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ASSISTANCE TO THE REGIONAL DEVELOPMENT  
FINANCE CORPORATION (RDPC)

DP/PAK/85/024/11-02

PAKISTAN

Technical report: Assistance in the preparation of pre-investment  
studies for the agro-based industrial sub-sector

Prepared for the Government of Pakistan  
by the United Nations Industrial Development Organization,  
acting as executing agency for the United Nations Development Programme

Based on the work of Y. E. Dunais, expert in agro- and forest-based industries

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Explanatory notes

The monetary unit in Pakistan is the rupee (PRs).

References to tonnes (t) are to metric tonnes.

Besides the common abbreviations, symbols and terms, the following have been used in this report:

<b>ADBP</b>	<b>Agricultural Development Bank of Pakistan</b>
<b>COMFAR</b>	<b>Computerized financial analysis and reporting</b>
<b>DFI</b>	<b>Development Finance Institution</b>
<b>IDBP</b>	<b>Industrial Development Bank of Pakistan</b>
<b>NDFC</b>	<b>National Development Finance Corporation</b>
<b>NWFP</b>	<b>North Western Frontier Province</b>
<b>PIDD</b>	<b>Project Identification and Development Division</b>
<b>RDFC</b>	<b>Regional Development Finance Corporation</b>

**ABSTRACT**

In the context of the project "Assistance to the Regional Development Finance Corporation (RDFC)" (DP/PAK/85/024), for which the United Nations Industrial Development Organization (UNIDO) is the executing agency on behalf of the United Nations Development Programme (UNDP), an expert in agro- and forest-based industries was assigned to the project for five months. His mission started on 7 November 1986 and ended on 13 April 1987.

According to his job description, the expert was expected to work in a team and to concentrate on upgrading the capabilities of the staff of RDFC through on-the-job training in project identification, the preparation of opportunity and feasibility studies, as well as in appraising, promoting, financing and implementing projects in the agro-based industrial sub-sector. For various reasons explained in the report, the mission could not be implemented exactly as planned and the expert had to adapt his work programme accordingly. His activities covered: specific areas surveys, identification of projects, assistance in studying sub-sectorial matters (inputs, outputs, production capacities, technology and equipment), promotion and implementation of projects, analysis of existing studies and meetings with promoters. Opportunities for cattle-feed projects, rendering plants, date-processing, sugar-cane by-products and fruit processing were identified.

The expert also analysed PIDD's operational soundness in promoting sub-sectorial projects and made the following main recommendations:

- (a) To implement a sub-sectorial approach involving team work;
- (b) To allocate to PIDD adequate resources enabling it to carry out project studies in a methodical way and optimizing benefits to be derived from the COMFAR program;
- (c) To carry out general, resource-based and sub-sectorial studies as a basis for further specific opportunity studies.

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## INTRODUCTION

In the context of the project "Assistance to the Regional Development Finance Corporation (RDFC)" (DP/PAK/85/024), for which the United Nations Industrial Development Organization (UNIDO) is the executing agency on behalf of the United Nations Development Programme (UNDP), an expert in agro- and forest-based industries was assigned to the project for five months. His mission started on 7 November 1986 and ended on 13 April 1987.

RDFC which was established in 1985 as a subsidiary of the National Development Finance Corporation (NDFC) was entrusted with the promotion of industrial projects in the less-developed areas of Pakistan. In line with the objectives of the project, the expert was expected to upgrade the capabilities of RDFC's staff through on-the-job training in project identification, the preparation of opportunity and feasibility studies, as well as in appraising, promoting, financing and implementing projects in the agro-based industrial sub-sector. The main counterpart structure in RDFC was the Project Identification and Development Division (PIDD).

The expert was meant to be part of a project team consisting of two other experts in specific industrial sub-sectors and COMFAR program specialists, working simultaneously under the guidance of a team leader (economist).

The mission could not be implemented exactly as planned as the team leader joined late and the assignment of the other experts was delayed until after the end of the expert's mission. First contacts revealed that PIDD has extensive duties in the second and in the third sectors, and that sub-sectorial projects are entrusted to generalists or finance experts, working without specialized assistance. It was therefore necessary for the expert to make a survey of the environment of the mission in order to work on identified ground. This assessment of the regions of RDFC's assignment, the intervening agencies, services and institutions and the organization of PIDD is contained in chapter I.

Taking into account the existing conditions, a modified work programme was proposed to RDFC. It concentrated on the first items of the expert's job description as well as on the identification steps of projects. With RDFC's efficient logistic management and with the assistance of the counterpart, a specialist in projects location, field missions were carried out to identify opportunities. Several projects were proposed to RDFC, but only a few were further developed as there was little operational co-operation in the sub-sector.

The conditions existing in PIDD, in terms of available resources and applied methodology were found to need improvement. In his recommendations the expert put emphasis on the aspects corresponding to institution-building with a view to permit a methodical approach and to get a real benefit of the COMFAR program which will be provided under that project.

## RECOMMENDATIONS

1. Project identification and the elaboration of pre-investment studies for sub-sectorial projects should be organized in a way ensuring a higher degree of validity. This includes:

(a) The formation of teams of experts for specific studies;

(b) The selection of suitable national specialists, internal or external to RDPC, covering the major substantive fields of the project concerned.

2. Methods and formats should be introduced that are compatible with the COMFAR program and permit an immediate utilization of the processed project studies. These standard formats should also be imposed on any intervening partner in the studies.

3. Particular attention should be given to the collection of data and information at the local, regional and sub-sectorial levels. On a priority basis the following should be implemented:

(a) Conduct general and functional studies, resource-based as well as sub-sectorial;

(b) Establish a format, budget and schedule for operational surveys of each project;

(c) Set up a central data base in PIDD, managed by a full-time specialist;

(d) Motivate the officers to get more detailed information and to check the data.

4. The sub-sectorial objectives should be adapted to the operational budget, which needs to be increased.

## I. ASSESSMENT OF THE PRESENT SITUATION

### A. The less-developed areas of Pakistan

With the exception of most parts of the provinces of Punjab and Sind, the rest of Pakistan is considered as "less-developed areas". This includes:

- (a) The North Western Frontier Province (NWFP) and tribal territories;
- (b) The northern areas;
- (c) The province of Baluchistan;
- (d) The states of Jammu and Kashmir;
- (e) Some parts of Sind and Punjab.

These regions, unlike Sind and Punjab, are generally mountainous with limited areas of arable land.

Climates are widely varying, from dry tropical in the south of Baluchistan to very cold, with steppic plants in the northern areas (Baltistan, also nick-named "small tibet", and Gilgit). Soils change from excellent in Peshawar Division (NWFP) to semi-desertic or even desertic in many regions.

The population density is, on the average, lower than in Punjab. However, Peshawar Division is quite overpopulated, bringing NWFP to an average density of 160 inhabitants/km<sup>2</sup>, as compared to 126 for the entire Pakistan. Although in the other regions the density is lower, it becomes an economic burden because of the scarcity of arable land.

#### Infrastructure

The main road system connects Karachi to:

- (a) The northern areas and to China and serves the main towns of Sind, Punjab, the east of NWFP and Gilgit;
- (b) The border of Kashmir, and divides itself into a net of narrow secondary roads and tracks;
- (c) NWFP and Afghanistan;
- (d) Quetta, from where secondary roads and tracks lead up to the Islamic Republic of Iran.

With the exception of the southern part of NWFP, the provincial road net is weak, making transportation from and to villages and farms rather difficult.

Road transport which is highly developed, is mostly owned by small entrepreneurs, and, although poorly organized, very efficient. Most industries rely on this means of transport rather than on railways.

Railways connect Quetta and Peshawar to Karachi, and the most important towns of Sind and Punjab. In spite of considerable efforts and cheap fares, railways are not sufficiently used by the workers in the agro-based industrial sub-sector.



Electricity is available in most towns, in industrial estates and in most rural areas. Sustained efforts are made to develop the net according to the needs of industrial development, but due to a fast growing demand delays in wiring do occur. The Water and Power Development Authority (WAPDA) tries to satisfy demands wherever justified.

The availability of potable water is a problem in some areas, mostly in the south and south-east of Baluchistan where water is scarce and wells are deep.

The telecommunication network is certainly one of the most limiting factors in most areas as it is insufficient and not very reliable.

### Agriculture

The role of agriculture in the economy of the regions is summarized in table 1.

Table 1. Land use in Pakistan, by region  
(In thousands of hectares)

	Regions					
	Sind	Punjab	WFP	Baluchistan	Northern areas	Jammu and Kashmir
Surveyed area	13.93	17.01	10.17	34.72		
Forests	0.66	0.45	0.96	1.09		
Non-arable land	5.20	2.94	3.95	11.16		
Cultivated area	5.60	11.64	1.84	1.46		0.24
Cultivated area/ surveyed area (%)	40.20	68.43	18.09	4.20		
Crop area	2.82	10.46	1.52	0.62		
Area with more than one crop	0.90	3.02	0.43	0.02		
Cultivated area/ inhabitants per ha	0.25	0.22	0.14	0.24		0.10

Source: Agricultural Statistics of Pakistan, 1985; updated from the Sixth Year Plan.

In the areas for which EDFC is responsible, all arable land is being cultivated. Due to the climatic conditions, those areas where no irrigation water is available (Barani areas) may be cultivated only during the short rainy season.

Irrigated agriculture ranks among the largest irrigated areas in the world. The agricultural production, using traditional methods, is characterized by:

(a) Diversified products, partly for the farmers' own consumption, partly for the market;

(b) Split cash crops and industrial crops;

(c) Low investment and accordingly low yields;

(d) Low to very low prices for crops sold on the free market and imposed prices for industrial crops and grain;

(e) Low agricultural revenues which seem due more to low yields than to low prices;

(f) Structural difficulties in the collection and transportation of crops, and accordingly high profit margins for collectors and traders.

As a result, agro-based industrialization is difficult. Furthermore, the link between agriculture and industry remains unorganized. The promotion of the co-operative system is not favoured by the authorities, as past failures gave reason for suspicion about its efficiency.

The major cash crops of two surveyed provinces are given in table 2.

Table 2. Major cash crops of two provinces

Crop	NWFP	Baluchistan
Sugar cane (1,000 t)	3,700	30
Sugar beet (1,000 t)	100	-
Cotton .000 bales, 375 lbs/bale)	3	0.9
Tobacc. (1,000 t)	58	3

Oil seeds are insufficiently produced in the less-developed areas of Pakistan as well as in the whole country. According to various sources 500,000 to 600,000 tonnes of oil seeds are imported while they could be produced locally. NWFP produces 22,000 tonnes of rapeseed and mustard; Baluchistan produces 14,000 tonnes of various oil seeds.

The fruit production in the less-developed areas is concentrated in the irrigated areas of NWFP and around Quetta (Baluchistan). Table 3 shows the main fruit production of these two provinces.

Table 3. Fruit production in two provinces  
(In thousands of tonnes)

Fruit	NWFP	Baluchistan
Apples	59	79
Pears	30	1
Apricots	12	40
Plums	30	12
Grapes	-	26
Peaches	2	9
Pomegranates	1	20
Dates	7	85

The main regions of production are:

(a) In NWFP: Peshawar and Malakand Divisions (Peshawar, Mardan, Swat, south of Dir), on the eastern bank of the Indus River, Abbottabad District;

(b) In Baluchistan: Quetta Division (Quetta, Pishin, part of Zhob), plus Panjgur and Turbat Districts for dates; pomegranates nearly in all parts of the province;

(c) In the northern areas: 40,000 tonnes of apricots are reported to be cropped, most of it being lost.

Wood resources are minimal. The forests are overexploited, resulting in a constant reduction of the areas by about 1 per cent per year.

Fishing is concentrated in the Karachi area. The coast of Baluchistan does not yet have the infrastructure required to develop fishing and a fishery industry.

Fish farming has not yet reached economic importance, but could be developed in NWFP and in most of the northern areas.

#### Industrial development

The level of industrialization of specific areas may be expressed by the value added created by large-scale industries in those areas, as percentage of the total value added created by the large-scale industries in Pakistan. It shows that:

(a) Karachi alone accounts for about 30 per cent;

(b) The seven largest towns of Sind and Punjab account for over 60 per cent (Karachi, Lahore, Hyderabad, Faisalabad, Sheikupura, Rawalpindi and Islamabad);

(c) NWFP reaches only some 9 per cent, of which Peshawar accounts for 4.8 per cent and Mardan for 1.9 per cent;

(d) Baluchistan accounts for only 1.9 per cent.

In the agro-based industrial sub-sector, five sugar mills with four distilleries, four leather-processing plants and six tobacco factories constitute the essential part of the large-scale industry in the less-developed areas, most of them being concentrated in NWFP.

In Baluchistan the only large-scale plant is a textile factory, which is reported to suffer from economic difficulties.

Consequently, development projects in the agro-based sub-sector would find an unprepared ground as most industries - except sugar mills, oil mills, starch-processing plants and paper mills - cannot induce a sufficient infrastructure nor attract other industries.

Favourable conditions for medium- and certain small-scale industries appear to exist in the districts of Peshawar, Mardan and Abottabad and in "border-hopping" industrial estates (Hattar in Abottabad District, Mirpur and Bhimber in Kashmir). But even in these areas the existence of a number of ailing or closed-down industries make it highly desirable to conduct a sectoral survey before launching projects.

#### B. The Development Finance Institutions

The development objectives are expressed in the current Five-Year Plan and assigned for implementation to the Development Finance Institutions (DFI) and other economic agents.

There are 10 DFIs in the public sector. Some of them, such as the Agriculture Development Bank of Pakistan (ADBP) and the Industrial Development Bank of Pakistan (IDBP) are also commercial banks. Since the DFIs of Pakistan receive little financial assistance from the Government, most of them satisfy their financial needs through deposit saving schemes or by going into commercial banking.

#### C. The Regional Development Finance Corporation

##### Background

The Regional Development Finance Corporation (RDFC) was established in 1985. Its capital is held jointly by the National Development Finance Corporation (NDFC) (50 per cent), the Pakistan Banking Council (40 per cent) and IDBP (10 per cent). At present PRs 62.5 million are paid up.

The tasks assigned to RDFC are to identify, study and finance commercially viable projects, and may include participation in equity. This implies that RDFC is directly involved in providing the necessary assistance to the client at all phases of the project. As a matter of fact, RDFC carries out feasibility studies, conducts market surveys and performs other tasks which are usually subcontracted to engineering companies.

Agriculture is the only sector excluded from benefiting from the credit and services by RDFC, whilst the mining sub-sector is given special attention.

Like other DFIs, RDFC is not in a position to offer specific incentives or compensations to boost projects considered as particularly desirable. In the less-developed areas, all sectors enjoy the same fiscal benefits, i.e. five years of tax exemption on profits.

A peculiar feature of RDFC is to resort to a mark-up system to compensate for the non-application of interest rates in Islamic banking. It results in the purchase of material components of the investment which are resold to the investor with a profit margin.

#### The role of RDFC among DFIs engaged in agro-based projects

As the country's primary sector accounts for 25 per cent of the gross domestic product (GDP) and employs more than 50 per cent of the population, it offers many opportunities and constitutes the main field for industrialization. The major part in that process is assigned to RDFC and to ADBP, excluding only projects in the heavy industry.

ADBP has the advantage of being both, a rural development bank and a specific agro-based industrial DFI. Its size and presence in all rural areas puts it into a favourable position in what could appear as a competition between two DFIs. In fact, however, RDFC gets some support from ADBP in the early, information-gathering phases of projects. No real co-operation exists but could be developed on specific projects.

RDFC is particularly restricted with regard to foreign exchange. As it has no direct access to foreign lines of credit, the equipment for projects has to be purchased on the local market. Some exceptions are made in the case of modernization and reconstruction of existing plants for which clients may obtain loans in local currency with import licences.

#### Projects financed by RDFC

##### Approved loans

Until December 1986, RDFC has approved the following loans:

<u>Million PRs</u>	<u>Number of projects</u>
Less than 2	59
Between 1 and 2	31
Over 10	22

The average amount per project is 2.9 million PRs.

Since its establishment, RDFC has granted three loans to the private sector that are over PRs 12 million: PRs 13.7, PRs 14.2 and PRs 12.5 million respectively; and two major loans to the public sector, one of PRs 20 million, the other of PRs 15 million.

By the end of 1986 the loans approved amounted to PRs 328 million, of which 63 per cent are in the industrial sector.

The last, and at the same time the first balance of RDFC was negative, showing an income of PRs 7,672,200 and expenditures of PRs 10,896,400. This result may be explained by the fact that RDFC still had to consolidate its business.

Sectoral distribution of RDFC's activities

The approved loans of PRs 328 million are repartited as shown in table 4.

Table 4. Number of projects financed, by size of loans

Sector	Percentage of total	Less than PRs 2 million	Between PRs 2 and 10 million	Above PRs 10 million	Total per sector
Agro-based industries	30.2	6	9	8	23
Food processing	(25.2)	3	8	7	
Leather processing	(4.3)	-	-	1	
Wood-working	(6.0)	3	1	-	
Other industries	32.8	16	10	7	33
Services sector	<u>37.0</u>	<u>33</u>	<u>12</u>	<u>7</u>	<u>52</u>
Total	100	55	31	22	108

The diversity of sub-sectoral activities is evidenced by the dominance of a large number of small loans.

Organization of RDFC

On the Board of RDFC are represented:

- (a) The Ministry of Finance by one representative;
- (b) The regions of assignment by five representatives;
- (c) The shareholders by three representatives.

The chairman of NDFC is by virtue of his function chairman of RDFC. The Managing Director is nominated by the Federal Government.

The Operational Services are co-ordinated by the Senior Vice-President who also supervises all other services, i.e. administration and branch offices.

The Operational Services consist of three divisions:

- (a) The Project Division, excluding mine and mineral projects;
- (b) The Mineral and Mining Projects Division;
- (c) The Projects Identification and Development Division (PIDD)

and two ancillary services: the Management and Information Service and the Policy Cell.

Marketing services are provided by a self-employed consultant, who has office facilities at RDFC and is assisted by two RDFC officers.

Four regional branches are planned. Two of them already exist at Peshawar and at Quetta.

The Corporation employs over 50 persons; 21 officers form the operational staff.

#### Activities of the Divisions and branch offices

##### The Project Division

That Division is in charge of managing the loans (preparation, appraisal, management). It has also to finalize feasibility studies when promoters cannot deliver sufficient formal documentation for project appraisal. It is headed by a Vice-President, and concentrates an important part of the operational means in its three Project Cells, operated by nine officers, a Credit Cell (one officer) and the Engineering Wing (one officer). The Division employs staff coming from various sub-sectors of the second and the third sectors.

The Credit Cell takes all necessary steps with the Administrative Division to transform an approved loan into an effective one.

The Engineering Wing is providing services to clients after the loan is sanctioned and during project implementation.

##### The Mineral and Mining Projects Division

That Division carried out all the steps of the projects in its field of assignment, including identification, promotion, appraisal and implementation. It is headed by an Assistant Vice-President and comprises three officers. Its sectoral specialization permits it to take a direct technical position (conceptualization, equipment, organization) in most of the projects, and the presence of the Division in the sub-sectoral market is quite noticeable.

##### The Projects Identification and Development Division

Project identification and development is a completely separate activity, producing services. It should be noted that PIDD is not a profit centre. The duties of the Division start with identifying projects and end with the submission of a feasibility report to a client, or with the delivery of a complete package "project and promoter". The finalization of the project is normally carried out by RDPC, but the promoter may decide to have it finalized through any other bank. For a detailed description of PIDD's functions, see annex II.

PIDD employs two staff, one junior MBA graduate and the head, an Assistant Vice-President. Considering the extent of its assignments, that number of staff is insufficient, and PIDD has to resort to external assistance in carrying out specific tasks such as market studies and sub-sectoral engineering studies.

Recently PIDD was also required to take on the management of the "Supervised Small-Scale Credit", an activity which is not normally part of the duties of such a Division. A junior officer is in charge of it.

PIDD has no separate operational budget. Its activities are essentially financed by RDPC revenues. However, from among the benefiting provinces, NWFP donated some funds to RDPC, and the interests of that grant are used by PIDD in promoting projects in that province. In spite of this, PIDD remains insufficiently financed and carries out its duties with very limited means.

Since RDFC is financing both development projects and normal projects (commercial banking), PIDD can be considered to be its development service, making the difference between an ordinary bank and a DFI.

#### Branch offices

Two branch offices are operating at present. The Peshawar branch which covers NWFP and is run by two employees, will be expanded. The office represents the Institution in the area and provides a link with the authorities and the promoters. Upon request of the Divisions, it has to provide all required information on the region and on projects.

The Quetta branch office covers Baluchistan and is managed by one officer. He deals mainly with mining projects which are the most demanded in that province. However, other studies are carried out on request.

#### Concluding remarks

RDFC is a young DFI, and therefore still concerned with its own problems while taking care of the development in the regions of assignment. But it has already proven its effectiveness through projects implemented in many sectors. Regarding the agro-based industrial sub-sector, the means available so far allow only a slow progress. New options could boost development in this sub-sector in areas showing a fast-growing primary sector.



## II. ACTIVITIES OF THE EXPERT

### A. Reasons for revision of the expert's work programme

In carrying out the duties according to his job description (see annex I), the expert was facing some difficulties and had to adjust his work programme accordingly. Besides the fact that RDFC is less structured and has fewer means than it would appear from the project document, which affected the practical organization of the mission and the expert's work programme, there were other factors which had a negative influence on the effectiveness of the mission.

With regard to UNIDO inputs:

(a) The team of experts was not complete, which affected the following:

- (i) Settlement of the work programme;
- (ii) Organization of proper documentation;
- (iii) Discharge of certain general or complementary tasks, expected to be distributed between the experts. Such tasks had to be limited, but remained heavy for the expert who had to survey regional data, take the first steps for the set-up of a general documentation and prepare a systematic and comprehensive sectoral approach;

(b) The non-availability of the COMFAR experts during all the mission reduced the efficiency of the mission considerably.

With regard to RDFC inputs:

(a) RDFC was not in a position to fulfil the provisions per items G and I of the project document. More particularly, PIDD has no specialist in agro- and forest-based industries or someone familiar with the "sub-sectoral culture". Communication on sub-sectoral matters was therefore difficult;

(b) PIDD has not enough staff to allow the expert to mobilize 30 staff (then 50 per cent of the total labour force) for training. The Division itself had only three officers, later two, and finally obtained again one junior officer.

Aware of these difficulties, RDFC put more emphasis on getting a technical output, i.e. identified projects, than on training. RDFC support was expressed by providing an effective logistic assistance and by submitting specific problems for advice.

### B. Revised work programme

Priority was given to assisting PIDD in creating more efficient conditions of work, permitting to proceed later to on-the-job training. In this regard, the expert undertook the following:

(a) Consolidate documentation and data on regions and on the sub-sector;

(b) Settle documentation for project identification, preparation and evaluation (methodological and technical aspects);

- (c) Prepare and conduct area surveys in the sub-sector;
- (d) Assist PIDD in its practical work by:
  - (i) Providing techno-economic advice on development projects and documents;
  - (ii) Analyzing PIDD project documents;
  - (iii) Making proposals for defining the concept of development projects;
  - (iv) Providing a set of studies on project opportunities.

A revised work programme was proposed to the Head Executive on 10 December 1986 (annex III), and discussed and approved on 21 December 1986 (annex IV). As can be seen, the expert in his proposal, as well as the Head Executive in the meeting report, insist on the necessity of solving the problems in connection with the surveys and with the collection and organization of information and data.

Circumstances led to concentrate on MWFP, as it was expected to verify local information for several projects, the problem of data collection being the limiting factor. Project studies were accordingly restricted to projects for which sufficient information could be collected. Although several missions to MWFP brought good results, the quantitative aspects of project inputs remained imprecise in many respects.

### C. Activities carried out

#### General and regional documentation

Documentation on the national and regional economic situation was obtained from UNIDO, the World Bank, the Ministry of Agriculture as well as from federal and provincial government services.

Sub-sectoral documentation was made available mostly from FAO, UNIDO, ADBP, the Ministry of Planning (Computer Cell), the Pakistan Agriculture Research Council, the Pakistan Council of Science and Industrial Research, the Directorate of National Husbandry, the Poultry Research Institute, the Fruit and Vegetable Development Board, the Directorate of Industry and other institutions and services at federal and provincial levels.

The documentation was handed over to RDPC either as printed matter or as internal notes.

#### Sub-sectoral documentation for project identification

In addition to part of the above-mentioned documentation, this includes:

- (a) Reports of visits to manufacturers (beverage and fruit-processing plant; Ghee factory at Dargai);
- (b) A set of project profiles for fruit-based industries;
- (c) Two feasibility studies (poultry, other birds, fish feed, cattle feed - straw processing into cattle feed);

(d) A report on the improvement of date-palm cultivation and date processing by FAO;

(e) Statistics on fruit exports from Pakistan to other countries for three years;

(f) A set of UNIDO publications and documents.

Set-up of a central documentation/data base

The existing documentation was surveyed and recommendations made on how to organize a central documentation, as this was found necessary and urgent.

Preparation of opportunity studies

The expert prepared the following:

(a) Note on the approach to project identification;

(b) Note on the preparation of surveys at the district level (collection of general data, production, consumption, infrastructure, industries etc.);

(c) Analysis of the conditions of development of new date-processing plants (concluding that priority should be given to the modernization and re-start of existing units; advice to survey the availability of fruit in the considered regions);

(d) Study on storing potatoes and onions in Pakistan (concluding that under present conditions it is not viable);

(e) Informal notes on poultry feed and industrial by-products for cattle feed;

(f) Note on the fruit and vegetable potential of the Manshera Division for exportation, including a packing and grading facility (concluding that this was not feasible given an insufficient production. The field survey was subsequently cancelled.).

Area surveys

These were restricted to NWFP, as the level of development in that province provides favourable conditions for implementing small- to medium-scale projects, large-scale projects being excluded from RDPC possibilities and assignments.

Three field missions were conducted, the first mainly to Peshawar District, the second and third through Peshawar, Mardan, Swat and Dir Districts, and Malakand Agency.

The main objective was to collect regional data, and then to concentrate on the fruit, vegetable and meat sub-sectors. As the fruit and vegetable production was too low, it was decided to extend the survey to oils and fats, sugar-cane by-products, animal by-products from slaughter houses and poultry feed.

## Opportunity studies

### Fruit processing

Opportunity studies for fruit-processing industries were abandoned when it became obvious that only a comprehensive survey involving a team of surveyers would get the necessary data from where they are available, i.e. at farm level. The government services consulted could only give general and some qualitative information.

In spite of these deceptive results, no negative conclusion can be drawn regarding the opportunity to develop the fruit and vegetable industry in the region. The potential seems to be favourable because:

- (a) Crops appear to be important;
- (b) Their cost at farm level is low;
- (c) Productivity can still be considerably improved;
- (d) Successive crops of different varieties and species allow a continuous operation of grading, packing and dispatching units, associated to the processing units.

It is proposed to carry out a detailed study in the frame of the project "Fruit and vegetable post-harvest technology" (DP/PAK/86/030) which should permit the launching of some small- to medium-scale projects. However, the existence of bankrupt and shut-down plants in a region as favourable as Peshawar, leads the expert to advise to carry out extensive sub-sectoral surveys before promoting new projects.

### Sugar mill by-products

The opportunity study concluded that two or three projects could be developed, provided that the supply of sugar cane to the mills would improve. The first step would be to increase cane yields to ensure a continuous operation of the sugar mills. At present, the income is low in spite of high prices. The projects include:

- (a) The production of bagasse particle board;
- (b) Molasses and cattle feed from beet-pulp;
- (c) Yeast recovery in distilleries.

### Cattle feeding

These would be desirable projects in the region, but are not within RDFC's scope of activities. An association of DFIs would permit to implement the projects in an integrated scheme.

### Poultry feed

A poultry-feed project in Swat is justifiable because of existing favourable conditions, such as climate, demand, availability of most of the raw materials and proximity of markets. The underdevelopment of that valley prompted the expert to recommend to the development authorities to support this project and to bring other projects to that sub-region (mining and engineering industries may find opportunities).

### Rendering plants

The establishment of such plants in Peshawar, Mardan and Swat would be positive opportunities. Rendering would be limited to blood, as all other by-products are being sold. Blood is at present being sun-dried. This traditional method gives a product of very poor quality for cattle feed, which cannot be used as a chicken feed as it is often found to be toxic.

The Peshawar rendering plant may use conventional technology due to the quantity of raw material collected. The Swat project should use a "wet technology" to obtain stabilized products. As the shelf life of such products is limited to three to five weeks according to storage temperature, it should be marketed in the region or province. The application of wet technology, patented in Czechoslovakia, would contribute to the promotion and implementation of projects. Several projects of these two types are desirable, as the country suffers from a shortage of animal proteins for cattle and poultry feed.

### Analysis of PIDD project studies

Four detailed analyses were carried out:

(a) Pre-feasibility studies:

Mini fruit-processing unit;  
Cattle-feed plant;

(b) Feasibility studies:

Fruit-juice plant;  
Cooking-oil plant.

### Assistance to clients

On the request of RDFC, two promoters were directly advised:

(a) For a project of a can-making plant for carbonated drinks. The expert advised on technology and equipment;

(b) For a vegetable and fruit dehydration plant. The expert advised on market demand and size of the project.

### Visit to works on site for a project

A mission to Dir was the occasion to visit the implementation of a factory for aluminium kitchen utensils, as no agro-based project was under implementation in the region.

The expert found that, in spite of the assistance received, the client was meeting serious difficulties in implementing the project. Particularly, no instructions for the installation of the machinery, including storage, were given, and no supervision of the works was made available. Furthermore, the machinery delivered was found to be incomplete.

The expert informed RDFC accordingly and suggested that, in order to reduce the risks, more emphasis be put on this phase of project implementation.

D. Conclusions

The outputs of the mission, as defined in the job description, were only partly met. The methodological aspects and the progress in the opportunity studies constitute the essential outputs.

On-the-job training could not be carried out as foreseen, i.e. by establishing project studies in co-operation with the counterpart. The expert was assigned many studies during the mission, but most of them were outside the sub-sector to be considered.

As a result, his work was oriented towards a direct production of identified projects and the critical analysis of the actual tasks and methods used by PIDD and RDFC.

As an external view on PIDD's operations may be helpful to RDFC, the following chapter contains a review of PIDD's present approach and some proposals for improvement. It is believed that PIDD may find some elements supporting its own analysis which may help to strengthen the Division.

### III. ANALYSIS OF PIDD STUDIES

The objectives of PIDD are defined in annex II, which has been prepared by the Division itself. PIDD was created "for undertaking promotional efforts by identifying viable projects and providing consultancy services to the potential entrepreneurs".

The reasons for establishing the Division were:

- (a) The limitation of business opportunities in the less-developed areas;
- (b) The tough competition among DFIs and between DFIs and commercial banks in the same areas;
- (c) The need for cheap consultancy services adapted to small-size projects in the less-developed areas.

#### A. Studies produced by PIDD

Studies are carried out for identified or existing promoters. They belong to one of the three known levels of elaboration:

- (a) Project profiles;
- (b) Project pre-feasibility studies;
- (c) Project feasibility studies.

From PIDD's creation up to now, 120 projects were identified. Many of them were developed into project studies and are referred to hereafter.

#### Project profiles

The definition of a "project profile", as given in annex II, is to some extent close to the one usually given for an "opportunity study". The main difference lies in the functional aspect of "project profiles" as they remain general, with no reference to locally identified resources. Their objective is more promotional or commercial than operational.

So far, 112 project profiles have been established, a very important number when the means of the Division are considered. They may be differentiated as follows:

- (a) By size: 109 small-scale, 54 medium-scale and 14 large-scale projects;
- (b) By region: 37 are proposed for NWFP, 43 for Baluchistan and 32 for Jammu and Kashmir.

Out of the total, 47 projects belong to the agro-based industrial sub-sector, of which 17 are in NWFP, 15 in Baluchistan and 15 in Jammu and Kashmir. Most of these sub-sectoral projects are repetitive: 14 are proposed three times, once in each region.

Many of the projects can be developed into opportunity studies, provided that a local survey demonstrates the accuracy of the data.

Pre-feasibility studies

Forty studies are available, of which nine are proposed three times, once in each of the main provinces of assignment. Nineteen of the studies are large-scale projects, i.e. for over PRs 10 million.

Details of the agro-based projects are given in table 5.

Table 5. Pre-feasibility studies for agro-based projects

Type of industry	Location	Size (in million PRs)		
		Small	Medium	Large
Cattle feed	NWFP (Mardan)			37
Spice grinding	3 provinces	1.9		
Mini fruit-processing unit	NWFP and Kashmir		2	
Vegetable dehydration	NWFP	1.5		
Firelogs	Baluchistan		2.3	

The degree of achievement of these studies varies, depending on the quality of the initial data. Projects such as spice grinding needed a less detailed local survey than e.g. fruit-processing units.

Feasibility studies

From the 23 studies carried out, 15 were for NWFP, five for Baluchistan and three for Jammu and Kashmir. The six studies in the agro-based sub-sector are distributed as follows:

Million PRs

In NWFP:

Flour mill	6
Mini fruit-processing unit	2.2
Vegetable dehydration	1.6
Shoes	1.7

In Baluchistan:

Fruit-juice plant	6.5
Flour mill	7.6

In 1987, two feasibility studies were started, one on a jam cottage industry in the northern areas and the other on a date-processing plant in Dera Ismail Khan.



Feasibility studies are quite acceptable as far as the financial aspects are concerned, while the technical part could still be improved.

### Projects implemented

In the agro-industrial sub-sector a shoe-making plant and a small furniture plant were financed, after participation of PIDD in the promotion of the projects.

As mentioned before, promoters are free to implement their projects through RDFC or any other bank or DFI. This has negative consequences for RDFC:

(a) It leads to underestimate PIDD's promotional efficiency, as implemented projects may not be attributed to its preparatory work;

(b) It deprives RDFC of financial revenues, as fees for studies are far from covering their expenses.

### B. The quality of PIDD studies

The proposals made in this section aim at the technical aspects of PIDD's work. Most of them confirm the analysis and conclusions expressed by PIDD in annex II.

#### Quality of the studies in relation to the objectives

The pre-investment studies carried out by PIDD cover all the points usually reviewed in such studies in order to satisfy the promotional, operational and financial objectives.

(a) Promotional objective - As far as a proposal for investment is concerned, a description of the project is given with the corresponding costing. Therefore the promotional objective is met;

(b) Operational objective - Particular attention should be given to the following points which need to be improved:

- (i) Accuracy of data: When actual data (e.g. availability of crops for a project, suitability of such crops for industrial processing, under- or over-estimation of utilities like water, energy or maintenance facilities) are found to differ from the assumptions made, this is likely to have a negative effect on the rentability of the investment;
- (ii) Technological expertise: The latest technology or solutions proven under different conditions may be unsuitable for developing areas, inappropriate for certain raw materials or not advisable for a product intended for a defined market. The choice of the appropriate technology should be left to specialists in the given sub-sector who should have no links with suppliers of equipment;
- (iii) Investment costing, provisional profitability and project appraisal, as the financial calculations need precise inputs;

(c) Financial objective - The financial studies, as far as the method is concerned, seem to meet the needs. The use of the COMFAR system will soon permit to improve the financial optimization of the projects.

In conclusion, the expert believes that efforts for improvement should concentrate on the technical aspects of the studies.

### Impediments

Most of the impediments are known to PIDD, as can be seen from annex II. According to their nature, three areas can be distinguished in which difficulties may arise:

- (a) The resources available;
- (b) The study inputs;
- (c) The methodology.

### Resources

In annex II, PIDD mentions the lack of engineering competency and professional expertise. As a matter of fact, RDFC has no engineering facility and is aware that its size and the wide range of sub-sectors to be covered, do not permit an internal sub-sectoral specialization.

In the expert's opinion, most of the difficulties originate from an unspecialized approach. A revision of PIDD's concept of pre-investment studies would lead to appreciate the value of the technical approach and to a strengthening of specialization, resulting in "safer" development projects.

### Study inputs

PIDD and the expert concur on the statement that the collection of information and data is cumbersome, expensive, time consuming and, in the end, unsatisfactory, for the following reasons:

- (a) Regional and local data are difficult to locate. When obtained, they are imprecise and not sufficiently detailed;
- (b) In the agro-based industrial sub-sector, the number and precision of the information required appears to be higher. Agricultural data, such as crops of a specific variety, with harvesting time, exact location, market value, seasonal variations, internal consumption etc., are all necessary for securing a project;
- (c) Regional markets for agricultural and industrial products are very difficult to quantify and nearly impossible to estimate;
- (d) Detailed information on suitable technologies is very difficult to get. PIDD often resorts to requesting specifications from suppliers of equipment, who offer their products without giving adequate technical specifications. That way the important steps of a technical study, namely research on and choice of the most suitable technology and, later, equipment specification and selection, are by-passed.

## Methodology

In annex II, PIDD states that the officials are facing "problems in undertaking technical and financial analysis of the projects". Although this is true, the expert would like to point out that the problem cannot be overcome with the knowledge and experience of a single expert, as too many fields are involved. Also, training alone is not the solution.

According to the expert's findings, the methodology is known, but is, of course, at present not implemented nor can it be implemented. The expert therefore concludes that, in order to permit the implementation of a methodical approach and to improve the results, the resources should first be upgraded.

### C. Recommendations for an improvement of the studies

The proposals made in this section include those expressed by PIDD (annex II) with some additions. While focusing on the agro-based industrial sub-sector, the expert makes also some general recommendations which should have a positive effect on the sub-sectoral approach.

#### General recommendations

##### Functional surveys

As every project meets similar difficulties in getting information on the regions of assignment, and the sub-sector in question, the expert recommends to carry out:

(a) Regional surveys to locate the resources, to identify the general constraints of projects implementation, and to decide on sub-sectoral development priorities. As regional surveys should interest most DFIs, they might be implemented within a co-operation agreement;

(b) Sub-sectoral surveys on specific sub-sectors selected as priorities on the basis of agricultural resources, economic importance and market demand. Such surveys could cover:

- Fruit, fresh and processed;
- Dried fruit, dates;
- Vegetal oils and fats;
- Meat, including poultry;
- Fish and fish proteins;
- Starch.

As most of these surveys would be of general interest, they could be carried out by teams of specialists working in co-operation. Certain sectorial studies, such as on oils and fats, might benefit from international co-operation or assistance.

##### Establishment of a data base

Given the importance of accurate economic data for the studies, including information on geographic, climatic, regional, local and sectoral conditions, a data base should be set up where all relevant information is collected and continuously up-dated.

### Financing of studies

Since the costs of the studies are high, external funding would seem to be necessary to ensure the promotion of sound development projects. As the funding capacity of the development authorities is limited, the possibility of changing such costs to other parties might be restricted to sub-sectoral priorities defined by the interested parties, i.e. the federal and provincial authorities.

#### Recommendations concerning resources

The application of the COMFAR program, which PIDD will receive under the present project, should improve the quality of studies and save time. Furthermore, it will impose the use of proper formats. Formats like the ones contained in Manual for the Preparation of Industrial Feasibility Studies 1/ should be introduced without delay. In addition, the set-up of an internal data base should be of considerable assistance to PIDD and EDFC. The existing management information system could be used as a basis of the internal data base, headed by a professional documentalist/librarian.

Sub-sectoral activities should be properly planned, i.e. the tasks listed and budgetized, which would bring advantages such as:

- (a) Focusing on medium-term objectives;
- (b) Involving the officials in the preparation of schedules for the studies to be carried out;
- (c) Defining the terms of reference for outside consultancies, including their scheduling, selection and costing.

As stated in annex II (section VII, 1 and 2), contacts should be established and maintained with:

- Suppliers of equipment;
- Operating factories in various sub-sectors;
- Suppliers of technologies;
- Foreign investors.

An efficient implementation of these recommendations would be ensured by giving them a "frame", i.e. a format, a schedule and a budget.

#### Recommendations concerning personnel and internal organization

Regarding the requirements for personnel conducting feasibility studies, the Manual for the Preparation of Industrial Feasibility Studies 2/ advises:

- (a) To use teams of experts;
- (b) To select the members of the team with a view to cover the major substantive fields of the project;
- (c) To have the team assisted by short-term experts.

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1/ United Nations publication, Sales No. E.78.II.B.5 (ID/206).

2/ Ibid., p. 23.

In view of the small number of agro-based industrial projects and the limitation of internal resources, it is proposed to organize a team only for the duration of a specific study, composed of:

- (a) A team leader (the project-study leader);
- (b) A technical co-ordinator;
- (c) Short-term experts, including a market analyst, a sub-sectoral specialist, a mechanical engineer and a civil engineer.

RDPC will soon employ all the listed specialists, with the exception of the sub-sectoral specialist.

#### Practical approach to the projects

Particular attention should be given to information gathering, to the estimation of the error content in data, and to checking the completeness of the studies. The elaboration of an official internal procedure, covering each step of the studies, would permit to define exact duties and to see to their implementation.

#### Study documents

An internal procedure for the implementation of studies should delineate the exact content of the duties. Regarding the agro-based projects, special care should be given to raw material definition and analysis, to the available technologies and to their comparative cost, as well as to packing and storage requirements.

The format of the studies should include a set of forms for each step. The schedules contained in the Manual for the Preparation of Industrial Feasibility Studies would be the best, as they are compatible with COMFAR.

Technical studies (the engineering part) should include flow diagrams and utility balances. Such diagrams and balances are the most concise way of depicting industrial units and facilitate a comparison of technologies in terms of efficiency and consumption of utilities.

#### Data collection and adjustment

As far as possible, data and information should be taken directly from the place of their recording. Data on agriculture should be taken in their context (local, regional, seasonal, annual). Isolated data should not be considered.

The equipment cost should be calculated according to specifications elaborated by specialists. A comparison of costs must be based on a technical analysis by the specialists.

The error content of the initial data should be checked in order to be able to determine the margin of error of a given study.

#### D. Conclusions

PIDD is doing its best under the present circumstances. Further progress will depend on a strengthening of the Division, which requires proper funding. The preceding analysis and proposals are expressed with a view to help RDPC mobilize the required assistance.

The recommended measures for improving PIDD's performance should be viewed as a means to arrive at a safer and more efficient method of project study, which will not only increase the percentage of studies transformed into projects, but also result in the establishment of more productive plants, in their steady operation and in a safe reimbursement of the loans.

Since the agro-based industrial sub-sector provides many opportunities for projects in the less-developed areas of Pakistan, any improvement at PIDD level will bring multiplied benefits to the country.

Finally, as far as the creation of RDFC was considered necessary for developing the less-developed areas of the country, the same reason must apply for endowing PIDD with the proper means to reach its development objectives.

Annex I

**JOB DESCRIPTION**

Post title: Expert in agro- and forest-based industries

Duration: 5 months

Date required: July/August 1986

Duty station: Islamabad

Purpose of project:

- (a) To upgrade RDPC's national capability in project identification, preparation of opportunity studies and the preparation and evaluation of pre-feasibility and industrial feasibility studies;
- (b) To make the techno-economic appraisal of pre-investment studies for national and international financing;
- (c) To promote and implement projects in the less-developed areas of Pakistan.

Duties: The expert will undertake the following activities under the general co-ordination and supervision of the team leader and the national project director, in his field of specialization:

- (a) Prepare the documentation for project identification, preparation, evaluation, appraisal, financing, promotion and implementation;
- (b) Assist in the preparation and conduct of on-the-job training for the national staff of RDPC;
- (c) Make the technical analysis of industrial opportunity, pre-feasibility and feasibility studies;
- (d) Select the most suitable technology for industrial projects;
- (e) Advise on procurement procedures and selection of suitable plant sites;
- (f) Compile capital cost estimates (foreign/local);
- (g) Assess the required implementation schedules for construction period, production start-up and reaching full capacity;
- (h) Prepare a project report for the specific areas of his assignment.

Qualifications: A graduated engineer, possibly with post-graduate studies in economics, finance, or business administration, and with several years of practical experience in elaborating feasibility studies for various industrial investment projects. Some background in development financing is highly desirable.

Language: English

Annex II a/

PIDD - AN OVERVIEW OF THE DIVISION

PLANNING, IDENTIFICATION AND DEVELOPMENT DIVISION

PART-I

I. INTRODUCTION:

RDFC was incorporated with the objective of promoting industrial activity in the LDAs of the country. The industrial activity in these regions has been hampered due to multiple factors. The main reason attributable to the low industrial profile of the LDAs in comparison to the other regions of the country is that people are not conversant with the type of economic activity to be initiated to offset the locational disadvantages of these regions. Keeping in view the problems encountered by the people of LDAs, RDFC established an in-house facility to cater to the requirements of the potential entrepreneurs. Planning, Identification and Development Division was established in RDFC for undertaking promotional efforts by identifying viable projects and providing consultancy services to the potential entrepreneurs.

II. WHY PID?

The importance of PID Division for sustaining the activities of RDFC can be justified by looking at the followings :-

1. RDFC's operations are only restricted to the less developed areas of Pakistan, where business opportunities are limited because of the following factors:

- (a) Investors are not conversant with the type of industrial activity to be undertaken.

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a/ This annex is reproduced without formal editing.



(b) Locational disadvantages like lack of infra-structural facilities, non-availability of skilled labour, transportation problems, distance from the port etc. have created additional problems for the entrepreneurs which make it cumbersome to identify profitable business opportunities.

2. Development banking is no more a sellers market. This market is now flooded with competitors, each one trying to attract clients/customers by providing attractive financial packages. The survival for the fittest demands that we should provide some extra services to the clients in order to enhance the business volume of RDFC.

3. There are few institutions like PICIC and NDFC, which offer more or less similar services to the clients but their modus operandi is quite different.

A comparison of the consultancy services offered by NDFC/ PICIC and PID Division of RDFC is appended below :-

a) NDFC and PICIC provide consultancy services and carry out feasibility studies for very large projects where as, PID Division places more emphasis on small and medium scale industries which could be ultimately linked with large scale projects.

b) NDFC charges handsome fee for providing consultancy services and undertaking feasibility studies, whereas RDFC charges a token fee for the preparation of feasibility studies.

- c) NDFC and PICIC's operations are extended all over the country, therefore, they can not give full justice to the LDA's. On the other hand PID Division of RDFC has been created with the aim to promote industrial investment in the LDA's by providing consultancy services to the potential entrepreneurs in developing their ideas into profitable industrial undertakings.
4. The exigency of the situation was even realized by the share holders of RDFC and senior government officials, therefore, a promotional fund was created to support RDFC's development efforts undertaken by PID Division.

### III. BACK GROUND

PID Division came into being in May, 1984 with the induction of Mirza Amin Beg, as incharge of the Division. At that stage, not much work was carried out as he was getting acquainted with the working of RDFC. By the end of July 1984 two fresh MBA's joined this Division, but again effective working was not possible because the team of three was busy in formulating policies and procedures for undertaking various developmental activities of the Division. By the end of August an officer from Project Division was transferred to PID to undertake feasibility studies for the present and prospective clients.

PID also hired the services of an outside consultant namely Engineers Combine Limited to identify and develop viable projects for Baluchistan, F.F.P., Azad Kashmir and Northern Area. By the end of the year 1984, PID Division was able to complete the following jobs:

**PROJECTS IDENTIFIED**

Consultants	31	
PID	<u>40</u>	71
Feasibility Studies	2	
Profile Studies	2	

In Feb., 1985 certain changes were incorporated in the organizational structure of RDFC, Mirza Amin Baig was designated as Co-ordinator of Project, MIS and PID Division, and Mr. Wasif Mustafa joined as Incharge PID Division.

**IV. PERFORMANCE OF PID DIVISION FROM  
IST JANUARY 1985 TO 30TH JUNE 1985**

Presently PID Division is mainly involved in the preparation of project profiles, pre-investment studies and feasibility reports. The definition of each one of the above activities is given as follows :-

**i) Project Profiles**

A profile study gives a skeleton of the project, highlighting cost of the project, demand supply gap, manufacturing process and profitability ratios. This concise study comprising a few pages, enables the client in choosing among various investment proposals.

**ii) Pre-investment Study**

This study is more detailed and presents a clearer picture of the project. It covers marketing, technical and financial aspects of the project. Hence making it easier for a client to make up his mind regarding a particular project.

iii) Feasibility Study

Feasibility study is carried out on the request of the clients. This is a more comprehensive report, the project cost is based on exact machinery quotations obtained from relevant sources and the other parameters are also covered in detail, since the location of the project is specified.

In addition to the above, PID performs the following jobs :-

- i) Identifies viable projects and tries to locate investors, which could initiate these projects as profitable industrial undertakings.
- ii) Supervises and monitors the work of branches in respect of project identification, project profiles, pre-feasibility studies and feasibility reports.
- iii) Prepares terms of references for the assignments to be carried out for PID Division from time to time.
- iv) Supervises and monitors the assignments given to the consultants.
- v) Undertakes market studies of various projects for PID Division or assigned by Projects Division of RDFC.
- vi) Collects data from various international and national institutions for project development.

- vii) Formulation of proposals for obtaining professional expertise from the International Agencies for providing an impetus to PID's efforts regarding identification of projects and preparation of feasibility reports.
- viii) Maintains a proper record of NOCs issued by the Department of Industries, N.W.F.P., Baluchistan, Azad Jammu & Kashmir Governments, to various investors from time to time.
- ix) It provides consultancy services to the clients by developing their ideas into economically viable industrial undertakings.
- x) Any other task assigned by the Chief Executive from time to time.

#### V. FUTURE ACTION PLAN OF PID DIVISION

In addition to the tasks mentioned earlier, PID Division intends to undertake the following functions :-

##### 1. AREA STUDY

An area study precedes sectoral study because the former encompasses the details about geographical features, demographical pattern, number of units, their cost, installed and utilized capacities, raw materials to be used and infra-structural facilities, etc. of a particular area (for details see Annex. I). This would provide a back ground of the areas and would assist us in selecting few projects to carry out industrial/sectoral study.

Such studies are helpful in the project identification and hence could be termed as prologue in the development of projects.

## 2. Sectoral Study

After identifying projects through the regional survey, the next logical and sequential step would be to carry out sectoral studies of these projects. This study amplifies market aspects of the projects by providing data/information about the number of manufacturing units in the country, their installed and utilized capacities, imports and exports, prices and quantities of the raw materials required, source of raw materials, by products, wastage, upstream and down stream projects, demand supply gap and uses of the end product etc. After ascertaining the market potential of a project, it could be later developed into a feasibility report. Contents of sectoral study are given in Annex II.

## 3. Management of Promotional Fund

Promotional Fund is being established under the directives of the Government of Pakistan to promote industrial activity in the less developed areas of the country. The management of this fund would rest with the PID Division. Proper and separate books of account will be maintained for this fund and the fund will be invested in a manner that adequate income is generated to meet the annual expenses of this Division.

## VI. IMPEDIMENTS FACED BY PID DIVISION

1. PID Division faces problems in the procurement of machinery quotations from the suppliers. The letters of PID officials are very seldom entertained by the machinery suppliers. Even if we succeed in the collection of quotations, they fail to provide us adequate technical specifications which are prerequisite for undertaking a feasibility study.
2. Collection of essential data/information for some projects also encounters difficulties in the timely provision of the same. Like in the case of Diapers Project, not even a single unit of this kind existed in the country and most of the raw materials were to be imported, therefore, in order to set realistic assumptions for the project, it was quite a hectic and time consuming process to collect technical details and quotations both for the machinery and raw materials.
3. PID Division is not well equipped in the engineering side. It lacks the expertise needed in the development of chemical, mechanical and mining projects.
4. Due to diversified nature of PID's activities and non-availability of the required data/information the constant flow of work in the Division is difficult to ensure.
5. Due to unnecessary pressure of output, PID officials set unrealistic deadlines for their projects, which in actuality are quite difficult to achieve because of the above mentioned constraints.

6. Some of the officials of this Division have no experience of the workings of a development bank, they face problems in undertaking technical and financial analysis of the projects.
7. Non-availability of official transport creates an impediment in the timely provision of the data/information.
8. At times the clients come up with pre-conceived ideas, which can not be developed into economically viable industrial undertaking due to market and technical constraints. PID Division lacks the professional expertise required to recommend appropriate substitute to the client in initiating a suitable industrial activity.
9. The nature of work entrusted to PID Division demands a continuous thinking process and a peaceful atmosphere. However, the place of work is not conducive to such kind of activity.

## VII. REMEDIES

1. Some local machinery suppliers should be contacted for the timely provision of machinery quotations for various projects on retainership basis. The cost of procurement of the quotation both from their principals and other sources should be reimbursed to them on cost plus or mark up basis.
2. In order to streamline the activities of PID Division and to achieve smooth flow of out put, it is recommended that the followings may be taken into cognizance :-



- (a) To review Import Statistics of Pakistan to determine the volume and value of the imported products for ascertaining the economical size of a project.
  - (b) To study the existing units going into losses and analyse the causes of their sickness. Recommend ways of making them profitable.
  - (c) To develop upstream and downstream projects for a particular industry.
  - (d) To identify projects based on waste and by-products of existing industries.
  - (e) To keep track of latest technologies available in the developed countries for substituting with present obsolete technologies in use.
  - (f) To approach the foreign companies of repute for initiating joint ventures with the local entrepreneurs.
  - (g) To maintain liaison with the existing industrial enterprises by personal visits, which will help in collecting information for projects being developed.
3. Officers, who are fresh in the field of development banking should be given chance to work in the Projects Division so they can familiarise themselves with appraisal of projects.
4. Training programmes should be conducted to develop in depth awareness in the field of project identification and development. DLI and PIM should be approached for designing comprehensive courses for the officials of PID Division.

5. For developing practical approach towards the work, consultants should be engaged so that the officials assigned with them could gain from their experience.
6. Dead lines should not be the criterion for evaluating the performance of the officers. Instead more emphasis should be placed on the quality rather than quantity of work.

**VIII CONTRIBUTION OF PID DIVISION TOWARDS THE ORGANIZATION**

PID Division aims at generating revenues for the organization by providing consultancy services to the clients. In its efforts to promote investment in LDA's, it identifies and develops projects for the most suitable locations and also strives to locate sponsors having adequate knowledge and experience for undertaking industrial activity.

PID Division in its short period of existence has provided some useful services both to Project Division and Mineral Division of RDFC. Its contribution in the procurement of business for RDFC is given as under:-

**PROJECTS DIVISION**

Projects/applications referred to Project Division by PID Division.

<u>Total no. of applications received by Project Div.</u>	<u>Total no. of cases referred by PID Division</u>	<u>Percentage contribution of PID Div. towards Project Division</u>
204	44	22%

Feasibility studies carried out by PID Division for Project Division.

<u>Total no. of projects appraised/ completed by Project Division</u>	<u>Total no. of feasibility studies completed for Project Div.</u>	<u>Percentage contribution of PID Division</u>
41	6	15%

**MINERAL DIVISION**

**Total number of applications/projects referred to Mineral Division by PID Division:**

<u>Total no.of applications received by Mineral Division</u>	<u>Total no.of feasibility studies carried out-by PID Division for Mineral Division.</u>	<u>Percentage contribution of PID Division towards Mineral Division.</u>
31	13	42%

**Total number of feasibility studies prepared by PID Division for Mineral Division.**

<u>Total no.of projects appraised/completed.</u>	<u>Total no.of feasibility studies carried out by PID Division for Mineral Division.</u>	<u>Percentage contribution of PID Division towards Mineral Division.</u>
14	3	21%

In addition to the above, PID Division has undertaken field surveys, market studies and profiles both for Project Division and Mineral Division.

Besides giving a helping hand to the Projects and Mineral Divisions, PID Division has completed a number of pre-feasibility studies and project profiles. The performance of this Division upto 30th June, 1985, since its inception is given in Annexes III, IV, V & VI.

The representative of PID Division working at branch offices have been quite instrumental in obtaining business for the organization. It is suggested that PID representative should also be deputed at the LDAs of Sind and Punjab to generate business for the organization.

**IX FUTURE TARGETS OF PID DIVISION SET AGAINST  
THE PROJECTED PERSONNEL REQUIREMENTS**

The details of the present strength of Planning, Identification and Development (PID) Division of the head office and branches are attached in annex-VII.

Previously, PID Division mainly concentrated on the following functions:-

- a) Project identification
- b) Project profiles
- c) Pre-investment studies
- d) Feasibility Studies

In addition to the above PID Division has planned to undertake the following functions in the future:-

- a) Area studies
- b) Sectoral studies

**FUTURE OUTPUT TARGETS OF PID DIVISION**

The future output targets for the head office and branches are given below:-

**Head Office**

- |     |   |                      |
|-----|---|----------------------|
| i   | Sectoral studies.                               | 4 studies per year   |
| ii  | Pre-feasibility studies/<br>feasibility reports | 15 studies per year  |
| iii | Project profiles.                               | 24 profiles per year |

**Quetta Branch**

- |    |                         |                      |
|----|-------------------------|----------------------|
| i  | Area studies            | 8 studies per year   |
| ii | Profiles/market studies | 12 profiles per year |

Peshawar Branch

- i Area studies 4 studies per year
- ii Profiles 8 studies per year

Mirpur Branch

- i Area studies 4 studies per year
- ii Profiles 8 studies per year

ADDITIONAL PERSONNEL REQUIREMENT ON THE BASIS OF INCREASED WORK LOAD

In view of the future targets, PID Division requires services of one chemical engineer in the Head Office.

1- Man-days/hours available in PID Division

The man-days are calculated on the basis of the following:

	Total number of days in a year	=	365	
Less:	Casual Leave	=	15	
	Privilege leave	=	33	
	Holidays	=	<u>111</u>	<u>159</u>
	Actual working days			206
				*****

2- Man-hours available in PID Division

A working day constitutes of 8 hours.

Man-hours in a year

Working hours/day x Actual working days/annum

$$8 \times 206 = 1,648 \text{ hours/annum.}$$

Total number of man days and hours available in the head office and branches are calculated as under:-

<u>Type of Personnel</u>	<u>No.</u>	<u>Man-days</u>	<u>Man-hours</u>
<u>i- Head Office</u>			
Market analyst	2	206x2 =412	412x8 =3,296
Technical analyst	1	206x1 =206	206x8 =1,648
Financial analyst	2	206x2 =412	412x8 =3,296
<u>Total number of man-days and hours in a year</u>		1,030	8,240

ii-Quetta Branch

Geologist	1	206x1 =206	206x8 =1,648
Market analyst	1	206x1 =206	206x8 =1,648
<u>Total number of man days and hours in a year</u>		412	3,296

iii-Peshawar Branch

Financial analyst	1	206x1 =206	206x8 =1,648
<u>Total number of man days and hours in a year</u>		206	1,648

iv-Mirpur Branch

Market analyst	1	206x1 =206	206x8 =1,648
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MAN-DAYS/HOURS REQUIRED IN PID DIVISION

A- Time required to complete a project profile, feasibility study, area study and sectoral study is given below:-

<u>S.No.</u>	<u>Nature of Study</u>	<u>Man days</u>	<u>Man hours</u>
1-	Sectoral study	103	824
2-	Area study	34	272
3-	Feasibility study		
	i) Market analysis	10	80
	ii) Technical analysis	10	80
	iii) Financial analysis	10	80
	Total	30	240
4-	Profiles/market studies	10	80

Time required for achieving the future targets is given separately for the head office and branches.

TIME REQUIRED IN THE COMPLETION OF ASSIGNMENTS

Head Office

<u>Assignment/ Study</u>	<u>Man days/hours required for the completion of one study</u>		<u>No. of studies</u>	<u>Total man/days per annum</u>	<u>Total man- hours per annum</u>
	<u>Man days</u>	<u>Man hours</u>			
1) <u>Head Office</u>					
i) Sectoral study	103	824	4	412	3296
ii) Feasibility studies	30	240	15	450	3600
iii) Profiles	10	80	24	240	1920
<b>Total man-days/ hours in a year</b>				<b>1102</b>	<b>8816</b>

2- Quetta Branch

i) Area study	34	272	8	272	2176
ii) Profiles/ market studies	10	80	14	140	1120
<b>Total man-days/ hours in a year</b>				<b>412</b>	<b>3296</b>

3- Peshawar Branch

i) Area study	34	272	4	136	1088
ii) Profiles/ market studies	10	80	8	80	640
<b>Total man-days/ hourse in a year</b>				<b>216</b>	<b>1728</b>

4- Mirpur Branch

i) Area Study	34	272	4	136	1088
ii) Profiles/market studies	10	80	8	80	640
<b>Total man-days in a year</b>				<b>216</b>	<b>1728</b>

COMPARISON BETWEEN AVAILABLE AND ESTIMATED MAN-DAYS/HOURS OF PID

DIVISION

	<u>Available</u>		<u>Estimated</u>		<u>Surplus/Defici</u> <u>+/-</u>	
	<u>Man Days</u>	<u>Man-hours</u>	<u>Man-days</u>	<u>Man-hours</u>	<u>Man-days</u>	<u>Man-hours</u>
Head Office	1030	8240	1102	8816	-72	-576
Quetta Branch	412	3296	412	3296	-	-
Peshawar Branch	205	1648	215	1728	-10	-80
Mirpur Branch	206	1648	216	1728	-10	-80



**CONCLUSION**

Keeping in view the above comparison and the lack of technical expertise in the field of chemical engineering. It is imperative that the services of a chemical engineer may be provided to the PID Division. The induction of a chemical engineer will facilitate the preparation of feasibility studies, particularly in the field of chemical engineering.

Annex III a/

**PROPOSED WORK PROGRAMME**

Introduction

The first month of assignment was spent into :

- Making the contact with RDFC and more specially with the PID officers.
- Going through the food related files :
  - Project profiles
  - Prefeasibility studies
  - Feasibility studies
- Getting sectorial and regional data from National and foreign organizations, and public service.
- Expressing the first findings to Mr. Chief Executive including :
  1. The tendency to consider the project as wishable mainly to the resources and to the products with perhaps insufficient attention to the final needs and to the integration into the economy of the country.
  2. Same statement on PID produced files.
  3. Our proposal for promoting a more complete approach to the project, mainly as regard to/+ the market and the economical wishability of the projects-
    - + the technical study and appraisal of the projects.
    - + the preparation of the future steps of the project including the management of their implementation.
  4. The conditions allowing PID officers to improve the quality and security of the projects by providing :
    - + more sectorial subsectional knowledge through the proper documentation and through external direct information and even local specialized consultancy;
    - + due instructions from the Management leading the officers to consider that the project market and technical data make the foundations of all the other steps of a project study and appraisal.
    - + when substantial progress is obtained on the above points, then the training will be more effective and even partly carried out.

For concluding :

- Point E.1 of the Project Document will take an important place in the first steps of the programme.
- Point 2.b is proposed to be area oriented but also sectorially oriented towards specific wishable fields in order to :

1. mobilize data in the considered field;
2. give practical examples of the 3 possible approaches to the projects.-

- + resources wise ,
- + subsector wise
- + product/market wise

starting at the opportunity study level and when concluded positively will extend to the corresponding project feasibility study.

So the corresponding programme is proposed hereafter.-

#### A. Programme

##### 1. Data collection (already started)

###### Fields: 1. Subsectorial

- Jams, Jellies, confectionery
- Fresh fruit packing - transport - export
- Fruit juices, beverages
- Fruit semi products (export)
- Fruit semi products (National)
- Poultry feed and related items
- Food conservation (Refrigerated storage, dehydration).

Visit to : - PCSIR, NIFA, PAFD, NARC

- Industrialists
- Engineering Cies, Contractors
- ADBP, and other national development organizations.
- Data Base in Ministry of Industry, in Ministry of Agriculture, etc.

###### 1.2 National Data.

- Field: - Consumption on patterns/revenue
- Field: - Clarify on the distribution net-work of food products (mainly processed products).
- Field: - Food exports
- Visit: - (undefined now. Need assistance)

### 1.3 Regional

- |   |   |
|---|---|
| Field : N.W.F.P. (part of it)<br>.....Gilgit Agency<br>(perhaps larger) | <ul style="list-style-type: none"><li>- general</li><li>- socio-economic back ground</li><li>- leading export and import</li><li>- exploited - exploitable<br/>production<br/>factors.</li><li>- existing production<br/>structure.</li><li>- facilities and constraints.</li><li>- reduction to food<br/>industries.</li><br/><li>- identification of possible<br/>projects.</li></ul> |
|---|---|

## 2. Projects

### 2.1 Subsector opportunity study :

Jam and confectionery = towards the indigenization of some through-puts = pectin and other inputs, sugar excepted.

- Project study to be implemented according to the results of the opportunity study = (0 to 2 plants).

### 2.2 Subsector opportunity study (regionwise) :

Valorization of fresh fruit and vegetables through export of packed refrigerated (with attention to new technologies) to the Arabic peninsula and Sind from N.W.F.P. (Abbottabad district).

Project study in Abbottabad according to the results of the opportunity study.

### 2.3 Regional/Productwise opportunity study :

On the basis of the local constraints, valorization of fruit from the Northern Areas (mainly apricot).

- for the National market
- for exportation

Project study When the constraints can be overcome, a project will be developed on the following assumptions :

#### 2.3.1 role project :

1. Semi transformation on the production area securing preserved semi-products.
2. Valorization of the semi product through final processing near a chosen consumption center.
3. Partial exportation of semi products or products to be sold to a secure market.

2.4 Resource based opportunity study :

Regionwise on By-Products usable for processing poultry feeds-

- Assume - Chose a region needing such feeds according to the 6th Year Development Plan and to the local demand for poultry and to other factors-
- Prospect the resources, characteristics, growth potential, present uses and valorization.
- Analyse the subsectorial constraints and conditions of any related subsectorial project.
- Estimate the demand for the proposed product (s) as well at the local and regional levels.
- Identify the investment opportunities.
- Settle the general features of related projects (technical, financial, economic aspects).

Project study. A defined project of poultry feed mill will be studied if the results of the resource based opportunity study is positive.

2.5 Replacement opportunity study and project study :

If circumstances allow, or if some study concludes as negative, the date subsector in Baluchistan could be an alternative, when agreed upon (as such project may generate foreign income from exportation).

3. UNIDO Consultant Project Report

B. Schedule

- In December nearly 50% of time on data, 50% on studies.
- From January onward = 75% projects, 25% data.

C. Practical Organization

- Data collection and studies cannot be separated according to a clear time-table.  
The studies will be started nearly all by the same time as the collection of data extends on variable duration for each of them.  
The study which will be first informed with its data shall be carried out first, and on so on for next studies.
- Contacts with foreign organization may be directly taken in most cases. RDFC staff can participate to the meetings in order to know the contacts and establish continuity.

- Contracts and visit to National Authorities Organizations, factories, clients.....etc, will be organized by RDFC and more particularly by counterpart, Mr. Riaz Akhtar Raja, who will attend the corresponding meetings and participate to their debriefing.
- In carrying out the studies, the counterpart, Mr. Raja will work with the Consultant and settle the corresponding files with the Consultant's assistance.
- Travels and visits will be proposed as the works are progressing.

Annex IV a/

**MINUTES OF MEETING DISCUSSING ADJUSTED WORK PROGRAMME**

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Date : December 21, 1986

Time : 3.45 P.M.

Venue : Chief Executive office

Represented by : - Chief Executive  
- S.V.P. (Coordination)  
- V.P. (Projects)  
- A.V.P. (Minerals)  
- Mr. Y. Dunais (UNIDO Consultant)  
- Mr. Riaz Akhtar Raja (PID)

Brief of Discussion

The Chief Executive started the discussion on the note "Proposed Working Programme" presented by Mr. Dunais. He asked Mr. Dunais to start work on any sub sector precisely, Mr. Dunais pointed out the difficulty of getting basic data necessary for studying the projects, despite efforts to fetch the maximum information from every where. The Chief Executive said, First of all we should identify the sources of information, then we should get in touch with those sources. He said, There exists a planning and development Cell in almost every ministry and we should ask them to provide the required information, publications etc, and follow up the latest publications as well: He said lots of data exists in

house with the Projects division, Minerals division and with PID, but there is neither co-ordination nor centralised system for handling such data. The Chief Executive said that the following should be made available to Mr. Dunais;

- A list of all projects appraised and a list of feasibilities received by the project Division from clients for appraisal.
- The list of information compiled initially by MIS about publications, periodicals etc.
- The list of all the documents stored in RDFC's library.

The Chief Executive expressed the need for the management of information. A plan should be made to compile the data. Mr. Ahsan said this could be done indexing data under various heads. The Chief Executive advised that a list should be prepared for the sources of data which should include the number, name address, type etc, so that follow up can be done as and when desired.

He said that sources of information also exist at the provincial Government level which could be beneficial for us i.e. development books, development statistics etc.

He stressed a link has to be formed with in the organization among the divisions. For this he quoted the example of "National Fruit Juices" a recently sanctioned project, for which figures were to be checked and verified easily through the data available in the divisions for similar projects. He emphasised the filing system in Projects division should be improved.

Mr. Dunais said that the Methodology, project Management skill and accuracy of file may be checked out at the level of implementation of the project, so that corresponding experience and knowledge can be



reinjecting into PID, Projects, Minerals etc. The Chief Executive asked the participants how this feedback could be organized and obtained.

The Chief Executive asked Mr. Dunais if he has been able to identify some possible projects yet. Mr. Dunais replied that without a thorough opportunity study, projects can not be identified and for this a lot of information and work is required. The Chief Executive desired Mr. Dunais to identify some good projects and prepare few very good feasibility studies for potential customers. Mr. Dunais replied that he will try to do his best.

The Chief Executive advised Mr. Nawab and Mr. Ahsan to visit Mr. Dunais's office to see his filing system.

In the last Mr. Dunais enquired about the office for Mr. Berg (The UNIDO team leader) who is due on 8th January 1987. The Chief Executive asked Mirza Sahib to arrange this and also told Mr. Nawab to put up the seating arrangements plan proposed by him in a day or two.

At the end the Chief Executive desired a similar meeting about the progress in the middle of January, 1987.