



Government of Punjab

# **Punjab Industries Sector Plan 2018**

## **Promoting Industrial Development and Investment**







# **PUNJAB INDUSTRIES SECTOR PLAN 2018**

## **Promoting Industrial Development and Investment**

**Government of the Punjab**

**Department of Industries, Commerce and Investment**  
**Punjab Board of Investment and Trade**  
**Punjab Industrial Estates Development and Management**  
**Company**  
**Faisalabad Industrial Estates Development and Management**  
**Company**  
**Punjab Small Industries Corporation**

**Planning & Development Department**

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## Table of Contents

1. Introduction.....	4
2. Growth Strategy objectives .....	4
3. The Role of the Industrial Sector in Growth .....	5
3.1. Required growth rate of Industrial sector to meet Punjab Growth Strategy targets.....	8
3.2. Garments Industry as a potential driver of growth.....	8
4. Barriers to Economic Growth.....	10
4.1. Removing these barriers to growth .....	11
5. Desired Outcomes for Industrial Development in Punjab .....	13
6. The role of the Department of Industries, Commerce and Investment in achieving growth targets.....	14
7. The Department of Industry’s current functions .....	14
7.1. Mapping of new growth-enhancing functions to Government agencies.....	17
8. Directorate of Industries .....	19
8.1. Directorate: Programs and Projects to meet Growth targets (Expenditure Program) .....	19
8.2. Policy Reforms to help achieve Economic Growth .....	19
8.3. Institutional Strengthening and Capacity Enhancement .....	22
8.4. Monitoring of Indicators for progress .....	23
8.5. Timeline of Actions .....	23
9. Punjab Industrial Estates Development & Management Company (PIEDMC).....	24
9.1. PIEDMC Programs and Projects to meet Growth targets (Expenditure Program).....	24
9.2. PIEDMC Policy Reforms to help achieve Economic Growth.....	25
9.3. PIEDMC Institutional Strengthening and Capacity Enhancement.....	28
9.4. PIEDMC Monitoring of Indicators for progress.....	28
9.5. PIEDMC Timeline of Actions.....	29
10. Faisalabad Industrial Estates Development & Management Company (FIEDMC).....	30
10.1. FIEDMC Programs and Projects to meet Growth targets (Expenditure Program) .....	30

10.2. FIEDMC Policy Reforms to help achieve Economic Growth .....	32
10.3. FIEDMC Institutional Strengthening and Capacity Enhancement .....	32
10.4. FIEDMC Timeline of Actions .....	32
11. Punjab Board of Investment and Trade (PBIT) .....	33
11.1. PBIT Programs and Projects to meet Growth targets (Expenditure Program) .....	33
11.2. PBIT Policy Reforms to help achieve Economic Growth .....	34
11.3. PBIT Institutional Strengthening and Capacity Enhancement.....	35
11.4. PBIT Monitoring of Indicators for progress .....	36
11.1. PBIT Timeline of Actions .....	36
12. Special Focus on Garments in Punjab .....	38
13. Commerce and Investment Cell.....	40
13.1. Policy Reforms to help achieve Economic Growth.....	40
13.2. Institutional Strengthening and Capacity Enhancement.....	40
14. Punjab Small Industries Corporation (PSIC) .....	41
14.1. PSIC Programs and Projects to meet Growth targets (Expenditure Program) .....	41
14.2. PSIC Policy Reforms to help achieve Economic Growth .....	44
14.2.1. Review and Evaluation of World Bank proposals for PSIC reform:.....	46
14.3. PSIC Monitoring of Indicators for progress .....	47
14.4. PSIC Timeline of Actions.....	47
15. Punjab Consumer Protection Council.....	48
15.1. Programs and Projects to meet Growth targets (Expenditure Program).....	48
16. Annex: Combined Effluent Treatment Plant Status .....	49
16.1. PIEDMC.....	49
16.2. FIEDMC.....	49

## **List of Tables**

Table 1. Key drivers for Punjab's growth.....	4
Table 2. Jobs created and price fetched by one bale of cotton as it moves up value chain.....	9
Table 3. New growth-enhancing functions proposed for the Department .....	17
Table 4. PIEDMC's Industrial Estates (planned).....	24
Table 5. PIEDMC's Industrial Estates (current).....	25
Table 6. Average Number of days for PIEDMC to provide services.....	26
Table 7. Number of days for FIEDMC to provide services .....	26
Table 8. FIEDMC's projects (proposed).....	30

Table 9. Proposed projects and programs of PSIC .....	41
Table 10. Proposed Policy Reforms to be undertaken by PSIC .....	44

### **List of Figures**

Figure 1. Sector shares in Punjab's economy 2000-2011 .....	6
Figure 2. Real growth of manufacturing, Punjab 2000-2011.....	6
Figure 3. Share of manufacturing investment in total fixed investment, 2000–10.....	7
Figure 4. Organogram of the Department of Industries, Commerce and Investment .....	15

## I. Introduction

The Sector Plan for the Department of Industries, Commerce and Investment and attached organizations is a practical translation of the Government of Punjab's Growth Strategy 2018 into a work plan for our Department. The purpose of this document is to propose projects, policies and reforms that will be undertaken to assist the Government of Punjab in meeting the objectives outlined in the Growth Strategy.

In the first three sections, the Growth Strategy objectives are summarised and the potential contribution of the industrial sector and consequently of the Department of Industries is discussed. The remaining sections discuss these areas: proposed projects and programs, policy reform, institutional strengthening, monitoring outcomes and research questions.

## 2. Growth Strategy objectives<sup>1</sup>

The Punjab Government is targeting a GDP growth rate of 8% by 2018 in order to absorb the growing workforce. To achieve this and to improve living standards and employment, the Government has identified six key drivers of growth. These are summarised below in Table 1, along with the accompanying target objectives.

Table 1. Key drivers for Punjab's growth

	Drivers of growth	Objectives
1	<b>Catalyzing Punjab's GDP growth</b> based on improvements in productivity of resources and better functioning urban clusters	Objective 1: Achieving 8% economic growth (real GRP growth rate) in Punjab by 2018
2	<b>Private Sector-led economic growth</b> that will require a revival of investment by the private sector.	Objective 2: Increasing annual private sector investment in Punjab to USD 17.5 billion by 2018
3	<b>Employment-intensive economic growth</b> that will require a focus on employment generation by revival of employment-intensive sectors and creation of quality jobs by addressing critical gaps in human capital.	Objective 3: Creating 1 million quality jobs every year in Punjab Objective 4: Training 2 million skills graduates in Punjab by 2018
4	<b>Export buoyancy</b> to be driven by a focus on export-oriented economic growth.	Objective 5: Increasing Punjab's exports by 15% every year till 2018
5	<b>Complete social sector coverage</b> to be embedded in quality provision of education, healthcare and social protection for the poor and vulnerable.	Objective 6: Achieving all Millennium Development Goals and targeted Sustainable Development Goals in Punjab by 2018
6	<b>Effective security</b> through improved governance and law & order.	Objective 7: Narrowing security gap with regional neighbours such as India and

<sup>1</sup> This section is based on "Punjab Growth Strategy 2018", Government of Punjab.

Drivers of growth	Objectives
	Bangladesh by reducing crime and improving law and order in Punjab

These targets are to be met via easing the energy constraints to industry, utilising agglomeration economies to position urban centres as engines of growth, institutional and governance reforms, improving the productivity of scarce resources, investments in human capital and skills, improving social and employment outcomes for women, and strengthening economic outcomes in the less developed regions of the province. To achieve this, all the Government Departments have identified their potential contributions and action plans.

### 3. The Role of the Industrial Sector in Growth

The industrial sector has the potential to be the driving force in achieving the target growth rates for income, employment and investment. Historically, for example, the industrial sector has played an important role in the development of both Western and East Asian economies. In these countries, the pattern of structural change was such that the share of agriculture declined and the share of the higher productivity sectors - manufacturing and services - increased. This process of industrialization led to job creation, high exports and high economic growth.

**Share of Industry in the national economy:** In Pakistan, while the share of agriculture has declined, it has been taken up the services sector, with the share of manufacturing in Pakistan’s GDP stagnating at about 25%. A growing labour force and rapid urbanisation have created an ideal opportunity for the manufacturing sector to benefit from “agglomeration economies” – the concept of economies of urban scale, higher economic efficiency resulting from clustering of firms in a given industry or related industries, and a higher demand for goods and services.

However, the manufacturing sector has yet to tap into this potential advantage and has remained constrained by the poor business environment, low skilled labour and failure to diversify production and move up the value chain.<sup>2</sup> Punjab in particular, is still largely dependent on agriculture. Punjab’s share in the agriculture has been fluctuating at around two-thirds of national value added in agriculture since 1999. In contrast, Punjab’s share of national value added in the industrial sector is much lower, at around 43-45% between 1999 and 2011.

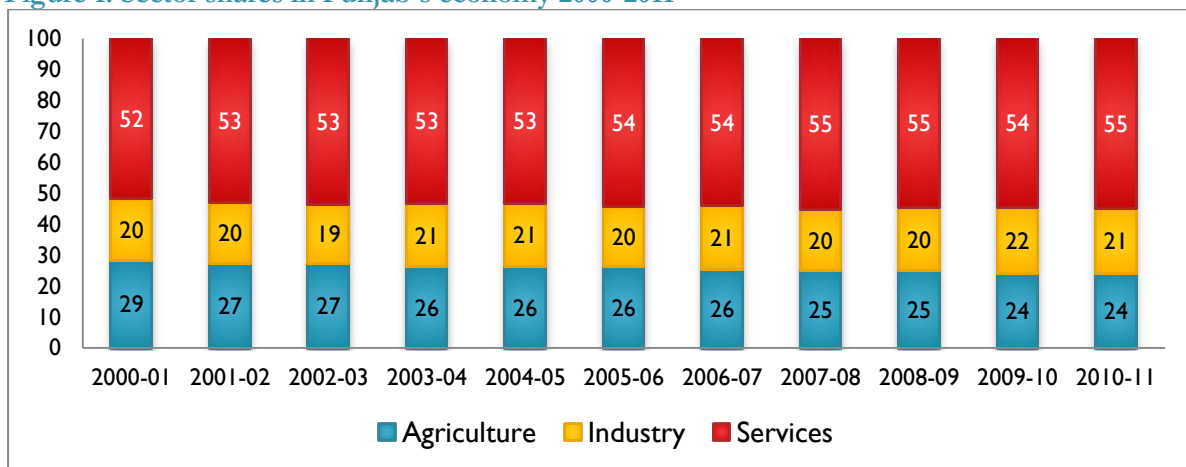
**Low share of Industry in Punjab’s economy, with variable growth rate:** The division of Punjab’s Gross Regional Product (GRP) between sectors also shows the consistently low contribution of the industrial sector: the service sector has the highest share, contributing 55% to

<sup>2</sup> Ernesto Sánchez-Triana, Dan Biller, Ijaz Nabi, Leonard Ortolano, Ghazal Dezfuli, Javaid Afzal and Santiago Enriquez (2014). “*Revitalizing Industrial Growth in Pakistan: Trade, Infrastructure and Environmental Performance.*” Washington, DC: World Bank.



Punjab's GRP in 2010-11, the agricultural sector contributes 24% and the smallest contribution currently comes from the industrial sector at 21% of GRP (Figure 1).<sup>3</sup>

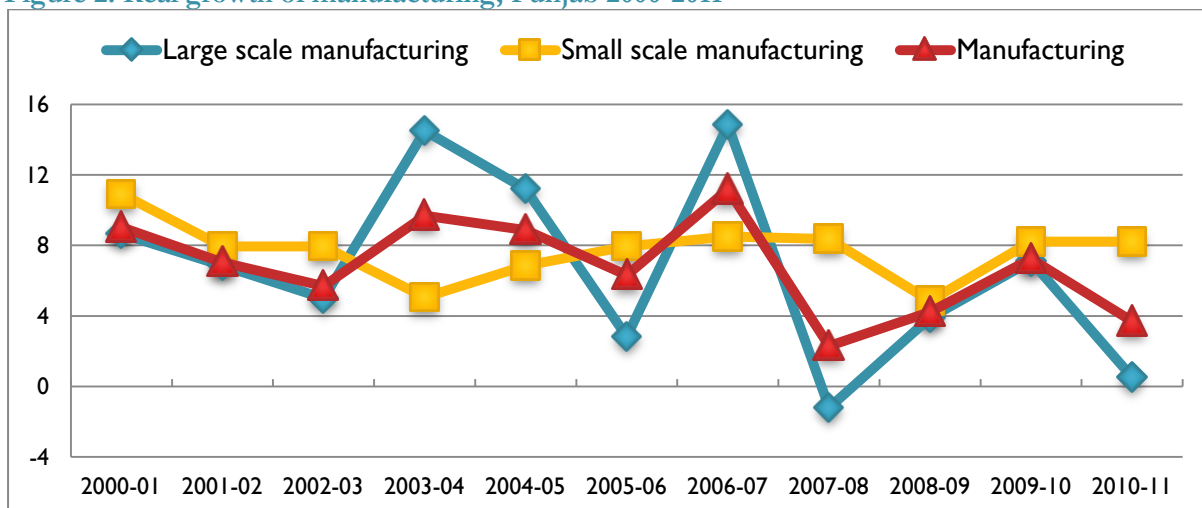
**Figure 1. Sector shares in Punjab's economy 2000-2011**



Source: Institute of Public Policy, Beaconhouse National University (2012). "The State of the Economy: The Punjab Story".

The average growth rate of the industrial sector compared with other sectors and with aggregate GRP growth also shows that the growth rate of the industrial sector fluctuated heavily in the decade of 2000s, delivering highest but most variable growth across time and across sectors. This implies that the potential for growth does exist, it has not been sustained (as shown in Figure 2 below). Small scale manufacturing has remained much more resilient to changes in the overall economic environment compared to large scale manufacturing (LSM).

**Figure 2. Real growth of manufacturing, Punjab 2000-2011**



Source: Institute of Public Policy, Beaconhouse National University (2012). "The State of the Economy: The Punjab Story".

<sup>3</sup> Institute of Public Policy, Beaconhouse National University (2012) "The State of the Economy: The Punjab Story". Available at: <<http://ippbnu.org/publications.php>>

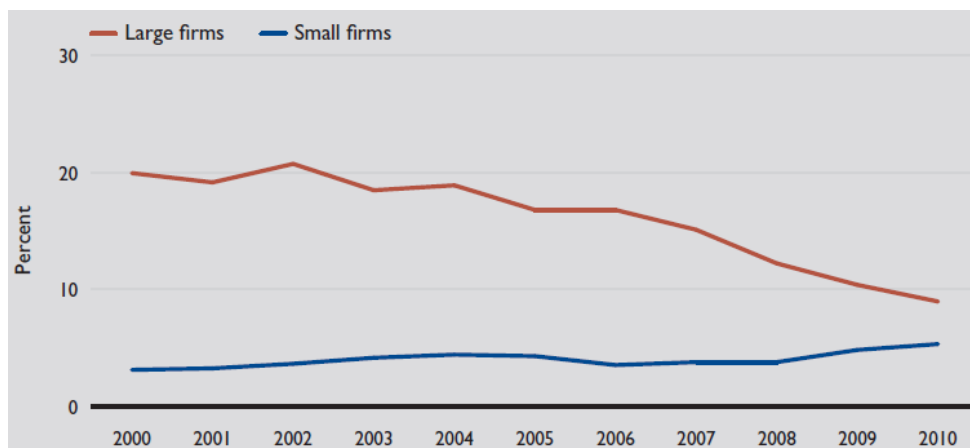
**Manufacturing must play a larger role in Punjab:** Overall, the picture of Punjab’s industrial sector that emerges is that it makes a smaller and more highly variable contribution to Punjab’s GRP than what would be compatible with an industry-driven high growth economy. Growth in large scale manufacturing in particular has been more problematic.

The IPP-BNU study shows that Punjab outperforms the rest of Pakistan in periods of low growth but falls behind in periods of high growth. This can be explained by the shares in agriculture and industry discussed earlier: The industrial sector leads during episodes of high growth, and since Punjab is under-represented in the industrial sector, it lags behind. During episodes of low growth, the agriculture sector leads, and since Punjab has a high share in agriculture, Punjab’s growth rate is higher than the national growth rate.<sup>4</sup> Further, the study shows that Punjab’s growth rate has lagged behind Pakistan’s in the last decade.

**Falling value-added in manufacturing in Pakistan:** According to the World Bank, “value-added in industry, as a share of GDP, in Pakistan is lower than that in comparator countries; it is 27% in Pakistan since 2003, while India has had higher industrial value added since the 1980s and even low-income countries have recently overtaken Pakistan.”<sup>5</sup>

**Falling investment in manufacturing:** An important barometer of the health of the manufacturing sector is the share of manufacturing investment in total fixed investment. This has been rapidly falling since 2000 for large firms in Pakistan, indicating the effect of electricity shortages, a weak macroeconomic situation and other constraints. This is illustrated by Figure 5 below.

**Figure 3. Share of manufacturing investment in total fixed investment, 2000–10**



Source: Based on Pakistan Economic Survey (various years). Obtained from: Dan Biller and Ernesto Sanchez-Triana (2013), “Revitalizing Manufacturing”, Pakistan Policy Note No.5, Washington DC : World Bank.

<sup>4</sup> *ibid.*

<sup>5</sup> Dan Biller and Ernesto Sanchez-Triana (2013), “Revitalizing Manufacturing”, Pakistan Policy Note No.5, Washington DC: World Bank. Available at: <http://documents.worldbank.org/curated/en/2013/06/18015005/revitalizing-manufacturing>

Thus the industrial sector must improve its share in the Provincial economy in order to be an engine for growth, and manufacturing can be a key driver for this. This is crucial if Punjab is to provide large-scale employment to its youth bulge, therefore increasing private sector investment in industry is an important goal of the Government.

### **3.1. Required growth rate of Industrial sector to meet Punjab Growth Strategy targets**

The Punjab Growth Strategy sets a target annual real growth rate of 8% for Punjab GRP by 2018. If 2010-11 real growth rates continue (3.2% for agriculture, 0.6% for industry and 4.1% for services), GRP growth will be 3.3% - which is less than half the target growth. Calculations by the Government show that if services and agriculture sectors grow at 2010-11 rates (3.2% for agriculture and 4.1% for services), then the Industrial sector will need to achieve a very high 20% real growth annually till 2018, to achieve an 8% overall GRP growth target. However, the highest growth achieved in the last decade by the industrial sector has been 12.5%, and realistically this sets an upper bound for the expected growth, given the current set of constraints.

Therefore if the services and agriculture sectors double their 2010-11 growth rates for the next three years i.e. growth rate of agriculture becomes 6.4% and that of services becomes 8.2%, then the industrial sector will need to grow at 10% annually in order to achieve the GRP aggregate growth rate of 8% by 2018.

### **3.2. Garments Industry as a potential driver of growth**

Pakistan is among the top five producers of cotton in the world, accounting for almost 10% of total world output of cotton. Putting this to its advantage, the country has followed a proactive strategy of textiles-led industrialization. Textile manufacturing provides 54% of national exports, 46% of manufacturing value added, 38% of industrial employment and almost 9% of national GDP. Within the textiles sector, garments are a significant and growing component. The value of garments exports has nearly quadrupled from USD 1.0 billion in 1990 to USD 3.7 billion in FY 2012. Denim exports alone have grown at a rate of 27% per annum.

Garments manufacturing is also highly labour intensive and least capital intensive, hence having great potential for employment generation. One estimate shows that 50,000 pounds of cotton fiber create 400 jobs in spinning, weaving and finishing stages each, and another 1,600 jobs in garments manufacturing. There is also strong potential in the global markets for Pakistan to step in with an enhanced role as a garments supplier.

Table 2. Jobs created and price fetched by one bale of cotton as it moves up value chain

Product	Jobs	Value in US \$
Raw Cotton		119
Cotton Yarn	1.44	253
Towels		434
Cotton Fabric (Grey)		579
Finished Fabric	1.44	603
Garments	5.76	1481

Source: Ijaz Nabi and Naved Hamid (2013), "Garments as a driver of economic growth: Insights from Pakistan case studies", International Growth Centre.

## 4. Barriers to Economic Growth

In order to realise the growth rates discussed above, it is important to understand why Punjab has not been able to achieve the higher growth in the recent past. There are several constraints to industrial growth in Punjab which, if left unaddressed, would make it difficult to move to the higher growth trajectory proposed. The identification of these constraints has been the subject of a large body of recent research. Turab Hussain et al (2010) provide a comprehensive quantitative review of constraints faced by industry all over Punjab.<sup>6</sup> Nazish Afraz et al (2013) supplement this with a qualitative and more detailed assessment of constraints faced by the light engineering subsector.<sup>7</sup> In addition, the World Bank Enterprise Surveys and Investment Climate Surveys are both useful reference points that allow comparisons of Pakistan's business climate across regional and global economies. Policy recommendations to ease these barriers to growth and to improve the investment climate of Pakistan have also already been developed.<sup>8</sup> The major constraints are summarised below.

One major impediment to growth at the moment is the **severe shortage of electricity and natural gas**. The low and unpredictable availability of electricity and gas has meant that production is harder to plan and more expensive. Other problems identified in earlier research include **macro-economic and political instability** which discourages both domestic and foreign investment, lack of availability of appropriately **skilled labour**, availability of **finance**, and **crime, theft and violence**.

Another set of obstacles can be identified from the cost of doing business indicators, on which Pakistan's rank in 2014 is 110 out of 189 economies, a deterioration from the 2013 rank of 106. Pakistan does particularly poorly on **getting electricity** (ranked 175), **paying taxes** (ranked 166), **enforcing contracts** (ranked 158) and **registering property** (ranked 125). Also, on both **starting a business** (ranked 105) and **dealing with construction permits** (ranked 109), Pakistan has deteriorated the most in the last year, falling 6 ranks in each since 2013.

Other issues that have been raised by businesses in qualitative research are **access to international markets**, low levels of **standardisation and quality assurance**, and **corruption**.

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<sup>6</sup> Syed Turab Hussain, Kashif Zaheer Malik, Usman Khan, Adeel Faheem (2010), "*The Constraints to Industry in Punjab, Pakistan*", IGC Working Paper. Available at: <http://www.theigc.org/project/constraints-faced-by-industry-in-punjab/>

<sup>7</sup> Nazish Afraz, Syed Turab Hussain, Usman Khan (2013), "*Barriers to Growth of Small Firms In Pakistan: A Qualitative Assessment of Selected Light Engineering Industries*", IGC Working Paper. Available at: <http://www.theigc.org/project/barriers-to-growth-the-case-of-small-firms-in-pakistan/>

<sup>8</sup> See for example 1) Crown Agents for DFID (2010), "*Private Sector Development Strategy for the Punjab*"; 2) World Bank (June 2014) "*Aide Memoire: Punjab Jobs and Competitiveness Mission*"; 3) Ernesto Sánchez-Triana, Dan Biller, Ijaz Nabi, Leonard Ortolano, Ghazal Dezfuli, Javaid Afzal and Santiago Enriquez (2014), *op cit.*; and 4) Mehnaz Safavian, Sarwat Aftab, and Sarmad Shaikh (2013), "*Enhancing the Business Environment*", Pakistan Policy Note No. 3. World Bank.

Below is a summary list of barriers to private sector growth, as identified by the Punjab Board of Investment and Trade:

### ***Regulatory barriers***

- Frequent changes in rules governing taxes and tariffs.
- Cumbersome process for availing investment incentives such as access to foreign exchange.
- Business registration is complex in practice leading to a high degree of informality.
- Lack of clear role of government departments as “regulators” and “facilitators” of investment.
- Complex, excessive and intrusive business inspections.
- Absence of an effective one-window facility for investor facilitation.

### ***Infrastructure bottlenecks***

- Power crisis remains a longstanding bottleneck.
- Low transport connectivity constraining efficient trade logistics.
- Low availability of suitable and affordable land for both industrial and commercial investment.

### ***Additional barriers***

- Comparative advantage not being supported by competitiveness and international linkages.
- Lack of low cost and easily available operational finance, project finance and risk finance.
- Low productivity due to inefficient industrial clusters, weak innovation support and skill deficit.

## **4.1. Removing these barriers to growth**

**Provincial and Federal roles in removing these barriers:** Earlier research has also recommended policy options for these constraints. Many of these are Federal issues with Federal solutions, but there are also a number of measures that the Provincial Government can undertake, particularly under the newly defined roles under the 18th Amendment. Reducing the cost of doing business specifically has been devolved to a considerable extent to the provinces. (Four out of ten Doing Business Indicators are now the purview of the provincial government.) The policy actions pertaining to the Department of Industries are to the extent that the **Department can play an advocacy and co-ordination role** between the private sector and the Government bodies to which the policy proposals are targeted.

**Punjab Government’s role in promoting industries:** The Punjab Government has also planned several initiatives to promote the industrial sector specifically. These include new individual and cluster-based lending programs for small and cottage industries, skilled/semi-skilled unemployed youth, technically trained individuals and graduates. Additionally, extra support for PIEDMC and FIEDMC to develop new industrial estates and improve the facilities

at existing estates, and a special set of measures are planned for the promotion of the readymade garments industry.

The **Readymade Garments industry** is particularly appropriate for Pakistan's set of endowments (high labour, low energy). In addition, new demand opportunities have opened up since Pakistan was accorded the GSP+ status at the beginning of this year.<sup>9</sup> With this in mind, the **Quaid-e-Azam Apparel Park** has been proposed which will provide investors with land and infrastructure, including dedicated power plants, effluent treatment and a bonded warehouse.

Apart from garments, it is planned that other important export-oriented industries such as sports goods, surgical goods and other light engineering industry will also be provided the kind of infrastructure and services that would be available inside industrial parks.

Implementing these actions is central to meeting the economic growth target. The specific recommendations which the Department of Industries and its attached agencies plan to advocate are discussed in the sections to follow.

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<sup>9</sup> In December 2013, the European Union (EU) granted Generalised System of Preferences (GSP) Plus status to Pakistan, granting its products duty free access to the European market. The GSP Plus status will allow almost 20% of Pakistani exports to enter the EU market at zero tariff and 70% at preferential rates. This will benefit the textile and clothing industry and enable Pakistan to compete with players like Bangladesh and Sri Lanka which already have duty free access.

## 5. Desired Outcomes for Industrial Development in Punjab

The Growth Strategy specifies not just the target growth rate but also the kind of growth envisaged: private sector-led, investment-driven, export-oriented, regionally balanced, environmentally sound and employment-intensive. The achievement of this goal is dependent on creating a better business climate and relieving the barriers to growth discussed in the preceding section. The sector outcomes for industrial development listed below are useful measures of the progress on this, which allow us to monitor the health of the industrial sector of Punjab.

However, it is important to bear in mind that while these are all measurable indicators, the objectives are a function of several features of input markets and the business climate, in which the department plays one small part. It would be very difficult to establish causation in this situation, and therefore these outcomes should not be considered indicators of the Department of Industries' performance.

With this in mind, we propose the following specific sector outcome targets:

- Increase the share of manufacturing in the industrial sector
- Increase exports and value addition services
- Improve ease of doing business indicators to meet national best practice in each indicator
- In existing industrial estates
  - Improve colonisation to achieve full utilisation
  - Add effluent treatment
  - Improve energy availability
  - Improve one window facilitation
- Development of new industrial estates
- Increase private sector investment, particularly in manufacturing which has seen a decline in its share of investment
- Increase Foreign Direct Investment
- Enhance domestic trade
- Create an industrial strategy document
- Increase employment, particularly for skilled labour



## **6. The role of the Department of Industries, Commerce and Investment in achieving growth targets**

The Punjab Growth Strategy explicitly recognises that the role of the Government is to support private sector-led industrial development. The role for the Department of Industries, Commerce and Investment in achieving growth can then comprise the following:

1. Formation of an industrial policy that gives strategic direction and coordinates the efforts of various arms of Government.
2. Data and information on constraints faced by businesses, liaison between industry and Government agencies in order to address these constraints and assess industry requirements, as well as the provision of a licensing role.
3. Provision of infrastructure, land and key services via industrial estates and special economic zones.
4. Assessing skills requirements, and enabling and providing skills training to labour.
5. Enforcing quality standards.
6. Investment Promotion.

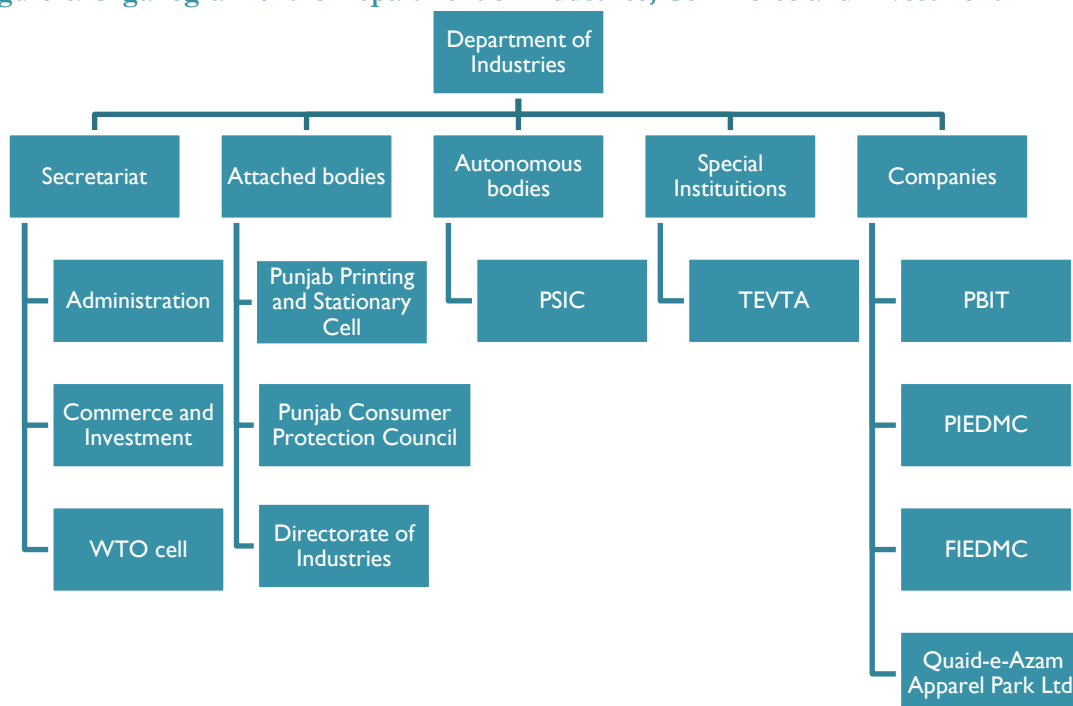
The current role of the Department of Industries, Commerce and Investment is largely administrative and regulatory. In order to boost industrial development, the private sector needs an organisation that can help coordinate various Government agencies with an overarching vision for the industrial sector. In order to realise this, we seek to boost the role of the Department and its attached agencies in performing a supportive role for private sector development, in addition to its existing regulatory and administrative functions.

The projects and policy reforms embodied in this Sector Plan are based on these roles. A mapping of these functions to various agencies and attached organizations is provided in section 7.1 below.

## **7. The Department of Industry's current functions**

An overview of the current functions of the Department helps identify the areas that are not in alignment with the functions discussed above and therefore may need to be reformed in order to support the achievement of the growth target. The Department performs regulatory, administrative and facilitation functions. The organogram below illustrates the current functions of the Department.

Figure 4. Organogram of the Department of Industries, Commerce and Investment



The **Secretariat** has an Additional Secretary each heading Administration, Commerce and Investment and a WTO cell.

- The **Administration** section handles non-development functions such as appointments and transfers, litigation and new purchases. There is also a price monitoring function within the Administration department.
- The **Commerce and Investment** section handles the implementation and monitoring of the Annual Development Plan (ADP), trade and commerce matters such as Special Economic Zones, Quaid-e-Azam Apparel Park and trade related issues such as GSP+ monitoring.
- The **WTO cell** handles matters related to the Provincial implementation of Pakistan's agreements with the World Trade Organisation and the registration of geographic specialities (such as the Pakistani mango, citrus, basmati rice). They also manage foreign training programs for Government employees.

The following are separate **Attached Bodies**: the Punjab Consumer Protection Council, Punjab Printing and Stationary Press and the Directorate of Industries. The **Punjab Consumer Protection Council** investigates complaints originating from consumers, and the **Punjab Printing and Stationary Press** prints the stationary and sensitive documents for the Government.

The **Directorate of Industries** is responsible for

- registering firms and societies,
- issuing location clearance certificates,

- enforcing the establishment of industrial units in permitted areas,
- assisting with land acquisition,
- inspecting boilers,
- assisting the Administration section in monitoring prices,
- compiling a directory of industrial units and
- undertaking surveys of industrial units.

Within the Directorate of Industries is an Industrial Development wing and an Economic Analysis wing, which are under capacity. The Senior Economist is currently “on loan” to the Provincial Government. The Economic Analysis wing produces a summary of the survey, without subjecting it to detailed analysis. There is also a District Officer for Enterprise and Investment Promotion in each district, who is responsible for all district-level activities such as firm registrations and surveys, but not as such for actual promotion of enterprise and investment. On the regulation side too, there are severe capacity issues. For example, only a handful of under-qualified boiler inspectors for the entire province are present to undertake inspections of extremely technical equipment.

Serving as an **Autonomous Body**, *Punjab Small Industries Corporation (PSIC)* is responsible for the development of small and cottage industries, primarily through the development of industrial estates. These sectors are also supported through the provision of credit, though in the recent past this has been limited to loan recovery only. PSIC establishes industrial support centres and advisory services, and also undertakes census and surveys of small and cottage industries.

The initiatives that are currently being undertaken are not based on feasibility studies, and therefore the success rate is low. Examples include low colonisation of the industrial estates and Export Processing Zones, and projects that have a tendency to lose momentum before fruition. The World Bank has recently completed a review of PSIC, and has suggested that their functions be streamlined to reduce inefficiencies. The Department is currently evaluating these proposals.

There are also four **Companies** that are linked to the Department. The Secretary Industries sits on their Board of Directors and is the main point of contact of these companies with the Government:

- *Punjab Industrial Estates Development and Management Company (PIEDMC)* is currently developing and managing industrial estates across the province as a Section 42 company.
- *Faisalabad Industrial Estates Development and Management Company (FIEDMC)* is currently developing and managing two industrial estates in Faisalabad as a Section 42 company.
- *Punjab Board of Investment and Trade (PBIT)* is the trade and investment promotion agency of Punjab. It acts as a one window facilitator between Government departments / agencies and investors, and maintains a network of contacts with Pakistan trade missions and embassies to promote investment in Pakistan. It also currently

compiles feedback on the ease of doing business to communicate to relevant Government bodies and undertakes benchmarking exercises with organizations like the IFC and the World Bank on their investment policy framework. PBIT have recently played facilitating roles in several large foreign investments.<sup>10</sup> PBIT is a Section 42 company.

- **Quaid-e-Azam Apparel Park Pvt. Ltd.** is the Government-owned for-profit company that was formed very recently to develop the Quaid-e-Azam Apparel Park. The company is not yet operational and it remains to be seen if it will in fact be given full responsibility to develop the park.

## 7.1. Mapping of new growth-enhancing functions to Government agencies

The new functions proposed for the Department and its attached agencies can now be mapped onto the existing roles and organogram in line with their current functions. The table below summarises:

**Table 3. New growth-enhancing functions proposed for the Department**

Sr #	Function proposed	Undertaken by
1	Formation of an industrial policy that gives strategic direction and coordinates the efforts of various arms of Government	Directorate of Industries will provide secretariat support to a high level Government of Punjab committee to formulate Industrial Policy
2	Data and information on constraints faced by businesses, liaison between industry and Government agencies in order to address these constraints and assess industry requirements, as well as the provision of a licensing role	Directorate of Industries, PBIT
3	Provision of infrastructure, land and key services via industrial estates and special economic zones	PIEDMC, FIEDMC and PSIC
4	Assessing skills requirements, and enabling and providing skills training to labour	TEVTA, and other agencies as per Govt of Punjab's Skills Vision 2018 <sup>11</sup>
5	Research on improving and implementing quality standards	This function requires substantial enhancement in capacity of the Department
6	Investment Promotion	PBIT

<sup>10</sup> Examples include the joint venture between RUYI and Masood Textiles - an investment of USD 205 million, the first nutraceutical setup in Bhalwal with foreign funding of USD 5 million, and the initiation in setting up two 100 MW power plants at Quaid-e-Azam solar park.

<sup>11</sup> Skills Development is discussed in a separate sector plan, which the Government for Punjab has prepared

In addition, the Department seeks to pursue streamlining efforts to make the administrative roles function more efficiently. These are discussed in detail under the Policy Reforms section of this document.

The specific projects that each attached agency has planned for 2014-2018 to meet the targets are discussed below under separate sections for each sub-department or company. Skills Development is discussed in a separate sector plan, which the Government for Punjab has prepared.

## **8. Directorate of Industries**

### **8.1. Directorate: Programs and Projects to meet Growth targets (Expenditure Program)**

#### ***Developing the Punjab Industrial Zoning and Industrial Land Use Plan***

The Directorate will undertake industrial zoning and industrial land use planning in partnership with other Government agencies. This entails conducting a census of existing industries and mapping the collected data, existing infrastructure and current industrial clusters to create a picture of industrial land use. This will be used to prepare classification / reclassification maps. **Estimated cost for this Rs 50 million.**

#### ***Creating Industries Facilitation helpline and complaint redress system***

The Directorate seeks to create a helpline and complaint redress system where firms can report problems which can be systematically tracked over time at the proposed “Industries Helpline and Facilitation Centre”. The complaints received will be redressed by facilitation centers created at each District, and these complaints will remain on the agenda of a committee headed by the DCO to be redressed. This committee will have representation from various relevant Federal and Provincial agencies. Such a system will be able to provide regular stream of data about impediments being faced by firms in each District.

#### ***Improving Boiler Inspections***

Boiler inspections are an important function of the Directorate. The process will be made more efficient and transparent by creating an online boiler registration and inspection system to facilitate firms to file inspection requests online. In addition, the Directorate will maintain a computerised record of boiler inspections.

### **8.2. Policy Reforms to help achieve Economic Growth**

One of the functions of the Directorate of Industries is to compile a directory and undertake surveys of industrial units. We seek to extend this role to be a more substantial and interactive liaison function between industry and Government Departments. In addition, the Directorate will function as the secretariat for the formulation of an Industrial Policy for the Province.

#### ***Creating an Industrial Policy for Punjab***

The Department and its attached organizations are currently operating in the absence of an industrial policy. The kind of research and coordination required for such a strategic document is well beyond the capacity of an individual company or cell with the given distribution of responsibilities and skills. However the need for such a policy has been felt across the board.

Decisions by the PBIT on which sectors to target investors for are made on the basis of demands from the private sector or the Government. In 2008, less than 20% of FDI in Pakistan went to manufacturing, the continuation of a declining trend since 2004. FDI in manufacturing generates more benefits than in non-manufacturing because of economies of scale and technological spillovers<sup>12</sup>. However, the co-ordination of greater FDI in manufacturing has not occurred and should be a high priority.

Similarly, decisions by PSIC on where to locate industrial estates and economic zones, and what services should be offered are taken without demand assessment, which leads to a high failure rate. For example, Export Processing Zones were set up jointly with the Export Processing Zone Authority in Gujranwala and Sialkot, where firms could benefit from duty-free imports. However, many of these firms were not exclusively exporting firms, a requirement to benefit from the duty-free clause. Still others preferred to remain in the informal sector, as getting registered by the Government would later lead to administrative and taxation requirements. These zones are currently sparsely colonised and industry has requested that the zones be dismantled.

**The role of an Industrial Policy:** An industrial policy will define priority sectors for industrial development and export growth, particularly those that move up the value chain and diversify the current manufacturing offer. This would be also be useful in co-ordinating the efforts of various bodies that are required to work in sync with each other to achieve the objectives. For example, in the recent focus of readymade garments, there is a need to rationalise tariff structures so that textile inputs can be imported freely, there is a need to attract FDI in the sector, to ensure that uninterrupted energy is available, the physical infrastructure exists to accommodate the industrial units and the transport links exist to link the supply chain and also ensure that labour movement are facilitated, and that the conventions on which the GSP+ status is conditional are monitored and met. Ideally, these facilitations should be in place for all industrial initiatives, but given the severe shortages, it will be useful to prioritise certain sectors and create “model zones”. It will also be useful in planning for the provision of facilities to those industrial units outside these model zones, e.g. in the promotion of industrial corridors and clusters.

A policy document that identifies realistic sectors to promote, and the efforts required to promote them would assist all the Government agencies and Departments in performing a more effective function.

We would like to plan future projects for the Department on the basis of this industrial policy document.

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<sup>12</sup> Dan Biller and Ernesto Sanchez-Triana (2013), *op cit*.

**High powered committee to formulate Industrial Policy:** The Department proposes that a high level Government committee be notified to assist in the drafting of the Industrial Policy. This committee should have representation from relevant Government Departments and organizations, the private sector and economists and sector experts from academic or research institutions.

### **Interface between industry and Government Departments.**

An important function in the interface between industry and Government departments is to understand industry's needs and communicate them to the relevant planners: for example, the requirement for quantity and location of industrial land to Lahore Development Authority, other Development Authorities, the Urban Unit and others responsible for master planning and land use.

A second function is the identification of barriers to growth and advocacy with Government Departments to reduce them and improve the business climate. Details of these barriers and the policy recommendations that follow have been discussed in considerable detail in other reports.<sup>13</sup>

A third related function is to lobby for technical and regulatory support to assist firms in tapping into export markets and keeping local industry viable in the face of opening trade. This includes improvements in quality and certification labs in order to meet global technical standards (e.g. energy efficiency, sanitary and phyto-sanitary standards). This will require a more effective PSQCA, research and development funds and autonomous accreditation labs.

There is also an innovation fund planned by the Punjab Government that is intended to assist in funding private sector innovation initiatives. In addition to this, the management of effluents, the use of greener technology, and meeting labour standards are not just important in order to export, but also for the protection of human rights and the environment. These are cross-Departmental issues that require building awareness both at the industry and at the Government level.

### **Regular and Stronger Data Collection**

The Department already undertakes data collection through the Census of Manufacturing Industries and surveys of industrial units. However, census data is collected once every ten years, and the survey once every five years. The data collection exercise should be made both more extensive and more frequent - at least once every three years.

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<sup>13</sup> See for example: 1) Crown Agents for DFID (2010), "*Private Sector Development Strategy for the Punjab*"; 2) World Bank (June 2014), "*Aide Memoire: Punjab Jobs and Competitiveness Mission*"; and 3) Ernesto Sánchez-Triana, Dan Biller, Ijaz Nabi, Leonard Ortolano, Ghazal Dezfuli, Javaid Afzal and Santiago Enriquez (2014), *op cit*.



This will assist in the identification of the needs mentioned above, and will help monitor the business environment and any interventions that are undertaken, for example by providing data for Industrial Performance Indices, and for regional and sector performance indicators.

**In addition, this will allow the government to calculate and analyse provincial Gross Regional Product (GRP), which is currently estimated indirectly and also very infrequently.** In fact, the Government will seek to institutionalize the calculation of GRP.

In addition, a database on start-ups will be maintained and updated frequently for use by PBIT to link start-ups with investors.

**Developing the Punjab Industrial Zoning and Industrial Land Use Plan.** As mentioned above, the Directorate will play an interface role with other Government agencies to promote industrial development. One way it will do this, related to data gathering, is through Industrial Zoning and Industrial Land Use Planning in partnership with other Government agencies. This will entail conducting a comprehensive census of existing industries (going beyond the mandate of the CMI) and mapping the collected data, as well as existing infrastructure and current industrial clusters to create a picture of industrial land use. This will be used to prepare classification / reclassification maps and to finalize the Punjab Industrial Zoning and Industrial Land Use Plan. The Directorate of Industries will be responsible for enforcing this zoning and land use regime.

### ***Seeking amendment in the Land Acquisition Act***

The Directorate seeks to make amendments in the Land Acquisition Act to promote planned industrial development. Its proposed modifications include that in the future land acquisition facility be used only for prioritized sectors and prioritized locations; the land acquisition facility shall follow the Industrial Zoning and Land Use / Master Plans.

## **8.3. Institutional Strengthening and Capacity Enhancement**

We have proposed a greater role of the Directorate of Industries. This includes more extensive and more frequent data collection, and the processing of data that is being collected to use towards effective policy making. This will require in-house training and the engagement of specialist staff such as statisticians. In addition, there is a need for substantial technical assistance to develop the Punjab Industrial Policy document. This should be in the form of in-house training, and engagement of specialist staff such as economists and external advisers.

The Directorate feels that it needs to change its mindset to accommodate an industrial promotion role besides a regulatory one. It seeks the capacity development for creating District investment promotion centers.

## 8.4. Monitoring of Indicators for progress

Process	Outcome indicator for monitoring
Creation of Industrial Policy	Production of a policy document
Coordination between industry and departments	Improvement in cost of doing business indicators <sup>14</sup>
Data gathering	Dataset and analysis of 3 yearly census and survey data of firms
Industrial land use planning	Classification maps and documented review of existing industrial land use
Helpline and complaint redress system	Time-stamped tracked record of number of calls taken, and action taken for redress

## 8.5. Timeline of Actions

Program	Timeline
Industries Facilitation helpline, complaint tracking and redress system, and data analysis cell	2015
Creation of District Facilitation and Ranking Boards	2015
Modification of Land Acquisition Act	2015
Publishing data on Industrial Performance Indices, and regional and Sector performance indices on a quarterly basis	2015
Developing Punjab Industrial Zoning and Industrial Land Use Plan in collaboration with other Government agencies	2017
Creation of online boiler registration and inspection system, to facilitate firms to file inspection requests online.	2017
Computerized data of boiler engineers, to maintain record of passed candidates' computerized data.	2017

<sup>14</sup> This is a function of several factors, of which the role of the Department of Industries is a small part

## 9. Punjab Industrial Estates Development & Management Company (PIEDMC)

### 9.1. PIEDMC Programs and Projects to meet Growth targets (Expenditure Program)

PIEDMC has several industrial estates already in the pipeline. Amongst short-term projects, the development of industrial estates in Rahim Yar Khan, Bhalwal Vehari and the Quaid-e-Azam Solar Park have already been started. A further industrial estate project at Chunian is at the planning stage. Medium-term projects for industrial estates in Gujrat, Rawalpindi and Jhang are at the stage in which feasibilities have been completed. Feasibility study has also been completed for a longer-term project (for 2025) of a Special Economic Zone at Pind Dadan Khan. Eventually, it is planned to develop industrial estates in all districts of Punjab that have some industrial base. Table 3 summarizes the project details for new projects.

**Table 4. PIEDMC's Industrial Estates (planned)**

Name of Project	Size (acres)	Development Cost <sup>15</sup>	Funding	Expected value of commercial activities and employment generated <sup>16</sup>
Rahim Yar Khan Industrial Estate	450	Rs. 3.0 billion	Self Finance	Rs. 5 billion activity and 55,000 employment
Bhalwal Industrial Estate	400	Rs. 2.8 billion	Self Finance	Rs. 4.5 billion activity and 50,000 employment
Vehari Industrial Estate	200	Rs. 1.8 billion	Govt & PIEDMC	Rs. 2 billion activity and 25,000 employment
Quaid-e-Azam Solar Park	10,000	Rs. 6.0 billion	Government	
Chunian Industrial Estate	280	Rs. 2.2 billion	Govt & PIEDMC	Rs. 2.5 billion activity and 30,000 employment
Pind Dadan Khan Special Economic Zone	10,000	Rs. 10.0 billion	Govt & PIEDMC	Rs. 20 billion activity and 200,000 employment
Gujrat Industrial Estate	290	Rs. 2.0 billion	Govt & PIEDMC	Rs. 2.5 billion activity and 30,000 employment
Rawalpindi Industrial Estate	140	Rs. 1.5 billion	Self Finance	Rs. 2 billion activity and 25,000 employment
Jhang Industrial Estate	100	Rs. 1.2 billion	Self Finance	Rs. 1.5 billion activity and 20,000 employment
Quaid-e-Azam Apparel Park <sup>17</sup>	1,500			Rs. 15 billion activity

<sup>15</sup> Project cost does not include the cost of Combined Effluent Treatment Plants and Captive Power Plants.

<sup>16</sup> These figures are based on output and employment figures from manufacturing units at existing industrial estates if electricity becomes available. There is currently no commitment of energy from the relevant bodies. Expected value of commercial activity is estimated at around Rs. 10 million per acre, which varies for industrial estates.

In addition, we plan to move to full colonisation of the existing industrial estates by 2018. The table below compares revenue generated within the existing industrial estates at current and full colonisation rates.

**Table 5. PIEDMC’s Industrial Estates (current)**

Project	Area in Acres	No. Of Firms		Revenues (Rupees) <sup>18</sup>	
		Current	Fully colonized	Current	Fully colonized
Sundar Industrial Estate Lahore	1,800	350	765	7.6 billion	18.0 billion
Quaid-e-Azam Industrial Estate Lahore	1,500	565	565	5.6 billion	5.6 billion
Multan Industrial Estate (Phase-I)	743	574	574	5.7 billion	7.4 billion
Multan Industrial Estate (Phase-II)	667	23	349	0.9 billion	6.5 billion

## 9.2. PIEDMC Policy Reforms to help achieve Economic Growth

PIEDMC is currently developing and managing several industrial estates successfully. However, there are two avenues to capitalise on the capacity that has already been developed: improvements in the functioning of existing and planned industrial estates, and an expansion in coverage to develop industrial zones outside the industrial estates.

**Replicating PIEDMC and FIEDMC’s fast processing times:** PIEDMC and FIEDMC currently provide strong support to firms located within their industrial estates. The processes are highly streamlined, substantially reducing the time taken for firms to setup new businesses.

Table 8 and 9 below shows the number of days, on average, taken to provide certain services to firms located in PIEDMC and FIEDMC industrial estates respectively. These services take months outside PIEDMC and FIEDMC-managed estates.

<sup>17</sup> PIEDMC (with Nespak) has developed the master plan for Quaid-e-Azam Apparel Park, while Lahore Development Authority has developed the master plan for the surrounding settlements that will service this industrial estate. The responsibility for the development of the Apparel Park is still under consideration – as it may be the responsibility of PIEDMC or the new Government-owned company, namely Quaid-e-Azam Apparel Park Pvt. Ltd. However, since this firm is still in the inception stage, this data is from PIEDMC.

<sup>18</sup> These figures are based on output and employment figures from manufacturing units at existing industrial estates if electricity becomes available. There is currently no commitment of energy from the relevant bodies. Expected value of commercial activity is estimated at around Rs. 10 million per acre, which varies for industrial estates.

**Table 6. Average Number of days for PIEDMC to provide services**

<b>Process</b>	<b>Average number of days in PIEDMC estates<sup>19</sup></b>	<b>Number of firms this service provided to</b>
Allotment letter issued	7 days	25 firms
Water connection given	8 days	13 firms (all at Sundar)
Approval of map / drawing given	15 days	24 firms
Completion Certificate given	8 days	14 firms (all but one at Sundar)
Permanent electrical connection given	26 days	13 firms (all at Sundar)
Sale Deed executed	21 days	14 firms (all but one at Sundar)

**Table 7. Number of days for FIEDMC to provide services**

<b>Process</b>	<b>Number of days in FIEDMC estate<sup>20</sup></b>
Allotment of plot	1 day
Transfer of plot	3 days
Mortgage	1 day
Approval of maps	3 days
Provision of utility services	7 days

### **Improving functioning of existing and planned Industrial Estates**

The industrial estates can become “model areas” where the binding constraints to industry are simultaneously resolved e.g. by the provision of dedicated electricity, combined effluent treatment, bonded warehouse schemes and one window facilitations.

**Electricity** is the most important binding constraint, and the planned industrial estates currently have no energy commitment from LESCO. Without this, the physical infrastructure will be unproductive. The estates that are already up and running also experience shortages in both electricity and gas.

The Energy Department of Punjab has undertaken feasibility studies on the installation of 55 MW captive coal-fired power plants. These have been successful, and can be rolled out in any multiple of 55 MW. With this in mind, two 55 MW coal-fired captive power plants each are planned for Sundar Industrial Estate (PIEDMC) and M3 (FIEDMC). If these become operational, it should ease up the energy constraints faced by the units located inside the

<sup>19</sup> Data self-reported by FIEDMC and not independently verified.

<sup>20</sup> Data self-reported by FIEDMC and not independently verified.

estates.<sup>21</sup> The provision of captive power plants to the estates shall be a priority till the national energy shortage is resolved. At the moment, even the most short-term solution of these imported coal power plants will need at least 2.5 years to start producing energy.

**One window facilitation** will be expanded to cover all interactions with Government bodies (registration, utilities and permissions). Within the industrial estates, the cost of doing business will follow at least national best practice, if not better. This may be done via PBIT in the focal person scheme proposed under the policy reform section for PBIT. PIEDMC and FIEDMC will also, through the Industries Department, coordinate with Government bodies such as the **Punjab Employees Social Security Institution (PESSI), Employees Old Age Benefits Institution (EOBI), Punjab Labour Department** etc. so that these agencies get all relevant data and information from the Industrial Estate administration instead of individual firms located therein.

While **Combined Effluent Treatment Plants** have been planned for all operational industrial estates, there have been insufficient funds to construct and run them. There are already systems in place to collect all the effluent and channel it outside the industrial estate. But this system is extremely inadequate and the industries located in the estates mostly dump the effluent untreated. There is a need for Government support in the construction of the CETPs. The CETP status is outlined in the Annex.

**Greater Autonomy for Industrial Estates:** The Department will lobby for industrial estates to be given **greater autonomy**, for example by giving them exemption from the purview of Tehsil Municipal Administrations (TMAs) for construction permits, land conversion and other related matters. PIEDMC / FIEDMC should be authorized to implement construction bylaws as per international standards. Additionally, the Department will seek that PIEDMC / FIEDMC shall be authorised to allocate / transfer plots (as in the case of DHA) without the involvement of the Board of Revenue.

The Industrial Estate companies also seek licenses for electricity distribution from NEPRA. These licenses will allow them to properly distribute electricity to all firms located in the estates after purchasing it in bulk from the distribution companies.

**Implementing the Federal Special Economic Zone Act after incorporating Provincial needs:** SEZA is a Federal Government law to stimulate economic activity by declaring Special Economic Zones that are given tax benefits to promote exports. The Provincial government is under discussion with the Federal Government on this law and seeks to clear out its modalities.

### **Expanding to cover economic zones outside estates**

The Department seeks that the role of PIEDMC be expanded to the development of industrial zones where industrial clusters are located. These can be usefully connected to the seven 55 MW

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<sup>21</sup> These coal-fired captive power plants will require imported coal to be transported from Karachi, which in turn requires a good railway infrastructure. This will remain a critical challenge.

coal-fired power plants that are currently being planned for industrial clusters.<sup>22</sup> PIEDMC will be able to provide the same facilities in these industrial zones as those inside industrial estates.

### Coordination

There is a need for a Master Plan at the Provincial level to identify industrial zones and areas in each district, and to develop areas around industrial estates such as labour colonies and town planning. The Urban Unit is already preparing a framework for this within which Lahore Development Authority (LDA) will be preparing master plans. There is an additional need for greater communication and coordination in order to ensure that industrial development happens in a planned rather than an ad-hoc fashion. Currently industrial units are set up and then permissions are sought ex-post to convert the land to industrial use. This leads to haphazard and inefficient development.

### 9.3. PIEDMC Institutional Strengthening and Capacity Enhancement

In order to facilitate the one-window function that has been proposed and to implement full capacity utilisation with the broader range of facilities, PIEDMC and FIEDMC will require training on industrial estate / Cluster development, management, marketing and finance. In addition, it will require training in benchmarking, standardization and quality control. These companies also seek training for their staff on the successful management of industrial zones and special economic zones in other countries such as India and China.

### 9.4. PIEDMC Monitoring of Indicators for progress

Process	Outcome indicators for monitoring
Getting possession of the complete land	Registries of the Land
Development of an Industrial Estate	Infrastructural development of the land
Sale of Industrial / Commercial Plots	<ul style="list-style-type: none"> <li>▪ Number of Plots sold</li> <li>▪ Recovery of dues from sold plots</li> <li>▪ NOC / NEC issued for utility connections</li> <li>▪ Payment made against loan cash reserve</li> </ul>
Colonization of an Industrial Estate	Number of factories constructed
Handing over the powers to resident industrialists	70% or more colonization completed
One window facilitation	Data on ease of doing business within industrial estates e.g. Time-stamped tracked data on all applications to PIEDMC - from receipt of application to completion of request

<sup>22</sup> One each in Lahore, Sheikhpura, Gujranwala, Sialkot, Gujrat, Faisalabad and Multan. Information from Energy Department, Punjab, August 2014.

Process	Outcome indicators for monitoring
Effluent treatment	CETP plants onsite ( <i>lobbying effort</i> )
Uninterrupted power	Construction of the proposed energy plants ( <i>lobbying effort</i> )

## 9.5. PIEDMC Timeline of Actions

Program	Timeline
Rahim Yar Khan Industrial Estate	2015
Bhalwal Industrial Estate	2015
Vehari Industrial Estate	2016
Quaid-e-Azam Solar Park	2016
Chunian Industrial Estate	2017
Pind Dadan Khan Special Economic Zone	2017
Gujrat Industrial Estate	2018
Rawalpindi Industrial Estate	2018
Jhang Industrial Estate	2018



## 10. Faisalabad Industrial Estates Development & Management Company (FIEDMC)

### 10.1. FIEDMC Programs and Projects to meet Growth targets (Expenditure Program)

#### Short Term

- Completion of infrastructure development at Phase 1A and 1B of M-3 (Motorway 3) Industrial City, Faisalabad.

#### Medium Term

- Development of Faisalabad RUYI Textile Park (Foreign Direct Investment of USD 1.0 billion)
- Development of Vendor Industry (Foreign Direct Investment of US\$ 1.0 billion) with RUYI
- Development of Weaving City
- Development of coal-fired power plant facilities with high pressure steam in the Industrial Estate
- Development of Combined Effluent Treatment Plant (CETP)
- Development of Furniture City in collaboration with Furniture Pakistan
- Development of FIEDMC Expo Center in collaboration with TDAP
- Development of infrastructure Phase II of M-3 Industrial City
- Development of Pakistan's first dedicated Halal Industrial Park
- Development of FIEDMC Export Processing Zone / Special Economic Zone at M-3 Industrial City
- Coordination with TEVTA and other skill development agencies for revision in curriculum based on the demands of industry

Table 5 below summarises the key features of the proposed projects.

**Table 8. FIEDMC's projects (proposed)**

Name of Project	Size (acres)	Cost to Government (Rs.)	Funding	Commercial Activities	Expected employment generated <sup>23</sup>
Development of Faisalabad RUYI Textile Park	500	None	Self Finance. Foreign Investment of USD 1.0 billion	Electrical power for Industrial Estate High Pressure Steam as a by-product of power plant for industrial use	35,000

<sup>23</sup> These numbers are self-reported by FIEDMC.

Name of Project	Size (acres)	Cost to Government (Rs.)	Funding	Commercial Activities	Expected employment generated <sup>23</sup>
Development of Vendor Industry with RUYI	536	None	Self Finance. Foreign Investment of USD 1.0 billion	Development of vendor industry and supply chain with social compliances	50,000
Development of Weaving City	100	2.5 Billion	GoPb & FIEDMC	Sheds shall be provided ready for installation of machinery thereby saving capital cost on purchase of land & construction of building	80,000
Development of Furniture City	100		GoPb & FIEDMC	Common facilities such as wood seasoning & crafting plants, business incubation center etc.	25,000
Development of FIEDMC Expo Center	50	500 Million	FIEDMC & TDAP	Common facilities such as factory outlets, export product showcase, etc.	
Development of Infrastructure Phase 1-B of M-3 Industrial City	500	800 Million	GoPb (70%) & FIEDMC (30%)	Common high-quality industrial infrastructure	35,000
Development of Combined Effluent Treatment Plant (CETP)	70	3.0 Billion	GoPb	This common facility will reduce the cost of doing business	
Establishment of FIEDMC Export Processing Zone / Special Economic Zone at M-3 Industrial City	200		EPZA & FIEDMC		20,000

**Data gathering and Evaluation of Estates:** Both FIEDMC and PIEDMC will undertake efforts to improve data for firms in their industrial estates, especially focusing on employment and revenue. This will assist FIEDMC and PIEDMC to more accurately estimate the current employment trends and future employment potential in their estates. The data will also help them evaluate the performance of their estates.

**High foreign investment and self-reliant FIEDMC:** Overall, FIEDMC plans that these initiatives will bring USD 2.0 billion in Pakistan, and the full colonization of its industrial estates will end its dependence on the loan provided by the Punjab Government.

## 10.2. FIEDMC Policy Reforms to help achieve Economic Growth

Discussed above in the corresponding section on PIEDMC.

## 10.3. FIEDMC Institutional Strengthening and Capacity Enhancement

Discussed above in the corresponding section on PIEDMC.

## 10.4. FIEDMC Timeline of Actions

Program	Timeline
Foreign Direct Investment of US\$ 1.0 billion: Development and Establishment of Faisalabad Ruyi Textile Park.	2016
Foreign Direct Investment of US\$ 1.0 billion: Development of Vendor Industry with RUYI	2018
Establishment and Development of Weaving City	2017
Establishment and Development of Furniture City	2017
Establishment and Development of FIEDMC EXPO Center	2018
Development of Infrastructure Phase IB of M-3 Industrial City	2016
Establishment of FIEDMC Export Processing Zone	2018
Establishment and Development of Combined Effluent	2018

## **II. Punjab Board of Investment and Trade (PBIT)**

### **11.1. PBIT Programs and Projects to meet Growth targets (Expenditure Program)**

PBIT has ongoing investor outreach and trade promotion programs which include delegations, conferences, publications, workshops and facilitation of B2B meetings. These are funded out of the regular budget allocated to PBIT. Priority sectors for the 2014-18 include:

- Energy
- Agriculture
- Livestock and Dairy
- Garments and Textiles
- Housing and Infrastructure Development.

Planned programs for 2014-18 are:

#### ***Promotion of the identified sectors:***

- Hosting roundtables, business fairs and joint Expos with various global partners to showcase the investment potential of Pakistan, especially in the sectors above.
- Investment from Overseas Pakistani is also planned to be tapped into in specialized funds such as in Information Technology, automobile vending industry, medical equipment and services and hospitality and tourism.
- Organizing joint seminars and conferences with the relevant Departments for the sectors above on prospects and challenges, and developing projects for investment promotion in the relevant sector.
- Producing publications and marketing material for international and nationwide circulation to promote Punjab as a favourable destination for investments and trade.

#### ***Advisory Services***

- Providing trade and investment advisory services to foreign and domestic clients, which is a revenue generating activity.
- Developing an SME facilitation desk in collaboration with SMEDA.

#### ***Special Economic Zones***

- Organizing a roundtable conference for identification of geographical areas to be earmarked as Special Economic Zones (SEZ) in various parts of the province, keeping in view the availability of raw materials, manpower and the incidence of poverty.

- Developing dedicated promotional material for the Special Economic Zone Authority of Punjab (SEZAP) and its dissemination to domestic and international investors / developers.
- Holding seminars & workshops for the promotion of existing industrial estates as potential Special Economic Zones under the recently promulgated SEZ Act 2012.

### **GSP+ Status**

- Hosting regular workshops, conferences and seminars with regard to GSP+ status to Pakistan in collaboration with numerous stakeholders.
- Lobbying effort for the continuity of the GSP+ status to Pakistan to the visiting EU Ambassadors / delegates.

### **Investment Policy**

- Developing the “Punjab Investment Policy” in collaboration with International Finance Corporation (IFC) and the World Bank. This policy will focus on the following:
  - Simplifying investment procedures for entry, protection and incentives.
  - Removing barriers to FDI entry.
  - Reviewing legal and regulatory framework for investor protection.

## **11.2. PBIT Policy Reforms to help achieve Economic Growth**

### **One window facilitation**

PBIT already facilitates investors by following up on their applications with various Government agencies. However, the binding constraint here is the speed with which the Government agencies process each aspect of the application. It is suggested that to speed up this process extensively, a focal person be appointed at each Department / agency which is PBIT’s main contact for expediting applications. This focal person will have the role of removing obstructions and facilitating applications originating from PBIT on a first priority basis.

The system should also be computerised so that the status of the application is time-stamped at each stage. This tracked application system will help cut down processing time by flagging up those operations that are taking longer than necessary.

### **Punjab Investment Policy**

PBIT has already conducted preliminary research on the cost of doing business indicators, and it intends to work on identifying where the potential for improvement in the business climate exists. PBIT is discussing engagement with IFC on this issue. Given that a substantial level of detail already exists on the various Department processes that are leading to a poor business climate, this initiative can begin to move to the next stage – namely, lobbying with relevant

Government Departments to minimise the costs and time required for each stage of approvals / registrations.

### **Industrial Policy**

This strategic document proposed to be developed by the Industries Department will be useful in targeting investments in specific high-priority areas with export potential where a gap in investment currently exists (e.g. cold chain for fresh produce, readymade garments etc.). Details of this have already been discussed above. PBIT will help develop this strategy in conjunction with the Department as it has already made some headway in that direction.

### **Improved coordination function**

PBIT will assist in creating close coordination with relevant organizations of the Provincial and Federal Government in order to market projects locally and overseas. It facilitates investors by streamlining procedures and institutional processes through policy advocacy within the Government. Investors or traders experiencing difficulties in obtaining the correct documents and licenses contact PBIT which processes such queries.

PBIT highlights opportunities in priority sectors and showcase projects to potential investors. PBIT will also have strong coordination with Ministry of Commerce and TDAP.

### **Access to Pakistani missions abroad**

PBIT will institutionalize direct access to the commercial sections of Pakistani Missions in important countries including China, India, CIS, GCC, USA, Malaysia, UK and Turkey. The existing interface of PBIT with the Pakistan missions abroad is ad-hoc and there is a need of streamlining the communication channel between PBIT and missions abroad. In order to promote trade and investment by suitable matchmaking and identifying areas for possible collaboration, it is imperative to contact Commercial Counsellors of Pakistani missions.

Relevant documents such as investment guides, brochures, newsletters etc. will be shared with Commercial Counsellors so they may connect PBIT with relevant stakeholders in the other country for promoting trade and investment.

## **11.3. PBIT Institutional Strengthening and Capacity Enhancement**

PBIT is undertaking a detailed plan of marketing and trade promotion. It is planning for trade fairs and sharing delegations, and in order to perform key roles of an IPA (being a member of WAIPA), it is in the process of increasing the strength and capacity of its staff, hiring experts from the market. It also plans to train its staff in the following areas: aspects of international investment & trade framework by PITAD; trade in service; Pakistan's commitments in services

FTAs/PTAs etc; FDI enhancement; project management; WTO and international law and various others.

#### 11.4. PBIT Monitoring of Indicators for progress

Process	Outcome indicators for monitoring
Investor outreach	<ul style="list-style-type: none"> <li>• Number of conferences organized</li> <li>• Publications: investment guide, brochures, investment opportunities shared with Pakistani missions abroad ,</li> <li>• Number of investors being facilitated and the number of MOUs being signed.</li> </ul>
Enhancing FDI	<ul style="list-style-type: none"> <li>• Number of projects</li> <li>• Equity generated</li> <li>• Number of business forums being held</li> <li>• Period in which PBIT was able to respond to queries</li> </ul>
Trade promotion	<ul style="list-style-type: none"> <li>• Trade figures,</li> <li>• Number of delegations organized,</li> <li>• Trade Expo's being held (domestic and international),</li> <li>• Trade shows</li> </ul>
Ease of doing business	<ul style="list-style-type: none"> <li>• Punjab Investment policy approved and implemented, Special Economic Zones, tax exemptions etc.</li> <li>• District level data on the ease of doing business indicators</li> </ul>
Alternate dispute resolution	Provision of one-window facility [Settling disputes between investors and local businessmen]
Investment facilitation via focal person at Government departments	Increase in speed of approvals and registration as measured by time-stamped tracked application records

#### 11.1. PBIT Timeline of Actions

Program	Timeline
Asaish Meet and Greet Service	Continuous
Publication (Newsletter)	Annual
PBIT Desk at SCCI and FCCI	Continuous
Delegation Visits	Continuous
Publication ( Investment Guide)	Continuous from 2015
2 <sup>nd</sup> International Textile Conference	2014
Punjab Investment Policy Implementation (IFC)	2015
Workshops and Conferences on GSP+	2015

Program	Timeline
Roundtable Conference SEZA	2015
Joint Expo to Showcase Investment Opportunities	2015 and 2017
Punjab Business Fair	2016 and 2018
Knowledge Park	2016
Foot and Mouth Disease Vaccine Production Unit	2016



## 12. Special Focus on Garments in Punjab

There has been a concerted effort by the Punjab Government to create incentives for the private sector to invest in the higher value-added and labour intensive sectors such as garments and apparels, including the establishment of garments industry clusters.

This initiative has been borne out of policy research and extensive stakeholder engagement, most prominently by Naved Hamid and Ijaz Nabi (2013), and is an excellent example of research-based policy making.<sup>24</sup> Naved Hamid, Ijaz Nabi and Rafia Zafar (2014) describe this process, which creates an important precedent to follow for future policy making.<sup>25</sup> Garments will remain a priority, and the Government will continue to implement the policies suggested on the basis of this research, as described below.<sup>26</sup>

**Improving market access:** The government has engaged in a very considerable effort to attain the GSP+ status for Pakistan, which was accorded in December 2013 to improve access to European markets. It will require an ongoing effort to retain this status as it is conditional on regular monitoring of the implementation of the 27 international conventions on human rights, political rights, labour rights, environment, narcotics control and good governance.

**Skills development:** The Punjab Skills Development Fund (PSDF) has launched a Skills for Garments program with assistance from PRGMEA (Pakistan Readymade Garments Manufacturers and Exporters Association). In addition, the Government has created its Skills Vision 2018 which will be implemented by TEVTA (Technical Education and Vocational Training Authority), PVTC (Punjab Vocational Training Council), PSDF and other entities. For this, the reader is advised to consult the Skills Sector Plan 2018. PSDF has already started programs for training using a privately provided, government-financed model. This will be continued till the required skills needs are catered for.

**Customs facilitation:** Several initiatives, such as 24-7 customs clearance facilities for the garments industry and quick approvals for imports by the Input Output Coefficient Office (IOCO), have already been implemented. However, it remains a priority on the agenda to continue to simplify the import regime for garment exporters.

**Developing Garment Clusters, such as Quaid-e-Azam Apparel Park:** The development of industrial clusters and economic zones are important to ensure better provision of infrastructure and public goods, and to provide connectivity and access to markets. After the attainment of GSP+ status for the European Union market, the textile made-ups sector will require an

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<sup>24</sup> Ijaz Nabi and Naved Hamid (2013) “Garments as a Driver of Economic Growth: Insights from Pakistan Case Studies”, International Growth Center.

<sup>25</sup> Naved Hamid, Ijaz Nabi and Rafia Zafar (2014) “The Textiles and Garments Sector: Moving Up the Value Chain”, Lahore Journal of Economics 19: September 2014. Available at: <http://121.52.153.179/JOURNAL/Volume%2019,%20SE/contentsvol-19-se.htm>

<sup>26</sup> This section is based on Naved Hamid, Ijaz Nabi and Rafia Zafar (2014), *op cit*.

investment of USD 100 Million in working capital, machinery, land and building per year to avail this opportunity.

To facilitate this, the Government is helping develop a garment manufacturing cluster known as the **Quaid-e-Azam Apparel Park**. The Apparel Park industrial estate will be a critical step in achieving this. It will be colonised by both local and foreign garments manufacturers. 1500 acres have already been acquired near Sheikhpura, and it will house over 100 garment manufacturers and accessories suppliers. A financial plan for the estate is currently being drafted to outline the public investments required, including common facilities such as effluent water treatment plants, provision of clean drinking water, waste disposal, and power plants for uninterrupted energy to the estate. The management of the estate will be on the model of the Sundar Industrial Estate Management Board. The Government will also establish a Garments Centre of Excellence within the estate to provide skills training to labour. It will be a priority to expedite the setting up of the industrial park.

## **13. Commerce and Investment Cell**

### **13.1. Policy Reforms to help achieve Economic Growth**

The Commerce and Investment cell is envisaged to have the following new functions:

#### ***Enforcement of quality standards***

Industries across the spectrum suffer in the long run from poor enforcement of quality standards. Having poor quality control mechanisms and standards makes it difficult to export Pakistan's products, with firms seeking certifications from labs outside of Pakistan in order to meet international requirements for their export orders.

It also means that the domestic market is flooded with imported products of unregulated quality. This hurts consumers, who are unable to distinguish quality on many important products like pharmaceuticals and auto parts. It also means that the market falls into the lowest price/lowest quality product equilibrium which hurts Pakistani producers.

Developing and setting quality standards and testing laboratories is expensive and requires R&D which is usually coordinated nationally at the Federal level. However, enforcing standards and ensuring quality of manufactured products - domestically produced or imported - is an important role that the Provincial Government can perform.

We propose to commission a detailed review of global best practices in developing and enforcing standards, and the identification of gaps and recommendations for Pakistan. This would include recommendations of where the responsibility for enforcing standards should be, and what kind of incentive structures should be put in place to prevent this becoming an additional source of red-tape and corruption. At the moment, the Department of Industries is only overseeing the monitoring of boilers, and is not able to perform this function effectively. With the current level of capacity and incentives, it is unlikely that standards would be monitored more effectively in other products.

### **13.2. Institutional Strengthening and Capacity Enhancement**

There have been some new roles assigned to the Commerce and Investment wing under the proposed Sector Plan. While staff is physically present to undertake the additional responsibilities, they will require training to perform these new roles.

## 14. Punjab Small Industries Corporation (PSIC)

### 14.1. PSIC Programs and Projects to meet Growth targets (Expenditure Program)

Table 9. Proposed projects and programs of PSIC

Sr #	PSIC Function	Strategy	Project	Expected Expenditure
1	Establishing Small Industrial Estates	<ul style="list-style-type: none"> <li>9 new Small Industrial Estates with private sector funding</li> <li>Upgrading existing Small Industrial Estates and extending 2 ones</li> <li>Handing over management to newly formed Boards of Management</li> </ul>	<ul style="list-style-type: none"> <li>9 new Small Industrial Estates with private sector funding. Locations: Faisalabad, Gujranwala, Gujrat, Sialkot, Daska, Mandi Baha-ud-Din, Quaid Abad, Toba Tek Singh &amp; Multan</li> <li>Missing facilities and upgrading existing facilities, and extending 2 existing Small Industrial Estates. Locations: Faisalabad, Gujranwala I and II, Sialkot I, Bahawalpur, Khanewal, Sargodha, Daska and Mian Channu</li> </ul>	<ul style="list-style-type: none"> <li>Rs. 930 million through Govt of Punjab via ADP (2014 till 2018).</li> <li>Remaining investment via private sector. Department aims to channelize private sector investment of Rs. 7.3 Billion for this purpose.</li> </ul>
2	Credit and microfinance to small industries	Cluster based customized lending programs	<ul style="list-style-type: none"> <li>Clusters-based customized lending</li> <li>Pilot customized-lending program for small industries in Gujranwala District</li> <li>Financial assistance for up-scaling of loan beneficiaries of Chief Minister's Self-Employment Scheme</li> <li>Financial assistance for technically / vocationally</li> </ul>	Rs. 1.2 Billion through Govt of Punjab via ADP (2014 till 2018)

Sr #	PSIC Function	Strategy	Project	Expected Expenditure
			skilled youth and women	
3	Developing Handicrafts industry	<ul style="list-style-type: none"> <li>Promoting and developing handicrafts and artisans, including their skill development.</li> <li>Providing marketing platforms for handicrafts, to support their commercialization, through linkages with NGOs, fashion and art schools, and commercial operators such as retail outlets</li> </ul>	<ul style="list-style-type: none"> <li>Cluster-based Handicrafts Development Centers and upgrading existing ones. Locations: Multan, Bahawalnagar, Nankana Sahib, Faisalabad, Kharian, Sialkot, Bahawalpur &amp; DG Khan.</li> <li>Customized lending for handicrafts at clusters. Locations: Sillanwali, Multan, Chiniot, Lahore, Kasur, Bahawalpur, DG Khan, Gojra, T.T. Singh</li> <li>Upgrading existing Handicrafts shops and establishing new ones. Locations: Bahawalpur, Rawalpindi, Multan, Lahore, Murree, Sialkot, Faisalabad.</li> <li>Participation in exhibitions and fairs.</li> </ul>	Rs. 400 million through Govt of Punjab via ADP (2014 till 2018)
4	Census and Survey of small and cottage industries	Collection and dissemination of data for small & cottage industry in Punjab	Census and survey of small & cottage industry in Punjab in 2017 and after every 3 years.	Rs. 400 million through Govt of Punjab via ADP (for next round of survey)
5	Industrial Support centers	<ul style="list-style-type: none"> <li>Need assessment for various industrial clusters</li> <li>Providing support services at strategically located centres</li> <li>Developing production facilities as commercial operations, with eventual sale</li> </ul>	Creating and developing cluster-based common facility / service centers. Locations: Gujrat, Gujranwala, Wazirabad, Sialkot, Faisalabad.	Rs. 500 million through Govt of Punjab via ADP (2014 till 2018)
6	Advisory services	Providing advisory services through liaison with	Advisory services Small Estates in in Lahore, Gujranwala, Sialkot, Gujrat and Faisalabad. Tasks	Rs. 100 million through Govt of Punjab via ADP (2014 till 2018)

Sr #	PSIC Function	Strategy	Project	Expected Expenditure
		Chambers of Commerce and Industry	include hiring of 3 officers at each district, training of officers in liaison with Chambers and Govt institutions for business planning and relevant regulatory procedures.	

In addition to the above, PSIC and the Department of Industries, Commerce and Investment will review and evaluate the proposals submitted by the World Bank for reforming PSIC's operations.

## 14.2. PSIC Policy Reforms to help achieve Economic Growth

Table 10. Proposed Policy Reforms to be undertaken by PSIC

Sr #	PSIC Function	Proposed Policy Reforms	Proposed capacity enhancement measures
1	Establishing Small Industrial Estates	Handing over Small Industrial Estate management to local Board of Management after colonization is complete. PSIC to retain transfer of property and policymaking functions.	<ul style="list-style-type: none"> <li>• Need of additional HR such as Civil Engineers, town planners in the Directorate of Estate Management &amp; Works.</li> <li>• Implementation of MIS for industrial estates</li> </ul>
2	Credit and microfinance to small industries	Creating a revolving fund for cheap loans on succession basis to facilitate growth in small & cottage industry.	<ul style="list-style-type: none"> <li>• Upgrading of payment / loan recovery processing system within the Directorate of Credit &amp; Marketing</li> <li>• Detailed study to determine the HR needs, capacity building and hiring.</li> </ul>
3	Developing Handicrafts industry	Developing an integrated approach for sustainable development and growth of this sector under the umbrella of creative industry and cultural economy, by facilitating linkages with commercial operators and art colleges.	<ul style="list-style-type: none"> <li>• Recruitment and capacity building of Designers, Marketing officers in Directorate of Handicrafts &amp; Design</li> </ul>
4	Census and Survey of small and cottage industries	Conducting Census & surveys of small and cottage industry in Punjab after every 3-5 years.	<ul style="list-style-type: none"> <li>• Census &amp; Survey 2011-13 have been completed. Either a separate cell for this purpose, or outsourcing to Punjab Bureau of Statistics</li> </ul>
5	Industrial Support centers	Introduction of new technology, process improvements to facilitate innovation and efficiency	<ul style="list-style-type: none"> <li>• Separate cell / Directorate for this purpose. Qualified human resource will be hired from market.</li> </ul>
6	Advisory services	Establishing small business advisory services and Incubation Centers for promotion and development of small industries.	<ul style="list-style-type: none"> <li>• 15 officers to be hired for providing advisory services.</li> <li>• Funds required for training, capacity building and office equipment for incubation centers.</li> </ul>





### **14.2.1. Review and Evaluation of World Bank proposals for PSIC reform:**

The Government will also review and evaluate proposals submitted by the World Bank for reforming PSIC's operations. These proposals propose a restructuring of PSIC along the lines of PIEDMC, and heavily curtailing its current functions. The proposed reforms restrict PSIC's role to the following: facilitating access to land, facilitating clusters and advisory services, and policy advocacy. A summary of these proposed reforms for PSIC is provided below:

#### **Small Industrial Estates**

- Rehabilitation of existing industrial estates
- Conversion of PISC Estates to Condominium Titles
- Transfer of plot titles to tenants
- Formation of Estates Owners Association for each estate
- Transfer of Title of estate common property to each unit holder
- Establishing Boards of Management at industrial estates and the removal of PSIC from management responsibilities

#### **Credit**

- Withdrawing from lending operations and focus on loan recovery only

#### **Census and survey of Small and Cottage Industries**

- Handing over census activity to Punjab Bureau of Statistics

#### **Advisory Services**

- Facilitate advisory services within the physical and institutional infrastructure that already exists, but not actually provide the advisory services itself.

#### **Policy Advocacy**

- Since small and cottage industries cannot access policymakers as directly as larger industries, an important role for PSIC is in making sure that their concerns are heard and pushed for in Government agencies.

#### **Financial changes**

- Plot by plot assessment of reasons for under-utilisation of each PSIC Small Industrial Estate
- Valuation of PSIC Estates assets
- Realisation of dormant assets within existing estates

### 14.3. PSIC Monitoring of Indicators for progress

Sr #	PSIC Function	Measureable indicator
1	Establishing Small Industrial Estates	<ul style="list-style-type: none"> <li>▪ No. of IEs developed and declared completed (after providing basic infrastructure)</li> <li>▪ No. of Plots developed</li> <li>▪ No. of Plots allotted</li> <li>▪ No. of units operational on allotted plots</li> <li>▪ No. of Units under completion</li> <li>▪ No. of vacant plots</li> </ul>
2	Credit and microfinance to small industries	<ul style="list-style-type: none"> <li>▪ No. of loan disbursed to manufacturers / entrepreneurs</li> <li>▪ Geographic Spread covered</li> <li>▪ No. of units established</li> <li>▪ Recovery status</li> <li>▪ Rate of default</li> </ul>
3	Developing Handicrafts industry	<ul style="list-style-type: none"> <li>▪ No. of marketing platforms through establishing shops</li> <li>▪ No. of exhibitions conducted for promotion of crafts and artisans</li> <li>▪ Frequency of participation in exhibitions</li> <li>▪ Preparation of artisans/crafts workers directory</li> <li>▪ No. of artisans trained</li> </ul>
4	Developing a directory of small and cottage industries	Census and Survey of small and cottage industries
5	Industrial Support centers	<ul style="list-style-type: none"> <li>▪ No. of clusters identified and developed</li> <li>▪ No. of cluster development centres handed over to private sector</li> </ul>
6	Advisory services	<ul style="list-style-type: none"> <li>▪ Services provided to existing and potential industrialists</li> <li>▪ No. of individuals/ units served</li> </ul>

### 14.4. PSIC Timeline of Actions

Timeline for PSIC activities has already been provided in Section 14.1 when discussing programs and projects for PSIC. (See Table 9)

## **15. Punjab Consumer Protection Council**

### **15.1. Programs and Projects to meet Growth targets (Expenditure Program)**

The establishment of consumer protection courts, pending feasibility study, in Mandi Bahauddin, Layyah, Muzafargarrh, Mianwali, Bahawalnagar and Rahim Yar Khan.

## 16. Annex: Combined Effluent Treatment Plant Status

### 16.1. PIEDMC

CETPs	Area Reserved	Estimated Cost (Rupees)	Effluent Flow Rate	Funding
Sundar Industrial Estate Lahore	19.3 acres	1.82 billion	22.9 Cusec	Under discussion with foreign donors and GoPb
Quaid e Azam Industrial Estate Lahore	9 acres 9 kanals	3.02 billion	24.5 Cusec	Under discussion with foreign donors and GoPb
Multan Industrial Estate Phase I & II	12 acres	2.56 billion	12.4 cusec at Disposal Station 3.3 Cusec at MIE Phase-I drain	Under discussion with foreign donors and GoPb

### 16.2. FIEDMC

CETPs	Area Reserved	Estimated Cost (Rupees)	Effluent Flow Rate	Funding
M-3 Industrial City, Sahianwala Interchange, Faisalabad	70 acres	3.0 Billion	80 mgd	GoPb / Donor Agencies