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United Nations Industrial Development Organization

Distr.
LIMITED

ID/WG.265/3
25 January 1978

ENGLISH

Expert Group Meeting on Regional Co-operation
among Developing Countries in the
Fertilizer Industry

Vienna, 8-10 February 1978

CO-OPERATION AMONGST DEVELOPING COUNTRIES IN THE FERTILIZER INDUSTRY:
THE EXPERIENCE OF PAKISTAN AS REGARDS
FINANCING TWO FERTILIZER PLANTS*

by

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P A K S A U D I F E R T I L I Z E R S L I M I T E D .

1. THE PROJECT.

- 1.1 In 1973 West Pakistan Industrial Development Corporation was instructed by the Government of Pakistan to develop a scheme for the establishment of a Ammonia-Urea Plant to be based on natural gas available from the Marri gas field. A feasibility report was prepared and in May, 1974 the Project was assigned to the National Fertilizer Corporation of Pakistan Limited which was the successor to the Fertilizer Division of WPIDC.
- 1.2 The Project aimed at the establishment of integrated Ammonia-Urea Complex of the capacity of 1000 MTD Ammonia/1740 MTD Urea to be located near Mirpur Mathelo in the northern part of Sind province. Natural gas from the Marri gas field about 11 miles from the site of the Project would be utilised as feed stock in the Ammonia as well as for fuel for the primary reformer and the utility boilers. A pipeline was to be laid between the gas field and the site for the supply of gas.

2. THE COMPANY.

- 2.1 Mirpur Mathelo Fertilizers Limited, a Public Company was incorporated in June, 1975 with authorised capital of Rs.600 million. Policy of the company is determined by the Board of Directors nominated by the National Fertilizer Corporation, with the Chairman NFC as Chairman of the Board of Directors of Company. In February, 1976 the name of the Company was changed to Paksaudi Fertilizers Limited.

3. FINANCING OF THE PROJECT.

- 3.1 The total Capital Cost of the Project was estimated as U.S.\$ 191 million with the foreign exchange component of U.S.\$ 130 million.

3.2 The foreign exchange financing for the Project is as follows:

Source	Amount
Asian Development Bank (Ordinary Operations)	U.S.\$ 38 Million
Asian Development Bank (Special Operations)	U.S.\$ 12 million
Saudi Government	U.S.\$ 50 Million
Saudi Fund for Development	Saudi Riyals 106 Million (Equivalent to U.S.\$ 30 million)

3.3 The loan agreements for the above financing were with the Government of Pakistan which relented the funds to the Projects through financing agreements.

4. CONTRACTORS/CONSULTANTS.

- 4.1 In July, 1974 NFC pre-selected 10 internationally recognised Engineering Companies from USA, UK, France, Holland, West Germany, Italy and Japan and invited quotations for engineering services for the Project. After detailed examination of the various proposals M/s Snamprogetti of Italy were selected as Engineering Contractors for the Project.
- 4.2 In February, 1975, a contract was executed with Snamprogetti for providing engineering know-how to undertake the basic and detailed engineering, procurement and inspection of the equipment. Snamprogetti was also to supervise erection, provide training facilities for the project personnel in their operating Plants, conduct mechanical and performance tests of the Plants.
- 4.3 M/s Chemie Linz of Austria were appointed as Technical Advisor in September, 1976 to provide advisory services and to oversee the work during final stages of erection and during initial stages of operation.
- 4.4 In August, 1977 a separate contract was executed with M/s Chemie Linz for providing training to the project personnel in the Chemie Linz Plants.
- 4.5 In July, 1977 a contract was executed with the joint venture M/s Inventa of Switzerland and M/s Man and Mannesman of West Germany for the provision of erection equipment on rental basis, selection and training of local manpower and the execution of mechanical erection of the Complex.

PAKARAB FERTILIZERS LIMITED.

1. THE COMPANY.

1.1. Pakarab Fertilizers Limited, a Public Sector Company was incorporated in November, 1973 as a joint venture between West Pakistan Industrial Development Corporation, later succeeded by National Fertilizer Corporation of Pakistan Limited (NFC), and the Abu Dhabi National Oil Company (ADNOC) with the objective of acquiring the existing Natural Gas Fertilizer Factory (NGFF) at Multan, and implementing the scheme for its modernization and expansion.

1.2 Total authorised capital of the Company is Rs.1000 million. The initial paid up capital of Rs.367.352 million was increased to Rs.646.14 million in December, 1974. The shareholding of NFC in this capital reduced from 70 % to 52 % and that of ADNOC increased from 30 % to 48 %. The Paid Up Capital was further revised upwards in July, 1976 to Rs.972.67 million while maintaining the same ratio amongst the participants.

1.3 The policy of the company is determined by a Board of Directors comprising nine members-four representing ADNOC and the remaining five representing NFC. A full time Managing Director is appointed who has been vested adequate powers by the Board for day to day affairs of the Company.

2. THE PROJECT.

2.1 The Project concerns the modernization and expansion of the existing fertilizer production facilities of NGFF at Multan. The expansion to be carried out by Pakarab Fertilizers Ltd. envisaged increased production capacities as follows:

Project	Designed capacities metric tons/day	
	Existing Facility	Expanded facility
1. Ammonia	200	910
2. Nitric Acid	200	1400
3. Urea (Prilled)	220	220
4. Ammonium Nitrate	330	-
5. Nitro-phosphate (Prilled)	-	1015
6. Calcium Ammonium Nitrate (Prilled)	-	1500

2.2 The capital cost of the Project is currently estimated at U.S.\$ 194 million with the foreign exchange component of U.S.\$ 109 million.

3. FINANCING OF THE PROJECT.

3.1 The foreign exchange financing of the Project is as follows:

<u>Source</u>	<u>Amount U.S.\$ in million</u>
IBRD	35
Asian Development Bank	27
OPEC loan	11
ADNOC contribution to the equity	31
Others	5

3.2 All local currency requirements of the Project are being provided by the Government of Pakistan.

4. CONTRACTORS/CONSULTANTS.

4.1 Negotiations were carried out with leading Engineering Contractors in the World and in end of 1973 contracts were signed with the following for providing design engineering, procurement and inspection services.

a) Kellogg International Cooperation of U.K. for the Ammonia Plant and offsite facility.

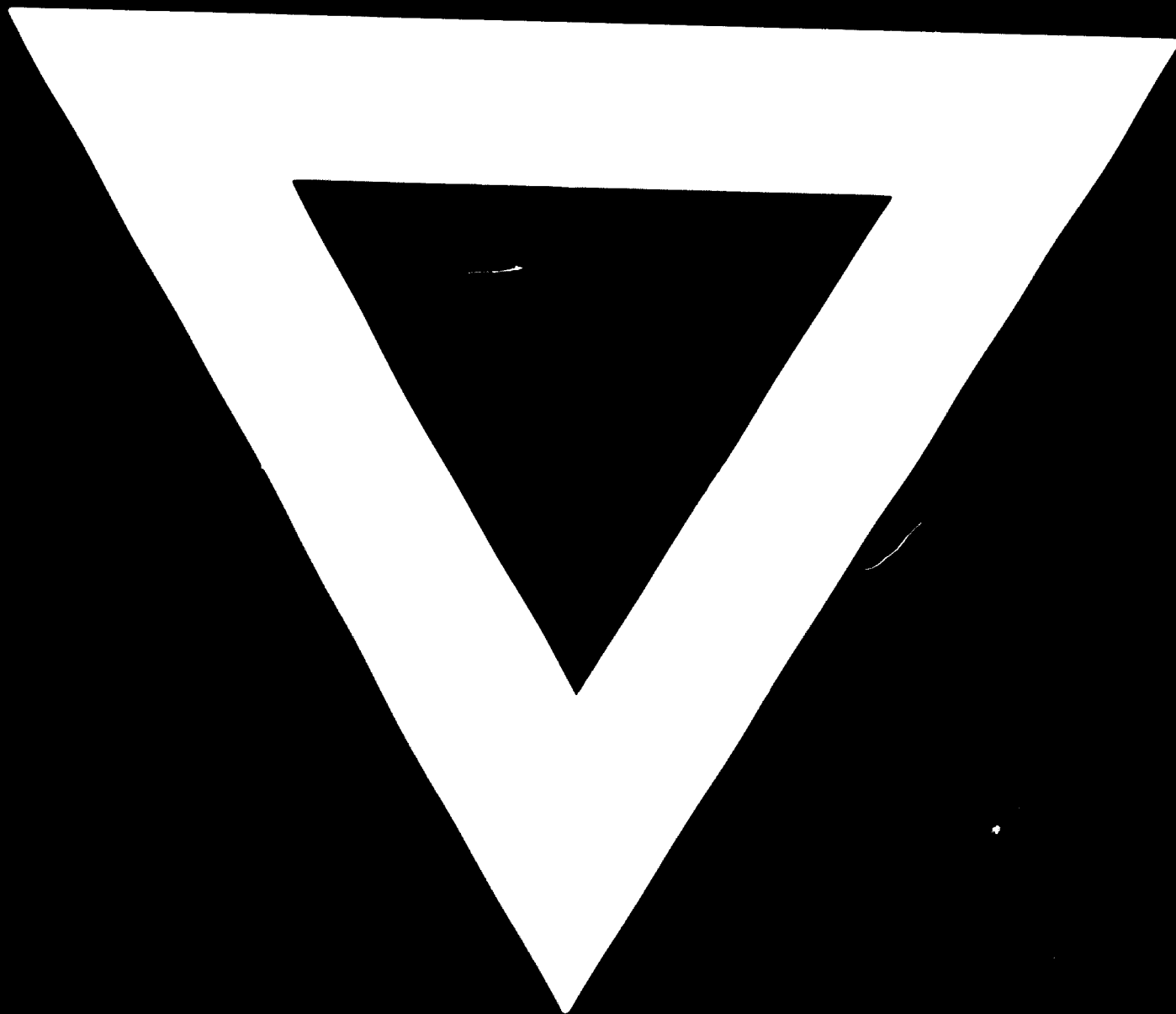
b) Friedrich Uhde of Dortmund, West Germany for Nitric Acid, Nitro-phosphate, Calcium Ammonium Nitrate, Calcium Nitrate conversion and storage and handling facilities.

4.2 M/s Stamicarbon of Holland were appointed in March, 1974 as Technical Advisor to Pakarab Fertilizers Limited to provide advisory services and to oversee work of engineering contractors during design, engineering and procurement phase during plant erection, start up and guarantee periods.

4.3 In October, 1976 M/s Inventa of Switzerland were appointed as Erection Contractors for supervision and direction of erection in the Uhde areas.



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