather than the level of investment as the unit of measurement is more convenient, as statistical data on capital stock are rare, less reliable and subject to greater conceptual problems.

Second Five-Year Plan for Small Industries 1960/65 the level of fixed assets was set at not more than Rs. 100,000. In 1965 the West Pakistan Small Industries Corporation (WPSIC) raised it to Rs. 500,000 exclusively of the cost of land, and in 1970 to Rs. 1 million. After the dissolution of WPSIC, the provincial authorities established their own criteria. In the Punjab and Sind, the current limit is Rs. 2 million exclusively land, with talk of extending it to Rs. 3 million. In North West Frontier Province it is already at this level -- including land.

Official estimates indicate that small-scale industry's contribution to GDP fell from 5.0% in 1960/61 to 3.2% in 1973/74. But there is evidence that these estimates are unduly conservative. The true value of net output by the sector may be as high as Rs. 4 billion, i.e. 8% of GDP. See table 2 below.

Table 2.

Small-Scale Manufacturing Industry's Contribution to GDP

(at current factor cost)

Rs. millions

| | 1960/61 | 1965/66 | 1970/71 | 1971/72 | 1972/73 | 1973/74 |
|---|---------|---------|---------|---------|---------|---------|
| GDP | 17,411 | 26,605 | 45,547 | 48,833 | 60,429 | 77,381 |
| Manufacturing | 2,258 | 4,281 | 7,450 | 7,557 | 9,345 | 11,501 |
| Small-Scale | 875 | 1,130 | 1,628 | 1,780 | 2,064 | 1,463 |
| Small-Scale share of total manufacturing output (%) | 38.8 | 26.4 | 21.6 | 23.6 | 22.1 | 21.4 |
| Small-Scale share of GDP (%) | 5.0 | 4.2 | 3.6 | 3.6 | 3.4 | 3.2 |

Source: Statistical Division, Ministry of Finance, Planning & Development

Manufacturing absorbed 20 percent of total fixed capital formation in 1972/73 compared with a 15.3 percent share of GDP. The investment trend in small-scale industry is officially estimated to have run counter to its share of output. The sector's proportion of industrial investment increased from 10.7 percent in 1965/66 to 16.5 percent in 1972/73 and is estimated to have gone on increasing. See table 3 below. Its share of industrial output was reported to have declined from about 26.4 percent to 22.1 percent. However, the statistical base for these calculations is not very reliable.

Table 3.

Industrial Investment in Pakistan (million Rs.)

| | 1965/66 | 1970/71 | 1971/72 | 1972/73 | 1973/74 |
|--|---------|---------|---------|---------|---------|
| Total Industrial Investment | 1,364 | 1,520 | 1,349 | 1,550 | |
| Large-scale Industry Investment | 1,218 | 1,318 | 1,120 | 1,294 | |
| - private | n.a. | 1,250 | 1,032 | 489 | |
| Small-scale Industry Investment | 146 | 202 | 219 | 256 | 400 |
| Small-scale Investment as a % of total | 10.7 | 13.3 | 16.2 | 16.5 | |

Sources: Statistical Division, Ministry of Finance, Planning and Development.

Pakistan Yearbook 1975.

Due to socio-political changes and reforms of the overall economic system, the private industrial investment has remained at a low and even declining level for a number of years.

The decline in private investment has been compensated for -- at least in current terms if not in real terms -- public investment on a considerable scale. As a consequence private investment in small-scale industry is approaching equality with private investment in large-scale industry.

The smallest manufacturing establishments tend to have strong backward linkages to domestic agriculture and are least dependent upon imports of raw materials and equipment. Small-scale industry's exports are also substantial, with high rates of growth in carpets, surgical instruments and sporting goods. Total exports by Pakistan reached 10.16 billion in 1973/74 of which Rs. 3.86 billion are manufactured products. No precise breakdown of the contribution by small-scale industry is available but handicrafts, woolen carpets, leather products, footwear, surgical instruments and clothing which make up almost 30 percent of manufactured ^{export} products are made primarily in small firms.

Available information indicates that small-scale industry makes good use of its scarce capital resources. Capital productivity is generally higher than in large firms. But much lower levels of capital per worker bring down labor productivity in small-firms. However, much less capital is needed to create jobs in small industry than in large. The incremental investment for each additional work-place created over the past decade has been Rs. 3,000 in small-scale industry and Rs. 80,000 in large. Data on depreciated capital stock show that fixed assets of Rs. 100,000 provided jobs for 226 persons in household units compared with only 7 in manufacturing enterprises with more than 230 workers.

INDUSTRIAL ESTATES - BACKGROUND

In 1961-62 the then West Pakistan Small Industries Corporation decided to set up 8 small industries estates at Gujranwala, Sialkot, Gujrat, Bahawalpur, Sukkur, Larkana, Peshawar and Quetta in addition to³ small-industrial estate^{YR} (Lahore¹) at a total cost of Rs 25.28 million. The approved costs, size, number of plots and date approval are given for the nine industrial estates in Table 4 below. A small industrial estate providing artisan workshops had already been set up in Karachi²). Later on another small industrial estate has been established in Lahore and is under the responsibility of Housing and Physical Planning Department, Government of Punjab. These estates catered for the requirements of the small industries sector (units now costing up to Rs 2 million excluding land). The colonisation rate of all these estates, except the Gujranwala estate and to some extent the Sialkot estate, has not been satisfactory. The main reason for the favourable development of the Gujranwala and the Sialkot estates has basically been the earmarking of available IDA loans to finance units set up on these estates.

-
- 1) The Lahore industrial estate was very small and conceived as an integrated project to manufacture sewing machines - with one relatively big assembly plant and a substantial number of smaller enterprises making the various parts and components.
 - 2) The Karachi industrial estate was also very small and provided only a limited number of complete workshops.

Table 4.

Small industrial estates in Pakistan

| Location of the estate | Approved cost in million Rs | Size of the estate in acres | Number of plots available | Approved |
|------------------------|-----------------------------|-----------------------------|---------------------------|--------------|
| Gujranwala, Punjab | 4.97 | 103.50 | 305 | April 1964 |
| Sialkot, Punjab | 4.95 | 98.80 | 330 | April 1964 |
| Gujrat, Punjab | 2.46 | 70.50 | 398 | January 1962 |
| Bahawalpur, Punjab | 2.35 | 51.00 | 197 | January 1962 |
| Lahore, Punjab | 0.42 | 9.75 | 33 | April 1961 |
| Sukkur, Sind | 2.92 | 110.50 | 301 | July 1964 |
| Larkana, Sind | 2.61 | 59.90 | 313 | July 1964 |
| Peshawar, NWFP | 2.40 | 54.41 | 295 | January 1962 |
| Quetta, Baluchistan | 2.20 | 43.24 | 104 | March 1961 |
| Total: | 25.28 | 601.60 | 2276 | |

The development of these estates on the average took about three years. The amenities and facilities provided in these estates include electricity roads, water supply systems, sewerage, administrative block and staff quarters, etc.

The program for small industrial estates was planned by the West Pakistan Small Industries Corporation (WPSIC) which was formed in 1961 with its head office in Lahore. In 1962 WPSIC was merged into the West Pakistan Industrial Development Corporation as its Small Industries Division. In 1970 the four constituent provinces were re-established but centralized control of development of the small industries including industrial estates, was retained. In 1972 this was ended, and each province set up its own organization to take effect from July 1972. These four provincial organizations which are responsible for the existing and new estates within their areas are as follows:

1. North West Frontier Province Small Industries Development Board
2. Punjab Small Industries Corporation
3. Sind Small Industries and Handicrafts Corporation
4. Baluchistan Small Industries Corporation.

The small industries corporations have therefore organizationally only existed in their present form for about three years. The functions of the small industries corporations (SICs) as defined by the four provincial bodies vary only a little from one province to another. However, progress on existing estates and, in particular, plans for new estates vary widely from one province to another -- for reasons which will be discussed further on.

At the time when the Pakistan agencies decided to set up industrial estates in various areas outside Karachi they had in view some of the following objectives: -

1) Due to certain obvious advantages industrialization in (West) Pakistan had tended to concentrate in Karachi. This was not very desirable from the economic, social and defence points of view. It was felt that at the Government level, some measures should be taken to prevent further concentration of industry in Karachi, and at the same time to carry out dispersal of industry in (West) Pakistan for balanced regional growth. This would have also resulted in the prevention of social and economic problems which are a natural consequence to rapid industrial growth in a particular area.

2) The project envisaged the pooling up of resources relating to technical know-how, workshop facilities etc. Industrialists in the under-developed areas who were at some disadvantage compared to industrialists of Karachi would henceforth be in a better position to set up their industrial units. The establishment of an industrial area in an under-developed region would attract skilled labour which was not readily available in these areas.

3) The establishment of industrial estates would facilitate the zoning of industry. It was a very desirable measure for cities which are undergoing rapid development in various sectors like housing, water-supply, sewerage, etc. The haphazard and unplanned growth of industry could be prevented thereby solving to a major extent the ecological problems of a growing city i.e. air pollution, disposal of industrial wastes, effluent water etc.

In Pakistan the first industrial estate was set up in April, 1948. Karachi being major commercial centre and the only seaport in (West) Pakistan was selected as a site for this estate. The Sind Industrial Trading Estate Ltd (SITE) Karachi, covers an area of 4,460 acres and is located on land which was provided free by the former Sind Government. Work on the development of the land started in 1948 and was phased over a period of 20 years. Against an approved cost of Rs 33.0 million the actual expenditure on the project up to June, 1969 was Rs 32.5 million. Most of the development work on the estate has by now been completed.

The Sind Industrial Trading Estate Ltd -- SITE -- is a public limited company established under the Companies Act but does not have any initial capital. Its Board of Directors consists of Government officials and a representatives of the industrialists located on the estates. The SITE is essentially a Government sponsored organization and is expected to function on a no-profit-no-loss basis.

In 1952 SITE took up the work of establishing an industrial estate at Hyderabad. This project was approved at a cost of Rs 8.3 million. The Tando Adam estate was approved in 1953. This was only a small estate covering an area of 150 acres. In 1963-64 SITE took up the establishment of another estate at Kotri covering an area of 918 acres. The details of the SITE estates are given in Table 5 below.

Table 5.

SITE Large industrial estates

| | Karachi | Hyderabad | Kotri | Tando Adam |
|---|---------------------|--------------|--------------|------------|
| A Acreage: | | | | |
| 1. Total | 4,460 | 1,264 | 918 | 150 |
| 2. Available for plots | 1,915 ^{x)} | 722 | 529 | 79 |
| 3. Occupied (1975) | 1,895 | 637 | 495 | 55 |
| B Facilities: | | | | |
| 1. Roads | Yes | Yes | Yes | Yes |
| 2. Electricity | Yes | Yes | Yes | Yes |
| 3. Water | Yes | Yes | Yes | Yes |
| 4. Sewerage, drainage | Yes | Yes | Yes | Yes |
| 5. Sheds, godowns, standard factory unit | Yes | Yes | Yes | Yes |
| C Estimated financial cost (thousand Rs) | | | | |
| Land | Free | 2,600 | 1,500 | n.a. |
| Development | n.a. | 5,195 | 5,550 | |
| Buildings | n.a. | 505 | 450 | |
| | | <u>8,300</u> | <u>7,500</u> | |

x) About 700 acres of the estate are under encroachment and, therefore available for development.

The industrial estate at Karachi is considered a great success and provided a model of planned industrial development. Already 1969, 712 industrial units had been allotted plots in the industrial estate out of which 672 have already gone into production. The estate is by now for practical purposes fully colonized. Subsequent projects of the SITE as Tando Adam, Hyderabad and Kotri were developed to take in the spill-over of industrialization from Karachi because with the government policy on tax holidays there was an incentive to set up industry outside Karachi.

The success of the Karachi estate encouraged the government to set up more large industrial estates in West Pakistan. In 1961-62 preliminary work on this was done. It might be mentioned that this was a period in industrialization process when there were few constraints on foreign exchange availability. There was an extensive flow of foreign aid and the Provincial Industries Department was directly concerned with the allocation of foreign exchange loans to parties desirous of setting up industrial units. In 1963, 2 schemes were approved for the setting up 6 industrial estates in West Pakistan at a total cost of Rs 435 million. These estates were proposed to be located at Peshawar, Sargodha, Jhelum, Multan, Sukkur and Rahimyar Khan and were to be laid out on the pattern of the Karachi estate. However, work on these projects could not be taken up till 1965 by which time the position with regards to foreign exchange availability and development resources had changed completely. Following the war with India in 1965 the Government was forced to reduce development expenditures. Foreign exchange resources became scarce and the Provincial Government could no longer issue foreign exchange to industrialists and only the work on Peshawar, Multan and Sukkur estates was taken up. See details in Table 6 . It was originally expected that the Government investment in developing these estates would be repaid within 15 years because in 1962 (i.e. when the scheme for setting up industrial estate was drawn up) it was envisaged that the estates would be fully colonized within 3-5 years. However, the actual rate of colonization has been very poor. There are only a limited number of units in production on Sukkur, Peshawar and Multan estates.

Table 6.

Other large industrial estates

| | Sukkur | Peshawar | Multan |
|------------------------------|--------------|--------------|--------------|
| A. Acreage: | | | |
| 1. Total | 1,058 | 846 | 1,409 |
| 2. Acreage available | 540 | 569 | 1,003 |
| B. Facilities available: | | | |
| 1. Roads | Yes | Yes | Yes |
| 2. Electricity | Yes | Yes | Yes |
| 3. Water | No | Yes | Partly |
| 4. Sewerage, drainage | Inadequate | Yes | --- |
| 5. Sheds, godowns | No | No | --- |
| C. Estimated financial cost: | | | |
| Land | 1,810 | 2,550 | 3,170 |
| Development | 4,733 | 3,170 | 4,433 |
| Buildings | 797 | 550 | 797 |
| | <u>7,340</u> | <u>6,220</u> | <u>8,400</u> |

ANALYSIS OF THE SITUATION

Colonization

During the Second Five Year Plan of Pakistan (1960-1965) all except one -- Lahore 2 -- of the small industries estates were established. All estates with the same exception are under the administration of the provincial Small Industries Corporations. The Lahore 2 estate is administered by the Housing and Physical Planning Department Government of Punjab. The Small Industries Corporations are responsible for colonization on all estates and maintain a permanent staff on the estates, except in Karachi.

The existing small-industries estates cover approximately 600 acres of which roughly 70 percent is available for factory plots. Two estates -- Lahore 1 and Karachi -- are very small while the others vary in size from 26 acres to slightly more than 100 acres.

The plots are available in three different sizes -- usually 10,000, 5,000 and 3,000 ft². It is quite common to allot more than one plot to an industrial unit locating on the estates. Some of the estates have also constructed workshops on considerably smaller plots which are available to artisans. However, on some estates a number of the artisan workshops have been given to industrial units which have established integrated industrial production on such premises. Only the Karachi estate is completely an artisan-workshop-estate. The total number of plots and artisan workshops on the estates is 2,552 and 245 respectively. Table 7 below gives the breakdown for the individual estates.

Table 7.

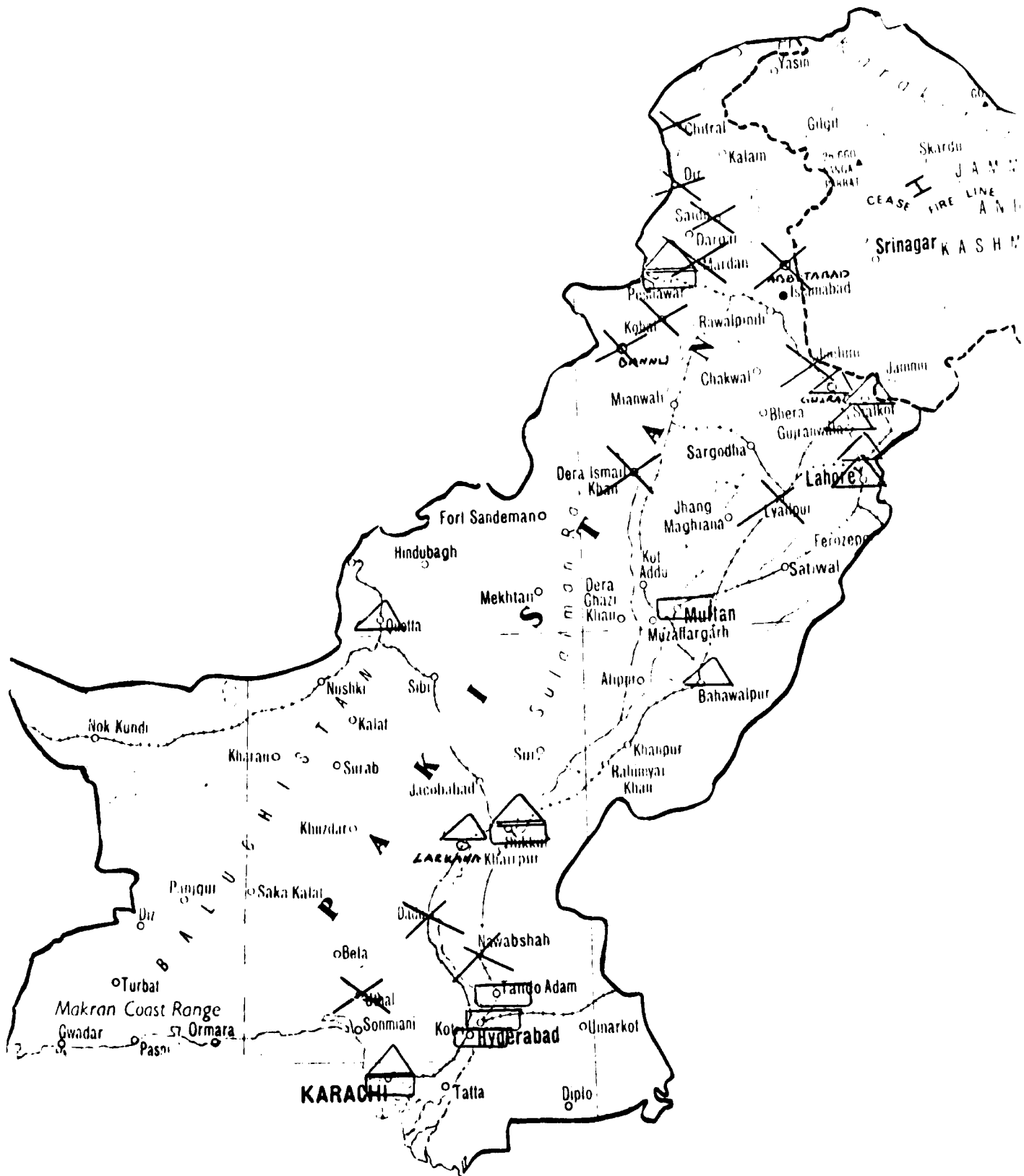
Size and number of plots

| | Gujran- wala | Sialkot | Gujrat | Baha- walpur | Lahore 1 | Lahore 2 | Sukkur | Larkana | Karachi | Peshawar | Quetta |
|---|-----------------|---------|--------|-----------------|-------------|-------------|--------|---------|---------|----------|--------|
| A. Acreage (acres): | | | | | | | | | | | |
| 1. Total | 103.50 | 98.80 | 70.50 | 51.00 | 9.75 | 50.10 | 110.5 | 59.00 | 3.00 | 54.41 | 43.24 |
| 2. Available for plots | 73.94 | 71.28 | 46.89 | 29.00 | 4.29 | 36.78 | 71.26 | 39.68 | 0.83 | 36.70 | 26.05 |
| B. Size of plots (1000 sq. ft.): | | | | | | | | | | | |
| A. | 18 | 18 | 10 | 10 | 10 | 10 | 18 | 10 | 10 | 10 | 20 |
| B. | 10 | 10 | 5 | 5 | 5 | 5 | 10 | 5 | 5 | 5 | 10 |
| C. | 5 | 5 | 3 | 3 | 3 | 3 | 5 | 3 | 3 | 3 | 5 |
| C. Number of plots: | | | | | | | | | | | |
| 1. Available A. | 86 | 71 | 85 | 75 | 8 | 107 | 77 | 85 | - | 76 | 25 |
| B. | 104 | 95 | 112 | 75 | 16 | 106 | 108 | 83 | - | 91 | 48 |
| C. | 115 | 164 | 201 | 47 | 9 | 63 | 116 | 145 | - | 128 | 31 |
| 2. Total | 305 | 330 | 398 | 197 | 33 | 276 | 301 | 313 | - | 295 | 104 |
| D. Plots for artisan workshop | 50 | 50 | 24 | - | - | 16 | 50 | 25 | 30 | - | - |

The small industries estates are located in all four provinces with six of the estates in Punjab, one in North West Frontier Province and Baluchistan each and the remaining ones in Sind. This distribution reflects the fact that Punjab is industrially and demographically the more important province -- even if the strongest industrial concentration is still found in Karachi.

The estates are with the exception of the metropolitan centres of Karachi and Lahore located in secondary urban centres with a population in the range of 100,000-400,000. Table 8 gives the population figures for all the places where industrial estates already exist and for most of the places where new estates are to be set up. It should be noted that the new mini-estates in Sind and the planned estates in North West Frontier Province are generally located in or near considerably smaller urban centers than the earlier estates. The location of the estates is indicated on the map in figure 1. All existing estates are located on or near a major railway while the new estates in North West Frontier Province are in the more remote areas of the country. The issue of location is discussed in some detail later on.

Figure 1
Location of, existing and planned, industrial estates in Pakistan






-  existing small-industries estate
-  existing large-industries estate
-  planned small-industries estate

Table 8.

Industrial estates in Pakistan

| I Location | II Category | | III Population thousand (in 1972) |
|---|---------------------|----------------------|---|
| | small industries | large industries | |
| <u>PUNJAB (37.4 million)</u> | | | |
| Gujranwala 1 | X | | 360 |
| Sialkot | X | | 203 |
| Gujrat | X | | 106 |
| Bahawalpur | X | | 134 |
| Lahore 1 | X | | 2,165 |
| Lahore 2 | X (mixed) | | 2,165 |
| Multan | | X | 542 |
| Jhelum | approved | | 64 |
| Lyallpur | approved | | 822 |
| Gujranwala 2 | agreed | | |
| <u>SIND (14.0 million)</u> | | | |
| Sukkur | X | | 159 |
| Larkana | X | | 72 |
| Karachi 1 | X | | 3,499 |
| Karachi 2 | | SITE | 3,499 |
| Kotri | | SITE | < 100 |
| Tando Adam | | SITE | < 100 |
| Hyderabad | | SITE | 628 |
| Sukkur | | SITE (since July-75) | 159 |
| Therparkar | planned (mini-est) | | ≈ 60 |
| Dadu | planned (mini-est) | | ≈ 20 |
| Nawabshah | planned (mini-est) | | ≈ 20 |
| <u>NORTH WEST FRONTIER PROVINCE (8.4 million)</u> | | | |
| Peshawar | X | | 270 |
| Peshawar | | X | 270 |
| Khalabat | land acquired | | new settlement |
| Dera Ismail Khan | land acquired | | 60 |
| Mardan | land acquired | | 115 |
| Abbotabad | land acquired | | 47 |
| Saidu | | | ≈ 50 |
| Bannu | land acquired | | 44 |
| Kohat | planned | | 65 |
| Dir | considered | | n.a. |
| Chitral | considered | | n.a. |
| <u>BALUCHISTAN (2.4 million)</u> | | | |
| Quetta | X | | 156 |
| Uthal Large | implemented (mixed) | | n.a. |

The estates have metalled roads, water supply systems, sewerages and disposal system and street lights. The estates at Gujranwala and Sialkot have guest houses, and workers canteens are also available on some of the estates. However, the service systems have physically deteriorated to a considerable degree on estates where colonization has been slow. Included in the services is assistance for obtaining power and telephone connections from the government agencies concerned.

Besides this, the following common service facilities have been established -- in the public sector -- to provide services to the industrialists in respective fields. The first four units in the list below are located on the estates.

1. Ceramic Institute, SIE, Gujrat, Punjab.
2. Sports Goods Service Centre, SIE, Sialkot, Punjab.
3. Rubber & Plastic Cell, SIE, Sialkot, Punjab.
4. Light Engineering Service Centre, Gujranwala, Punjab.
5. Metal Industries Development Centre, Sialkot, Punjab.
6. Model Tanning & Footwear Centre, Gujranwala.
7. Wood-working Centre, Peshawar, NWFP.

The estates have been colonized by units manufacturing a considerable range of products from paper board to ballpoint pens, shoe-tacs, and electrical motors. However, very few chemical enterprises are found on the estates and the major industrial categories are light engineering, textiles, plastics and footwear.⁺ Some ^{estates} are specialized in the sense that they have a very large number of enterprises engaged in a special line of production. This is true for the Sialkot estate where surgical instruments and sportgoods are manufactured on a substantial scale -- almost purely for exports. This "specialization" is

⁺The composition of industries varies from estate to estate. See the list in table 9-A

Table 9 -A

Major industrial categories manufactured on the estates

Gujranwala:

Light engineering

Textiles

Plastics

Footwear

Sialkot:

Light engineering

Surgical instruments

Sportsgoods

Gujrat:

Light engineering (electric fans)

Textiles

Pottery

Bahawalpur:

Textiles

Lahore 1:

Textiles (canvas)

Light engineering

Lahore 2:

Textiles

not a reflection of ^{estate} policy but rather of the traditional industrial activity of the surrounding region. The recent rapid colonization of the Gujrat estate shows a similar pattern. The estate has already 13 manufacturers of electric fans, 6 are constructing their premises on the estates, 12 more have been sanctioned and another 20 have applied for plots. The total number of manufacturers of electric fans in the regions is 155 with an employment figure approaching an estimated 10,000.

Almost one half -- 1130 out of 2448 of the available plots have been allotted according to official statistics in December 1975. This excludes Quetta where hardly colonization has taken place. 204 of the existing workshops have also been allotted. The share of the plots taken varies considerably from one estate to another. A breakdown for the individual estates is given in table 9^B which shows that Bahawalpur, Sukkur, Larkana, and Peshawar have very low share of allotted plots.

Table 9-B

Number of plots allotted

| | Gujran- wala | Sialkot | Gujrat | Baha- walpur | Lahore 1 | Lahore 2 | Sukkur | Larkana | Karachi | Peshawar | Quetta |
|-------------------------------------|-----------------|---------|--------|-----------------|-------------|-------------|--------|---------|------------------|----------|--------|
| A. Acreage (acres): | | | | | | | | | | | |
| 1. Total | 103.50 | 98.80 | 70.50 | 51.00 | 9.75 | 50.04 | 110.5 | 59.00 | ≈3.0 | 54.41 | 43.24 |
| 2. Available for plots | 73.94 | 71.28 | 46.89 | 29.00 | 4.29 | 36.70 | 71.26 | 39.68 | 0.83 | 36.70 | 26.05 |
| B. Number of plots: | | | | | | | | | | | |
| 1. Available A. | 86 | 71 | 85 | 75 | 8 | 107 | 77 | 85 | - | 76 | 25 |
| B. | 104 | 95 | 112 | 75 | 16 | 106 | 108 | 83 | - | 91 | 48 |
| C. | 115 | 164 | 201 | 47 | 9 | 63 | 116 | 145 | - | 128 | 31 |
| Plots for artisan workshop D. | | | | | | | | | | | |
| 2. Allotted A. | 50 | 50 | 24 | - | - | 16 | 50 | 25 | 30 ^{x)} | - | - |
| B. | 86 | 50 | 72 | 37 | 8 | 68 | 24 | 4 | - | 56 | n.a. |
| C. | 104 | 64 | 56 | 43 | 16 | 11 | 48 | 25 | - | 51 | n.a. |
| D. | 111 | 21 | 67 | 14 | 7 | 1 | 5 | 2 | - | 79 | n.a. |
| | 50 | 50 | 24 | - | - | - | 50 | 2 | 30 ^{x)} | - | - |

x) artisan workshop.

It has not been possible to differentiate in quantitative terms between new and relocated new units and the same applies to ownership and background of entrepreneurs. However, most of the units set up on the Gujranwala and Sialkot estates in 1964-68 were new ventures while the recent colonization in Gujrat is mainly due to relocation of industrial units -- when expanding production. Similarly, the entrepreneurs coming on the estates in the mid-sixties often had little or no industrial experience. The same has been true for a number of new ventures of the estates where colonization is poor.

The allotment plots and the subsequent colonization did not start until 1964 and still later for the Lahore 2 estates. Using official information the process of colonization -- based on the year of sanctioning⁷ has been tabulated in table 10 for the Punjab estates which represent 836 of the 1130 allotted plots.

Table 10 shows -- still based on sanctioning year -- that early colonization only took place in the Gujranwala and Sialkot estates, with marked peaks during 1964-68. Colonization of the other Punjab estates has remained low until now except for the Gujranwala estate. Approximately 400 units have been sanctioned for locating on the Punjab industrial units which means that on the average 2 plots have been allotted to each unit. Table 10 is based on figures which include units which are already in production, under construction or completing the procedures for locating on the estates. They also include a substantial number of enterprises which have already ceased operation -- a fact which will be discussed later on.

Table 10.

Process of colonization based on year of sanction in Punjab estates

| Year | <u>Number of units in each estate</u> | | | | | | <u>Total</u> |
|------|---------------------------------------|----------|-----------|-------------|----------|----------|--------------|
| | Gujran-wala | Sialkot | Gujrat | Bahawal-pur | Lahore 1 | Lahore 2 | |
| 1961 | 1 | - | - | - | - | - | 1 |
| 1962 | - | - | 1 | - | - | - | 1 |
| 1963 | 1 | 1 | - | - | - | - | 2 |
| 1964 | 41 | 6 | 2 | - | - | - | 49 |
| 1965 | 39 | 13 | - | - | - | - | 52 |
| 1966 | 21 | 23 | - | 1 | - | - | 45 |
| 1967 | 19 | 9 | 4 | - | 1 | - | 33 |
| 1968 | 6 | 17 | 1 | 1 | - | - | 25 |
| 1969 | 5 | 2 | 2 | - | - | - | 9 |
| 1970 | 5 | 2 | 2 | 3 | 1 | - | 13 |
| 1971 | 11 | 3 | 2 | 1 | 1 | - | 18 |
| 1972 | 11 | 9 | 3 | 2 | - | - | 25 |
| 1973 | 3 | 4 | 8 | 3 | 1 | - | 19 |
| 1974 | 2 | 3 | 34 | 5 | 7 | 7 | 58 |
| 1975 | <u>1</u> | <u>6</u> | <u>30</u> | <u>8</u> | <u>3</u> | <u>-</u> | <u>48</u> |
| | 166 | 98 | 89 | 24 | 14 | 7 | 398 |

The industrial units vary considerably in size from only a couple of employees to enterprises having close to 500 employees. The Sialkot estate has 9 units with more than 100 employees of which three have more than 200 employees. Several of the large industrial units on the Sialkot estate are manufacturing surgical instruments for exports. The other estates with the exception of Gujranwala has no units with more than 100 employees. The breakdown of units according to employment in the various estates is given in table 11. The average for all estates is 25 persons.

The information in table 11 is based on official information provided by the provincial small industries corporations in the three provinces Punjab, Sind and NWFP.

The figures are ambiguous and may not exactly reflect the situation on the estates. The list of enterprises and their employment on the industrial estates in Punjab did not differentiate between units in production and those under construction or completion these latter categories also included units which had permanently or temporarily ceased operation. Furthermore, when visiting the estate offices and various industrial units the employment figures provided by the headquarters of the small industries corporation often turned out to be grossly inaccurate -- as often too high as too low.

The employment figures are further confused by the employment system. The majority of the industrial workers are employed on a permanent basis. However, a substantial number of workers are hired on a daily basis and may not always be included in the employment figures given.

Table 11.

Number and size of units on industrial estates (in production or under construction/completion)

| Employment range | Number of units | | | | | | | | | | |
|------------------|-----------------|---------|--------|-------------|----------|----------|--------|---------|---------|----------|-----------------------------|
| | Gujran-wala | Sialkot | Gujrat | Baha-walpur | Lahore 1 | Lahore 2 | Sukkur | Larkana | Karachi | Peshawar | Quetta (in production only) |
| 1 - 5 | 14 | 10 | 12 | 3 | 2 | 1 | - | - | - | - | - |
| 6 - 10 | 43 | 10 | 25 | 3 | - | - | 2 | 1 | - | 4 | - |
| 11 - 50 | 93 | 55 | 51 | 18 | 11 | 6 | 10 | 3 | - | 14 | - |
| 51 - 100 | 8 | 16 | 1 | - | 1 | - | 1 | - | - | 1 | - |
| 101 - 200 | 5 | 6 | - | - | - | - | - | - | - | - | - |
| 200 + | - | 3 | - | - | - | - | - | - | - | - | - |
| Total | 163 | 100 | 89 | 24 | 14 | 7 | 13 | 4 | - | 19 + 20 | - |

Given the poor distinction between units in actual production and units which have been sanctioned and the ambiguity in employment figures it is impossible to provide statistics which exactly reflect the present development of the estates.

However, the total figures for sanctioned units and official figures for their planned and actual employment is presented in the first half of table 12. According to this the employment in the approximately 400 units on the Punjab estates would be almost 11,000.¹

But the total number of units in actual production is only 222 and the employment accordingly would only amount to approximately 6,000 if the higher figure was proportionally lowered.² If the estates in the North West Frontier Province and Sind are included the employment would be 6,800 in 270 units. This figure may for a number of reasons be too low. However, there is hardly any reason to believe that employment on small-industries at present is much above 8,000.

¹It should be also noted that many of the units under construction or completion are actually enterprises which have ceased operation or are projects which are unlikely to be completed.

²It should also be noted that the number of units in production on the Sialkot industrial estate was given as 80 by the central office on Lahore, while the estate office provided a list of 48 units in production of which some were said to have ceased operation. The lower figure of units has been used in our estimates.

Table 12.

Enterprises and employment in industrial estates in Pakistan

| Location | I- production or Under construction/completion | | In production | |
|--------------------|---|------------|-----------------|-------------|
| | Number of units | Employment | Number of units | Employment |
| <u>PUNJAB</u> | | | | |
| 1. Gujranwala | 167 | 3,937 | 116 | 2,735 (est) |
| 2. Sialkot | 101 | 4,680 | 48 ^x | 2,246 (est) |
| 3. Gujrat | 90 | 1,356 | 40 | 603 (est) |
| 4. Bahawalpur | 24 | 466 | 8 | 155 (est) |
| 5. Lahore 1 | 14 | 352 | 6 | 151 (est) |
| 6. Lahore 2 | 7 ^{xx} | 155 | 4 | 89 (est) |
| Subtotal 1 | 403 | 10,946 | 222 | 5979 (est) |
| <u>SIND</u> | | | | |
| 7. Sukkur | 17 | n.a. | 13 | 272 |
| 8. Larkana | 6 | n.a. | 4 | 47 |
| 9. Karachi | 12 | n.a. | 12 | |
| <u>NWFP</u> | | | | |
| 10. Peshawar | 39 | n.a. | 19 | 508 |
| Subtotal 2 | 477 | | 270 | 6,806 |
| <u>BALUCHISTAN</u> | | | | |
| 11. Quetta | | | | |

^xThe figure is uncertain. See the text.

^{xx}No figure is available for which includes units under completion.

Financial evaluation

The estates are intended to run on a no-loss-no-profit basis. Due to different development costs the price for a 10,000 ft² plot may vary from 1,800 Rs. in Sukkur to 19,400 Rs. in Sialkot. The details are given for each estate in table 13 below. On the following page table 14 gives the total development costs for land, construction works and buildings. The realized costs are only slightly different. The no-loss-no-profit principle is, if applied, would mean that the total development costs would be recovered through the sale of plots at fixed prices. However, the Planning Commission in 1969 made an investigation which indicated an amount of subsidy which ranged from 15.1 percent in Peshawar to 43.3 percent in Lahore. The only exceptions were in the Bahawalpur and Sialkot estates, ^{which showed no subsidy element} However, the Sialkot estate has experienced serious problems in renegotiating plot prices after it was realized that actual land prices for the area would be considerably higher than originally calculated when setting the plot prices. As a consequence, a large number of allottees have refused to their dues -- which may partly reflect the weak financial situation of the enterprises.

Actually the plots are leased on 99 years and the lease money should be recovered over a period of 23 years in 20 equal instalments with a grace period for the first three years. It was shown in table 10 that the colonization rate has been slow or very slow. If a discounting method is being used to calculate the money to be recovered from the sale of plots with actual development costs, the element of subsidy will obviously be considerable.

Table 13.

Cost per plot

| | Gujran- wala | Sialkot | Gujrat | Baha- walpur | Lahore 1 | Lahore 2 | Sukkur | Larkana | Karachi | Peshawar | Quetta |
|--|-----------------|---------|--------|-----------------|-------------|-------------|--------|---------|---------|----------|--------|
| 1. Acreage (acres): | | | | | | | | | | | |
| 1. Total | 103.50 | 96.80 | 70.50 | 51.00 | 9.75 | 50.10 | 110.5 | 59.00 | ≈ 3.0 | 54.41 | 43.24 |
| 2. Available for plots | 73.94 | 71.26 | 46.69 | 29.00 | 4.29 | 36.78 | 71.26 | 39.68 | 0.83 | 36.70 | 26.05 |
| 2. Size of plots (1000 sq. ft): | | | | | | | | | | | |
| A. | 18 | 18 | 10 | 10 | 10 | 10 | 18 | 10 | 2 | 10 | 20 |
| B. | 10 | 10 | 5 | 5 | 5 | 5 | 10 | 5 | 009 | 5 | 10 |
| C. | 5 | 5 | 3 | 3 | 3 | 3 | 5 | 3 | + | 3 | 5 |
| 3. Number of plots available | | | | | | | | | | | |
| A. | 86 | 71 | 85 | 75 | 8 | 107 | 77 | 85 | - | 76 | 25 |
| B. | 104 | 95 | 112 | 75 | 16 | 106 | 108 | 83 | - | 91 | 48 |
| C. | 115 | 164 | 201 | 47 | 9 | 63 | 116 | 145 | - | 128 | 31 |
| D. Plots for artisan work- shop | 50 | 50 | 24 | | - | | 50 | 25 | 30 | - | - |
| 4. Cost per plot (thousand Rs) | | | | | | | | | | | |
| A. | 23.6 | 34.9 | 11.1 | 11.2 | 15.7 | 18.0 | 3.3 | 10.1 | - | - | n.a. |
| B. | 13.1 | 19.4 | 5.5 | 5.6 | 7.9 | 9.0 | 1.8 | 5.0 | - | - | n.a. |
| C. | 6.6 | 9.7 | 3.3 | 3.3 | 4.7 | 5.3 | 0.9 | - | - | - | n.a. |
| D. | | | | | | | 3.0 | 20.0 | | | |

Table 14-A

Development costs

| | Gujran- wala | Sialkot | Gujrat | Faha- walpur | Lahore 1 | Lahore 2 | Sukkur | Larkana | Karachi | Peshawar | Quetta |
|--|-----------------|---------|--------|-----------------|-------------|-------------|--------|---------|---------|----------|--------|
| A. Acreage: | | | | | | | | | | | |
| 1. Total acreage (acres) | 103.5 | 98.8 | 70.5 | 51.0 | 9.75 | 50.1 | 110.5 | 59.9 | ≈ 3.0 | 54.41 | 43.24 |
| 2. Acreage available as % of total acreage. | 71% | 72% | 67% | 57% | 44% | 73% | 64% | 66% | | 67% | 60% |
| B. Original cost (Rs. 1,000): | | | | | | | | | | | |
| - Land | 4,970 | 1,563 | 680 | 1,000 | 123 | n.a. | 101 | 75 | | 1,301 | 106 |
| - Development | 1,250 | 1,750 | 1,632 | 1,200 | 141 | n.a. | 1,379 | 1,443 | | 779 | 989 |
| - Buildings | 1,880 | 1,638 | 150 | 150 | 157 | n.a. | 1,412 | 1,091 | | 315 | 1,105 |
| Total | | | | | | | | | | | |
| C. Cost per acre available (Rs.) | | | | | | | | | | | |
| | | | | | | | | | | | 69,599 |

A different way of making the financial evaluation would be to add the expenses incurred for capitalization. The total cost of the small Estate Programme in Punjab is 15.2 million and as already stated above these are fully developed and ready for occupation/colonization. The expenses incurred on capitalization of these estates amounted to Rs. 10.7 million up to 30.6.1972. Table 14-B provides information on the cost of each estate and progressive expenditure incurred.

Table 14-B

Approved costs and expenditure on the Punjab small industries estates incurred up to June 30, 1972.
(million Rs.)

| | Approved cost | Capitalization expenses | Total |
|------------|------------------|----------------------------|-------------|
| Gujranwala | 4.97 | 3.74 | 8.71 |
| Sialkot | 4.95 | 3.30 | 8.25 |
| Gujrat | 2.46 | 2.23 | 4.69 |
| Bahawalpur | 2.35 | 1.09 | 3.44 |
| Lahore 1 | <u>0.42</u> | <u>0.29</u> | <u>0.71</u> |
| total | 15.15 | 10.65 | 25.80 |

In the development work of the estates it is now obvious that the sponsoring agencies should not have undertaken the full development of the estates at once. This work should have been phased out and development work should have proceeded as the estate got colonized. The present position is that most estates have been fully developed. Roads, water supply and sewerage facilities have been constructed and some of these facilities are being damaged because of non-use. If the development work had proceeded phase-wise in each estate the wastage of such large investments could have been avoided. These investments are in the form of loans to the sponsoring agencies and their repayment alongwith the interest would pose a big problem. Since the estates are poorly colonized, very

little investment is being recouped with the result that interest charges would accumulate over the years. As the estates are run on no-loss-no-profit basis the sponsoring agencies may eventually have to revise upwards their rates of leasing plots which will make the estates even more unattractive.

The infrastructure of the estates has to be constainly repaired and maintained and the rates for the various estates are given in table 15. As indicated earlier, a low rate of colonization means that the maintenance charges will only partially cover the costs.

In addition, in the case of the five estates established in Punjab the Small Industries Corporation is faced with the problem of repairing, maintaining and replacing the development works similar to other estates. The allottees have declined to pay the fees on the ground that property and house-taxes are paid by them to the local Municipality for the same purpose. The Corporation has failed to have the estates exempted from payment of these taxes. Consequently, the maintenance charges have to be seen as an additional cost of the estate program.

The operation costs are an additional expenditure incurred in running the estates. All small industries estates with the exception of Karachi have a permanent staff and in Punjab the costs incurred range from 50,000 to 236,000 Rs. per year. See table 15.

Table 15.

Maintenance charges and operating costs

| | Gujran- wala | Sialkot | Gujrat | Baha- walpur | Lahore 1 | Lahore 2 | Sukkur | Larkana | Karachi | Peshawar | Quetta |
|---|-----------------|---------|--------|-----------------|-------------|-------------|--------|---------|---------|----------|--------|
| 1. Maintenance charges per plot Rs/year | | | | | | | | | | | |
| A. | 622 | 622 | 387 | 664 | 1224 | n.a. | 679 | 577 | 417 | 417 | 417 |
| B. | 349 | 349 | 198 | 332 | 612 | n.a. | 377 | 258 | 209 | 209 | 209 |
| C. | 174 | 174 | 119 | 195 | 405 | n.a. | 225 | 155 | 132 | 132 | 132 |
| 2. Operating costs thousand Rs/year | 236 | 181 | 91 | 103 | 50 | n.a. | | | | | |

Today it appears that foreign exchange provided to enterprises located on the industrial estates is another considerable component in the development costs.

The Industrial Development Bank of Pakistan (IDBP) is now responsible for the foreign exchange loans which have been made to the small scale industrial sector. The total loan portfolio in mid-1975 amounted to 76 million ^{Rs/} of which 24 million were principal not yet due. However, the remaining 52 million were arrears. The loan portfolio covers almost 400 projects of which 291 are under the Small Industries Corporation in Punjab. Altogether 141 projects are located in the Gujranwala branch of the corporation -- mostly in the Gujranwala and Sialkot estates.

IDBP has now negotiated the recovery of the loans from the small industries corporations but there appears little prospect of recovering the money from the original borrowers -- for the time being. It has not been possible to quantify the total amount in arrears for the enterprises on the industrial estates. However, the foreign exchange component for the Punjab estate enterprises is given in table 16 which also gives the various other sources of finance and total investment up to June 30, 1973. The foreign currency loan is here given as 23 million Rs, the majority of which is unrecovered and to which servicing costs must be added. This should be seen in relation to a total investment figure of 86 million Rs for all enterprises.

Several factors have contributed to the extremely slow recovery of the amounts due. Among these are - in the opinion of IDBP - the following the most important.

Table 16.

Investment in industries on Punjab small industries estates --
up to June 30, 1973 (thousand Rs.)

| Name of the Estate | Total units | Foreign Currency loan | Local Currency loan | Cash Foreign Exchange | Investm. from entrepreneurs own resources | Total investment |
|------------------------------|-------------|-----------------------|---------------------|-----------------------|---|------------------|
| Small Industries Estate | | | | | | |
| Gujranwala | | | | | | |
| a) Completed projects | 128 | 16,296 | 1,067 | - | 25,311 | 42,674 |
| b) Projects under completion | 37 | 2,224 | 40 | - | 8,071 | 10,335 |
| | 165 | 18,520 | 1,107 | - | 33,382 | 53,009 |
| Sialkot | | | | | | |
| a) Completed projects | 41 | 2,268 | 901 | 3,407 | 9,799 | 16,375 |
| b) Artisans' workshops | 27 | - | - | - | 276 | 276 |
| b) Projects under completion | 24 | 231 | 460 | 424 | 5,891 | 7,005 |
| | 92 | 2,499 | 1,361 | 3,831 | 15,966 | 23,659 |
| Gujrat | | | | | | |
| a) Completed projects | 15 | 676 | 224 | - | 2,698 | 3,598 |
| b) Projects under completion | 2 | - | - | - | 398 | 398 |
| | 12 | 676 | 224 | - | 3,096 | 3,996 |
| Bahawalpur | | | | | | |
| a) Completed projects | 4 | 596 | 153 | - | 1,147 | 1,896 |
| b) under completion | 6 | - | - | - | 2,701 | 2,701 |
| | 10 | 596 | 153 | - | 3,848 | 4,597 |
| Lahore | | | | | | |
| a) Completed projects | 2 | 460 | - | - | 258 | 718 |
| b) Projects under completion | 2 | - | - | - | 40 | 40 |
| | 4 | 460 | - | - | 298 | 758 |
| Grand total | 288 | 22,751 | 2,847 | 3,831 | 56,590 | 86,019 |

1. Overrun in fixed investment and a resulting shortage in working capital due to inadequate financial resources of the sponsoring parties.
2. Low utilization of capacity, in particular for projects which depend on imported raw materials.
3. Poor ability to meet foreign competition.

Underlying these problems are often inadequate economic and technical appraisals. Furthermore, the corporations may often have selected wrong groups for the various industrial ventures and, in general, the follow-up has been inadequate -- according to IDBP.

The total amount invested in enterprises on the Punjab estates is today higher than the figure mentioned in table 16. Using the official registers -- for which among other things colonization rate was tabulated -- the total investment is today 138 million Rs for 403 sanctioned units. The break-down of this figure for the various industrial estates is given in table 17. As noted earlier, this figure includes a number of units which have ceased operation and projects which have not yet been completed.

Adding the development costs, servicing costs for the development expenditure, unrecovered maintenance costs, and estate administration costs to the costs of the foreign exchange loan it appears that total costs may almost be approaching the total amount invested in estate enterprises presently under production. Only a more detailed study can reveal the exact costs of the small industries estates. However, the information available for the Punjab estates which make up the bulk of the estate program, and of colonization so far, show that the program has been a

very costly venture. Furthermore, the industrial estates have also required planning resources on a considerable scale for development, for local administration, for credit, for technical services and various other functions which does not appear to have been the commensurate to the role they have played or play in the small industries sector in Pakistan.

Table 17.

Planned investment for sanctioned units in Punjab industrial estates

| Location | Number of units | Employment | Investment (thousand Rs.) | | |
|--------------|-----------------|---------------|---------------------------|------------|--------------|
| | | | total | per unit | per employee |
| Gujranwala | 167 | 3,937 | 53,500 | 320 | 13.6 |
| Sialkot | 101 | 4,680 | 37,900 | 375 | 8.1 |
| Gujrat | 90 | 1,356 | 21,800 | 242 | 16.1 |
| Bahawalpur | 24 | 466 | 16,200 | 675 | 34.8 |
| Lahore 1 | 14 | 352 | 4,300 | 307 | 12.2 |
| Lahore 2 | 7 | 155 | 4,300 | 614 | 27.7 |
| Total | 403 | 10,946 | 138,000 | 342 | 12.6 |

Development effects and problems

Very few secondary or tertiary industries have so far developed as a consequence of the estate programs. Nor is it possible to identify any major development of industrial infrastructure which has occurred as a consequence of the initial development of the estates and the services provided upon these. Although lip service is being paid to the idea of subcontracting to small local firms there is still a reluctance to do so. This is natural because subcontracting means some loss of control of quality and delivery performance, and, if the subcontractor is relatively inexperienced in high volume, high quality work, he may require a considerable amount of assistance to bring him up to the standard required. Consequently, little sub-contracting can be found on the industrial estates which is illustrated by the fact that the manufacture of electric fans in Gujrat, for example, includes the production of most of the various components within each single unit.

Given the industrial structure on the estates -- strong in light engineering and textiles -- the utilization of local raw materials is not very important. However, the local market is of increasing importance even if many of the engineering enterprises manufacture for the national market or even for exports. The units on the Punjab estates, in particular, are earning a substantial amount of foreign exchange for Pakistan. The Small Industries Estate, Sialkot, units alone export goods worth Rs. 23 million during 1972-73, as against exports of Rs. 15 million during 1971-72. And the amount is still higher today.

The sewage system on the estates enables a better environmental control that is possible for the small industries in general. However, industries having located on the industrial estates have not, with rare exceptions, any major polluting effects. Housing is rarely provided on or attached to the estates, even if canteens and guest houses may be found.

Trade unions are generally active among enterprises on the estates but appear to have little effect on working conditions. The share of women working on the estates is very small and usually found in a few enterprises manufacturing shoes, textiles and in one plant manufacturing ball point pens.

The earlier analysis clearly showed that the small industries estates have with few and qualified exceptions only been slowly colonized. In the early period there has been little other incentive than the easily available foreign exchange loans which however were almost exclusively limited to enterprises located in the Gujranwala and Siakot estates. On the other hand, a number of disincentives have reduced the attraction of fully developed plots. First, there has been a strong tendency to retain or locate small industries in those areas of urban centers which facilitate close contacts with other colleagues, raw material suppliers, and other services. The development costs for the estate plots have often had the consequence that industrialists were able to obtain land at lower costs outside the estates.

The financing procedures were originally very cumbersome and lengthy. Furthermore, the small industries corporations

may have been too passive -- accepting a number of poorly prepared ventures -- instead of actively seeking and promoting ventures which might have had better chances of prospering on the estates. It has been suggested that a possible re-organization of the corporations might involve the removal of the credit function. The corporations would then concentrate on promotion of small industries and the development of the necessary infrastructure -- including the estates. A natural service would be to provide raw materials in bulk whenever small industries have difficulties in procuring the necessary materials. Another obvious area of improvement is to reduce the serious deficiency in the technical services in the field of materials, materials testing and analysis presently available to small industries.

FUTURE PLANS

When discussing the plans of the new small industries estates it may be relevant to make a few comments about the location of the earlier estates. The location of some of the industrial estates seems to be arbitrary. No survey of demand seems to have been carried out before choosing their locations. In some towns, both large and small industrial estates have been established independently, e g Peshawar and Sukkur, although there is hardly any demand for even one estate. The decision to set up estates in Bahawalpur, Sukkur, Larkana, Peshawar and Quetta cannot be justified by the existing demand and the projected demand for plots under the present conditions.

However, new small industries estates are now being planned all over Pakistan -- in all four provinces. The total number of estates in various stages of implementation is presently 19, of which seven are planned in North West Frontier Province and another eight in Sind. Size, projected costs and status of the project is given for most of the new estates in table 18. The map on page 20 gives location for most new estates.

The establishment of new industrial estates follow different principles in the various provinces. Punjab is following a more traditional approach of establishing a small number of relatively large estates ^{even} -- if the professed aim is said to be an industrial estate in each district.

The North West Frontier Province will establish relatively small industrial estates in all district headquarters and is already implementing such a program. Details for the various industrial estates are given in table 19. From discussions and information provided it appears that hard-

Table 18.

Proposed new industrial estates in Pakistan

| Location | Size (acres) | Project million Rs | | Status |
|--------------------|--------------|-----------------------|-----------|------------|
| | | Total | Land only | |
| <u>PUNJAB</u> | | | | |
| Jhelum | 50 | 8.5 | | approved |
| Lyallpur | 50 | 8.5 | | approved |
| Gujranwala | 100 | 13. | | agreed |
| <u>W.P.P.</u> | | | | |
| Khalabat | 23 | 0.78 | 0.58 | approved |
| Dera Ismail Khan | 32 | 1.12 | 0.14 | " |
| Mardan | 33 | 2.21 | 0.21 | " |
| Abbotabad | 22 | 1.73 | 0.35 | " |
| Saidu | 20 | 1.28 | 0.22 | " |
| Bannu | 66 | 3.23 | 0.19 | " |
| Kohat | 57 | 3.55 | 0.16 | " |
| <u>SIND</u> | | | | |
| Theraparkar | 5 | 0.27 | 0.04 | approved |
| Dadu | 5 | 0.27 | 0.04 | approved |
| Nawabshah | 5 | 0.25 | 0.04 | approved |
| + 5 more | | | | considered |
| <u>BALUCHISTAN</u> | | | | |
| Uthal Large | | | | approved |
| + 1 more | | | | |

Table 19.

DEVELOPMENT PROGRAM FOR SMALL INDUSTRIAL ESTATES IN NORTH WEST FRONTIER PROVINCE

| Location | Area (acres) Total | factory | Costs (million Rs) | | Number of plots (according to size, t ²) | | | Cost per plot (Rs 000) | | |
|---------------------|-----------------------|--------------------|--------------------|------------------------|---|------------|------------|------------------------|------|-----|
| | | | 1. Approved | 2. Realized a. land | A 10,000 | B 5,000 | C 3,000 | A | B | C |
| Khalabat | 22.73 | 15.38 | 0.78 | 0.58 | 44 | 34 | 21 | 28.0 | 14.0 | 8.4 |
| Dera Ismail Khan | 31.91 | 21.81 | 1.12 | 0.14 | 64 | 45 | 5 | 20.0 | 10.0 | 5.0 |
| Mardan | 33.06 | 24.56 | 2.21 | 0.21 | 45 ^{xx} | | 67 | 28.8 | | 7.2 |
| Abbottabad | 22.04 | | 1.73 | 0.35 | 32 | 70 | | | | |
| Saidu | 19.97 | | 1.28 | 0.22 | | | | | | |
| Bannu | 65.65 | 24.56 ^x | 3.23 | 0.19 | 31 ^{xx} | 49 | 134 | 20.0 | 10.0 | 5.0 |
| Kohat | 57.16 | 24.56 ^x | 3.55 | 0.16 | 31 ^{xx} | 49 | 134 | 24.8 | 12.4 | 6.2 |
| Total | 252.52 | | 13.90 | | | | | | | |

x) first phase only

xx) 12000 ft²

ly any surveys of demand and raw material sources or other factors of relevance have been done neither in Punjab nor North West Frontier Province. Furthermore, it is not yet clear if the development costs should be treated as a grant, an investment or as a loan to the new estates.

The new industrial estate in Baluchistan is to be planned around a motorcycle plant being set up by the Japanese company Yamaha.

Sind is the only province where a new approach to small industries estates are being tried out.

Sind Small Industries Corporation is now planning to set up mini-industrial parks of approximately 5 acres each in all districts of the province. This will be done in close cooperation with Public Works Department and is consequently expected to be coordinated with the rural development programs. This is stated to be in compliance with the directive of the Prime Minister to establish industrial estates in all the districts of Sind in order to ensure a balanced industrialisation of all the regions. Under Sind Industrial Estates Programme the Corporation proposes to establish a network of small estates of five acres each, which will be known as Industrial Parks. This concept appears to have the advantage of dispersal of industries without involving heavy expenditure on the establishment of full fledged industrial estates which have proved most uncommercial and un-successful in backward and less attractive areas.

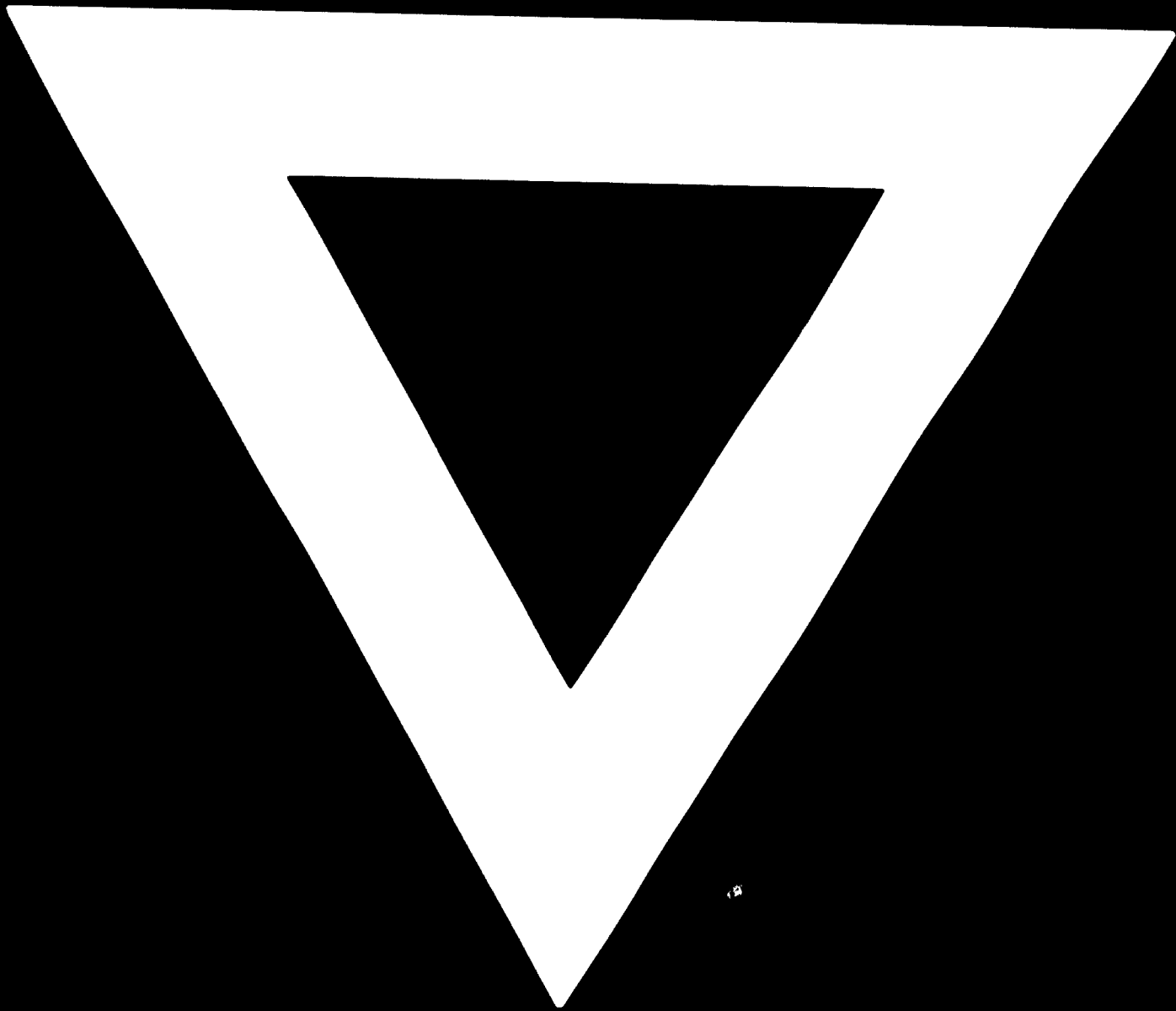
The Industrial Parks would be established on 5 acres plots which are comparatively quite small in size, and would be located at suitable sites where necessary infra structure like transport and communication facilities and water and electric supply already exist. Unlike other existing industrial estates, no capital investment on the construction of administrative blocks is envisaged on the Industrial Parks. The Corporation proposes to supervise and control colonisation of Industrial Parks through its Head Office and Zonal Offices at Karachi, Hyderabad & Sukkur by providing a minimum staff for the purpose. Administrative expenditure (capital as well as recurring) will be thus cut down substantially.

INFORMATION SOURCES

1. Enterprise registers, estate statistics, and other information provided by the secretariats of the small industries corporations
 - a. North West Frontier Province Small Industries Development Board
Mr. M.Y. Afridi (General Manager)
Kohat Road
Peshawar (tel. Peshawar 5134)
 - b. Punjab Small Industries Corporation
Mr. S.N. Abbas (Deputy Director)
Ferozsons House
32 Empress Road
Lahore (tel. 54 952)
 - c. Sind Small Industries and Handicrafts Corporation
Mr. Ali Nawaz Biou (Director)
A M 310 Preedy Street
Karachi (tel. 78 336)
2. "PC 1:s" (for new estates in NWFP, Punjab and Sind)
Planning Commission - Proforma for Development Projects.
3. Report of the Evaluation Committee on the Industrial Estates Programme of West Pakistan, Planning Commission, February 1970.
4. A Note on Industrial Estates including Common Service Facilities (in Pakistan), UNIDO ID/WG 93/13 (10 April 1971).
5. Annual Report 1972-73, Punjab Small Industries Corporation
Lahore.
6. Interviews with, among other people:
 - a. Mr. Saiyed Nazeer Ali (Deputy Chief)
Industries and Commerce Section
Planning Commission
Islamabad (tel. 24 280)
 - b. Mr. Jiri Prazak
UN Advisor
Planning and Development Board
Government of Punjab
Lahore (tel. 81 290)
 - c. Mr. Zaidi (Deputy Managing Director)
Industrial Development Bank of Pakistan
Estate Life Building
Karachi (tel. 22 27 50)



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